

- (b) The term "industrial undertaking" as used in this Article means an undertaking engaged in
- (i) the manufacture of goods or materials or the subjecting of goods or materials to any process which results in substantially changing their original condition;
 - (ii) ship-building;
 - (iii) electricity, hydraulic power, gas and water supply;
 - (iv) mining including working of an oil-well or the source of any mineral deposit; and
 - (v) any other undertaking, which may be declared by the competent authority to be an industrial undertaking for the purposes of this Article.

5. The provisions of paragraphs 2 and 3 shall not apply if the recipient of the dividends, being a resident of a Contracting State, has in the other Contracting State, of which the company paying the dividends is a resident, a permanent establishment or a fixed base with which the holding by virtue of which the dividends are paid is effectively connected. In such a case, the provisions of Article VII or Article XIV shall apply.

6. Where a company is a resident of a Contracting State, the other Contracting State may not impose any tax on the dividends paid by the company to persons who are not residents of that other State, or subject the company to a tax on undistributed profits, even if the dividends paid or the undistributed profits consist wholly or partly of profits or income arising in such other State. The provisions of this paragraph shall not prevent that other State from taxing dividends relating to a holding which is effectively connected with a permanent establishment or a fixed base operated in that other State by a person who is not a resident of that other State.

7. The provisions of this Article shall not affect the taxation of the company on the profits out of which the dividends are paid.

ARTICLE XI

Interest

1. The rate of Pakistan tax on interest paid by a resident of Pakistan to a resident of Canada who is subject to tax in respect thereof shall not exceed 25 per cent of the gross amount of the interest.

2. The rate of Canadian tax on interest paid by a resident of Canada to a resident of Pakistan who is subject to tax in respect thereof shall not exceed 15 per cent of the gross amount of the interest.

3. The term "interest" as used in this Article means income from debt-claims of every kind, whether or not secured by mortgage, and