

IV. TAXATION OF CAPITAL

ARTICLE XXI

1. Capital represented by immovable property may be taxed in the Contracting State in which such property is situated.
2. Capital represented by movable property forming part of the business property of a permanent establishment of an enterprise, or by movable property pertaining to a fixed base used for the performance of professional services, may be taxed in the Contracting State in which the permanent establishment or fixed base is situated.
3. Ships and aircraft operated by an enterprise of a Contracting State in international traffic and movable property pertaining to the operation of such ships and aircraft, shall be taxable only in that State.
4. All other elements of capital of a resident of a Contracting State shall be taxable only in that State.

V. METHODS FOR PREVENTION OF DOUBLE TAXATION

ARTICLE XXII

1. In the case of Canada, double taxation shall be avoided as follows:

- (a) Subject to the existing conditions of application 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 conditions which shall not affect the principle laid down in this subparagraph and unless a greater deduction or relief is provided under the laws of Canada, Moroccan tax payable under the tax laws of Morocco and in accordance with this Convention on profits, income or gains arising in Morocco is fully deducted from the amount of any Canadian tax payable in respect of such profits, income or gains.
- (b) Subject to the existing conditions of application of the law of Canada regarding the determination of the exempt surplus of a foreign affiliate and to any subsequent modification of those conditions which shall not affect the 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 Morocco.

2. In the case of residents of Morocco, double taxation shall be avoided as follows:

- (a) Where a resident of Morocco derives income not covered by subparagraph (b) below and which may be taxed in Canada in accordance with the provisions of this Convention, Morocco shall exempt such income from tax but may in