

## V. METHODS FOR ELIMINATION OF DOUBLE TAXATION

### ARTICLE 23

#### Elimination of Double Taxation

1. In the case of Canada, double taxation shall be avoided as follows:
  - (a) subject to the existing provisions of the law of Canada regarding the deduction from tax payable in Canada of tax paid in a territory outside Canada and to any subsequent modification of those provisions -- which shall not affect the general principle hereof -- and unless a greater deduction or relief is provided under the laws of Canada, tax payable in Croatia on profits, income or gains arising in Croatia shall be deducted from any Canadian tax payable in respect of such profits, income or gains;
  - (b) subject to the existing provisions of the law of Canada regarding the taxation of income from a foreign affiliate and to any subsequent modification of those provisions -- which shall not affect the general principle hereof -- for the purpose of computing Canadian tax, a company which is a resident of Canada shall be allowed to deduct in computing its taxable income any dividend received by it out of the exempt surplus of a foreign affiliate which is a resident of Croatia;
  - (c) where in accordance with any provision of the Agreement income derived or capital owned by a resident of Canada is exempt from tax in Canada, Canada may nevertheless, in calculating the amount of tax on other income or capital, take into account the exempted income or capital.

The terms "foreign affiliate" and "exempt surplus" shall have the meaning which they have under the Income Tax Act of Canada.

2. In the case of a resident of Croatia, double taxation shall be avoided as follows:
  - (a) where a resident of Croatia derives income or owns capital which, in accordance with the provisions of this Agreement, may be taxed in Canada, Croatia shall allow:
    - (i) as a deduction from the tax on the income of that resident, an amount equal to the income tax paid in Canada;
    - (ii) as a deduction from the tax on the capital of that resident, an amount equal to the capital tax paid in Canada.

Such deduction in either case shall not, however, exceed that part of the income tax or capital tax, as computed before the deduction is given, which is attributable, as the case may be, to the income or the capital which may be taxed in Canada.

- (b) Where in accordance with any provision of the Agreement income derived or capital owned by a resident of Croatia is exempt from tax in Croatia, Croatia may nevertheless, in calculating the amount of tax on the remaining income or capital of such resident, take into account the exempted income or capital.