

- (c) interest arising in Israel and paid to a resident of Canada shall be taxable only in Canada if it is paid in respect of a loan made, guaranteed or insured by Export Development Canada and the beneficial owner of the interest is dealing at arm's length with the payer;
- (d) interest arising in Canada and paid to a resident of Israel shall be taxable only in Israel if it is paid in respect of a loan made, guaranteed or insured by ASHRA - The Israel Export Insurance Corporation Ltd. and the beneficial owner of the interest is dealing at arm's length with the payer;
- (e) interest arising in a Contracting State and beneficially owned by an organization that was constituted and is operated in the other Contracting State exclusively to administer or provide benefits under one or more recognized pension plans shall be exempt from tax in the first-mentioned State if:
  - (i) the organization is the beneficial owner of the interest and is either generally exempt from tax in the other State or its income is not subject to tax in the other State;
  - (ii) each recognized pension plan provides benefits primarily to individuals who are resident of the other Contracting State; and
  - (iii) the organization does not hold directly or indirectly more than 10 per cent of the capital or 10 per cent of the voting power of the company paying the interest;
- (f) the tax charged by a Contracting State on interest arising in that State and paid to a resident of the other Contracting State shall not exceed 5 per cent of the gross amount of the interest if the beneficial owner of the interest is a financial institution and is dealing at arm's length with the payer. For the purposes of this subparagraph, the term "financial institution" means a bank or other enterprise substantially deriving its profits by raising debt finance in the financial markets or by taking deposits at interest and using those funds in carrying on a business of providing finance.

4. For the purposes of paragraph 3, a person shall be deemed not to be dealing at arm's length with another person if, based on all relevant facts and circumstances, one controls directly or indirectly the other, or both are under the direct or indirect control of the same person or persons or, in the case of individuals, if one person is connected to the other by blood relationship, marriage or common-law partnership or adoption.

5. Subparagraph 3(f) shall not apply to interest, all or any portion of which is contingent or dependent on the use of or production from property or is computed by reference to revenue, profit, cash flow, commodity price or any other similar criterion or by reference to dividends paid or payable to shareholders of any class of shares of the capital stock of a company.