

V. METHODS FOR PREVENTION OF DOUBLE TAXATION**ARTICLE XXII***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 Tunisia on profits, income or gains arising in Tunisia shall be deducted from any Canadian tax payable in respect of such profits, income or gains.
- (b) Subject to the existing provisions of the law of Canada regarding the determination of the exempt surplus of a foreign affiliate and to any subsequent modification of those provisions (which shall not affect the general principle hereof) for the purpose of computing Canadian tax, a company resident in Canada shall be allowed to deduct in computing its taxable income any dividend received by it out of the exempt surplus of a foreign affiliate resident in Tunisia.

2. In the case of Tunisia, where a resident derives income which, in accordance with the provisions of this Convention, may be taxed in Canada, Tunisia shall deduct from its tax on income of such resident an amount equal to the tax paid in Canada. The deduction shall not, however, exceed that part of the tax on income as computed before the deduction is given, which is appropriate to the income which may be taxed in Canada.

3. For the purposes of paragraph 1(a), tax payable in Tunisia by a company which is a resident of Canada

- (a) in respect of profits attributable to a trade or business carried on by it in Tunisia, or
- (b) in respect of dividends or interest received by it from a company which is a resident of Tunisia,

shall be deemed to include any amount which would have been payable as Tunisian tax for any year but for an exemption from, or reduction of, tax granted for that year or any part thereof under—

- (c) any of the following provisions, that is to say:
 - Decree of September 19, 1946, on Letters Patent;
 - Law 62-75 of December 31, 1962, on Fiscal Arrangements in favour of Profits or Reinvestments;
 - Decree of September 2, 1966, concerning Touristic Investments;
 - Law 68-3 of March 8, 1968, for the Encouragement of Investments in South-Tunisia;
 - Law 69-35 of June 26, 1969 on the Investment Code;