

## PROTOCOL OF UNDERSTANDING

**TO THE CONVENTION BETWEEN CANADA AND ITALY FOR THE AVOIDANCE OF DOUBLE TAXATION WITH RESPECT TO TAXES ON INCOME AND FOR THE PREVENTION OF FISCAL EVASION**

At the moment of signing the Convention this day concluded between Canada and Italy for the avoidance of double taxation with respect to taxes on income and for the prevention of fiscal evasion, the undersigned plenipotentiaries have agreed upon the following additional provisions which shall be an integral part of the Convention.

It is understood that

- (a) with reference to subparagraph (d) of paragraph 1 of Article III, the term "person" includes in the case of Canada a partnership, an estate and a trust;
- (b) with reference to paragraph 3 of Article IV, the compromise solution adopted reflects the common desire of both Contracting States to prevent fiscal evasion;
- (c) with reference to Articles V and VIII, ferry-boats, deep-sea ferry boats or other vessels devoted principally to the transportation of passengers or goods exclusively between places in a Contracting State shall, when so operated, not be considered to be operated in international traffic; it is further agreed that the landing site or sites situated in the Contracting State and used regularly in such operation by such boats or vessels shall constitute a permanent establishment in that State of the enterprise operating such boats or vessels;
- (d) with reference to paragraph 1 of Article VII, where an enterprise of a Contracting State which has carried on business in the other Contracting State through a permanent establishment situated therein, receives, after it has ceased to carry on business as aforesaid, profits attributable to that permanent establishment, such profits may be taxed in that other State in accordance with the principles laid down in Article VII;
- (e) with reference to paragraph 3 of Article VII, the term "expenses which are incurred for the purposes of the permanent establishment" means those deductible expenses directly relating to the business of the permanent establishment;
- (f) the provisions of paragraphs 1 and 2 of Article XIII shall also apply to profit from the alienation of property referred to therein;
- (g) with reference to Article XIII, the inclusion of the provisions contained in paragraph 3 of the said Article arises from extensive possibilities of abuses in connection with investment in immovable property in a Contracting State by non-residents and takes into account the fact that one of the Contracting States has ascertained the existence of actual cases of fiscal evasion in this area;