

apply if the owner of the dividends, being a resident of Canada, has in the United Kingdom a permanent establishment and the holding giving rise to the dividends is effectively connected with a trade carried on through such permanent establishment and, in the case of a company, the trade is such that a profit on the sale of the holding would be a trading receipt.

(7) The provisions of paragraphs (3) and (4) of this Article shall not apply if the owner of the dividends, being a resident of the United Kingdom has in Canada a permanent establishment and the holding giving rise to the dividends is effectively connected with a business carried on through such permanent establishment and, in the case of a company, the business is such that a profit on the sale of the holding would be included in computing its income.

(8) Where a company which is a resident of one of the territories derives profits or income from sources within the other territory, the Government of that other territory shall not impose any form of taxation on dividends paid by the company to persons not resident in that other territory, or any tax in the nature of an undistributed profits tax on undistributed profits of the company, by reason of the fact that those dividends or undistributed profits represent, in whole or in part, profits or income so derived.

(9) (a) If a resident of Canada does not bear Canadian tax on dividends derived from a company which is a resident of the United Kingdom and owns 10 per cent. or more of the class of shares in respect of which the dividends are paid, then neither paragraphs (1) or (2) shall apply to the dividends to the extent that they can have been paid only out of profits which the company paying the dividends earned or other income which it received in a period ending twelve months or more before the relevant date. For the purposes of this sub-paragraph the term "relevant date" means the date on which the beneficial owner of the dividends became the owner of 10 per cent. or more of the class of shares referred to above;

(b) where a company which has been incorporated in Canada after the coming into force of this Agreement has its place of effective management in the United Kingdom, paragraph (8) shall not apply to dividends paid by that company;

(c) this paragraph shall not apply if in the case of sub-paragraph (a) the shares were acquired, or in the case of sub-paragraph (b) the choice of the place of effective management was made for bona fide commercial reasons and not primarily for the purpose of securing the benefit of this Article.

ARTICLE 10

(1) The United Kingdom tax on interest (on bonds, securities, debentures, or on any other form of indebtedness) derived and beneficially owned by a resident of Canada shall not exceed 15 per cent. of the gross amount of the interest.

(2) The Canadian tax on interest (on bonds, securities, debentures, or on any other form of indebtedness) derived and beneficially owned by a resident of the United Kingdom shall not exceed 15 per cent. of the gross amount of the interest.

(3) Paragraphs (1) and (2) of this Article shall not apply if the recipient of the interest, being a resident of one of the territories, has in the other territory a permanent establishment and the indebtedness giving rise to the interest is effectively connected with a trade or business carried on through that permanent establishment.