

and paid to a resident of the other Contracting State who is subject to tax therein in respect thereof shall be taxable only in that other State.

This provision shall apply to royalties

- (a) paid to a resident of France in respect of French films which meet the requirements of Article 13 of Decree 59-1512 dated December 30, 1959 and which are included in the list of films referred to in Article 2 of Decree 71-46 dated January 6, 1971 which is used by the Art and Experimental Motion Picture Theatre Classification Board (Commission de classement des théâtres cinématographiques d'art et d'essai) provided for in Article 4 of Decree 71-46;
- (b) paid to a resident of Canada in respect of films wholly or principally directed and produced in Canada and which are included in the list of films prepared by the Committee of the Bureau of Film Festivals established under Order-in-Council P.C. 1968-400 dated February 29, 1968.

5. The term "royalties" as used in this Article means payments of any kind received as a consideration for the use of, or the right to use, any copyright of literary, artistic or scientific work including motion picture films, any patent, trademark, design or model, plan, secret formula or process, or for the use of, or the right to use, industrial, commercial or scientific equipment, or for information concerning industrial, commercial or scientific experience.

6. The provisions of paragraphs 2, 3 and 4 shall not apply if the recipient of the royalties, being a resident of a Contracting State, carries on in the other Contracting State in which the royalties arise a trade or business through a permanent establishment situated therein, or performs in that other State professional services from a fixed base situated therein, and the right or property in respect of which the royalties are paid is effectively connected with such permanent establishment or fixed base. In such a case, the provisions of Article VII or Article XIV, as the case may be, shall apply.

7. Royalties shall be deemed to arise in a Contracting State when the payer is that State itself, a political subdivision, a local authority or a resident of that State. Where, however, the person paying the royalties, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment or fixed base in connection with which the obligation to pay the royalties was incurred, and those royalties are borne by that permanent establishment or fixed base, then such royalties shall be deemed to arise in the Contracting State in which the permanent establishment or fixed base is situated.

8. Where, owing to a special relationship between the payer and the recipient or between both of them and some other person, the amount of the royalties paid, having regard to the use, right or information for which they are paid, exceeds the amount which would have been agreed upon by the payer and the recipient in the absence