

respect of which the income is paid is effectively connected with:

- (a) such permanent establishment or fixed base; or
- (b) business activities referred to under subparagraph (c) of paragraph 1 of Article 7.

In such case the provisions of Article 7 or Article 14, as the case may be, shall apply.

3. Notwithstanding the provisions of paragraphs 1 and 2, items of income of a resident of a Contracting State not dealt with in the foregoing Articles of this Agreement and arising in the other Contracting State may also be taxed in that other State.

ARTICLE 22

Source of Income

1. Income derived by a resident of a Contracting State which, under any one or more of Articles 6 to 8 and Articles 10 to 18 may be taxed in the other Contracting State shall, for the purposes of Article 23, be deemed to be income from sources in that other Contracting State.
2. Income derived by a resident of Canada which, under any one or more of Articles 6 to 8 and Articles 10 to 18, may be taxed in Papua New Guinea may be deemed, for the purposes of the Papua New Guinea income tax law, to be income from sources in Papua New Guinea.

CHAPTER IV

METHODS OF ELIMINATION OF DOUBLE TAXATION

ARTICLE 23

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 law 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 hereof -- and unless a greater deduction or relief is provided under the laws of Canada, tax payable in Papua New Guinea in accordance with this Agreement, on profits, income or gains arising from sources in Papua New Guinea shall be deducted from any Canadian tax payable in respect of such profits, income or gains.