

4. All other elements of capital of a resident of a Contracting State shall be taxable only in that State.

#### 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 Iceland on profits, income or gains arising in Iceland shall be deducted from any Canadian tax payable in respect of such profits, income or gains;
  - (b) where a resident of Iceland derives a gain, referred to in paragraph 7 of Article 13, which may be taxed in Canada, Canada shall, 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 - allow as a deduction from any tax payable by that person in respect of such gain, an amount equal to the tax paid in Iceland on that gain;
  - (c) 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 Iceland;
  - (d) where in accordance with any provision of the Convention 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.
2. In the case of Iceland, double taxation shall be avoided as follows:
  - (a) where a resident of Iceland derives income or owns capital which, in accordance with the provisions of the Convention, may be taxed in Canada, Iceland shall, subject to the provisions of subparagraphs (b) and (c), exempt such income or capital from tax;