

- (c) such financial public institution of Indonesia as is specified and agreed in letters exchanged between the competent authorities of the two Contracting States; or
- (d) an enterprise of Indonesia on loans or credits granted with the participation of a financing public institution of Indonesia with the approval of the competent authority of Canada.

8. Notwithstanding the provisions of paragraph 2, interest arising in Indonesia shall be taxable only in Canada if it is paid to:

- (a) the government of Canada or of a political subdivision thereof;
- (b) a statutory body of the government of Canada performing functions of a governmental nature;
- (c) the Export Development Corporation; or
- (d) an enterprise of Canada on loans or credits granted with the participation of the Export Development Corporation with the consent of the Minister in charge of financial affairs or of planning in Indonesia, in connection with the sale of any industrial or scientific equipment or with the survey, the installation or the supply of industrial or scientific premises or of public works.

## ARTICLE 12

### *Royalties*

1. Royalties arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State.

2. However, such royalties may be taxed in the Contracting State in which they arise, and according to the law of that State; but the tax so charged shall, provided that the royalties are taxable in the other Contracting State, not exceed 15 per cent of the gross amount of the royalties.

3. 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 cinematograph 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.

4. The provisions of paragraph 2 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 7 or Article 14, as the case may be, shall apply.