

2. Interest shall be deemed to arise in one of the Contracting States when the payer is that Contracting State itself, a political subdivision, a local authority or a resident of that Contracting State. Where, however, the person paying the interest, whether he is a resident of one of the Contracting States or not, has in one of the Contracting States a permanent establishment in connection with which the indebtedness on which the interest is paid was incurred, and such interest is borne by such permanent establishment, then such interest shall be deemed to arise in the Contracting State in which the permanent establishment is situated.

3. In this Article the term "interest" means interest on bonds, securities, notes, debentures or any other form of indebtedness as well as any excess of the amount repaid in respect of any form of indebtedness over the amount lent.

#### ARTICLE VIII.

1. The rate of tax imposed by one of the Contracting States on royalties arising in that Contracting State and paid to a resident of the other Contracting State shall not exceed 15 per cent, unless such royalties are attributable to a permanent establishment situated in the first-mentioned Contracting State.

2. In this Article the term "royalties" means payments of any kind received as consideration for the use of, or the right to use, any copyright of literary, artistic or scientific work including motion picture films and films or video tapes for use in connection with television, any patent, trade mark, 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.

3. Royalties shall be deemed to arise in the Contracting State in which the property referred to in paragraph 2 is to be used.

4. The rate of tax imposed by one of the Contracting States in respect of income arising in that Contracting State from the sale of any copyright of literary, artistic or scientific work including motion picture films and films or video tapes for use in connection with television, any patent, trade mark, design or model plan, secret formula or process by a resident of the other Contracting State shall not exceed 15 per cent of the gross amount paid therefor, unless such income is attributable to a permanent establishment situated in the first-mentioned Contracting State.

5. Income from the sale of property referred to in paragraph 4 shall be deemed to arise in the Contracting State in which such property is to be used.

#### ARTICLE IX.

1. Salaries, wages or similar remuneration paid by the Government of Japan or by any local authority of Japan to any individual for services rendered to that Government or local authority in the discharge of governmental functions shall be exempt from Canadian tax if the individual is a national of Japan and has not been admitted to Canada for permanent residence therein.

2. Salaries, wages or similar remuneration paid by the Government of Canada or by any political subdivision of Canada to any individual for services rendered to that Government or political subdivision in the discharge of governmental functions shall be exempt from Japanese tax if the individual is a citizen of Canada and has not been admitted to Japan for permanent residence therein.