IV. METHODS FOR ELIMINATION OF DOUBLE TAXATION

ARTICLE 21

Elimination of Double Taxation

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

   (a) subject to the existing provisions of the laws 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 provisions – which shall not affect the general principle of those provisions – and unless a greater deduction or relief is provided under the laws of Canada, tax payable in Israel on profits, income or gains arising in Israel shall be deducted from any Canadian tax payable in respect of such profits, income or gains;

   (b) subject to the existing provisions of the laws of Canada regarding the allowance as a credit against Canadian tax of tax payable in a territory outside Canada and to any subsequent modification of those provisions –which shall not affect the general principle hereof – where a company which is a resident of Israel pays a dividend to a company which is a resident of Canada and which controls directly or indirectly at least 10 per cent of the voting power in the first-mentioned company, the credit shall take into account the tax payable in Israel by that first-mentioned company in respect of the profits out of which such dividend is paid; and

   (c) where, in accordance with any provision of this Convention, income derived by a resident of Canada is exempt from tax in Canada, Canada may nevertheless, in calculating the amount of tax on other income, take into account the exempted income.

2. In the case of Israel double taxation shall be avoided as follows:

   (a) where a resident of Israel derives income which, in accordance with the provisions of this Convention, may be taxed in Canada, Israel shall (subject to the laws of Israel regarding the allowance of a credit of foreign taxes, which shall not affect the general principle contained in this paragraph) allow as a deduction from the tax on the income of that resident, an amount equal to the tax paid in Canada;

   (b) subject to the existing provisions of the laws of Israel regarding the allowance as a credit against Israeli tax of tax payable in a territory outside Israel and to any subsequent modification of those provisions – which shall not affect the general principle hereof – where a company which is a resident of Canada pays a dividend to a company which is a resident of Israel and which controls directly or indirectly at least 25 per cent of the means of control in the first-mentioned company, the credit shall take into account the tax payable in Canada by that first-mentioned company in respect of the profits out of which such dividend is paid; and