

of that State, provided that any additional tax so imposed shall not exceed the rate referred to in subparagraph (a) of paragraph 2 if that State is Canada or the rate referred to in subparagraph (b) of paragraph 2 if that State is Papua New Guinea, of the amount of such income which has not been subjected to such additional tax in previous taxation years. For the purposes of this provision, the term "income" means the profits attributable to a permanent establishment in a Contracting State in a year and previous years after deducting therefrom all taxes, other than the additional tax referred to herein, imposed on such profits by that State.

7. The amount of specific gains tax imposed by Papua New Guinea in respect of the disposal by a resident of Canada of shares in a company that is a resident of Papua New Guinea shall not exceed an amount equivalent to the amount obtained by applying the rate referred to in subparagraph (b) of paragraph 2 to that proportion of the total dividend to which the vendor would have been entitled in respect of those shares had the company declared a dividend to the extent of its undistributed profits within the meaning of the law of Papua New Guinea relating to Papua New Guinea tax.

8. In the event that, pursuant to an agreement concluded with any third State, Papua New Guinea accepts a rate lower than 25 per cent for the taxation of the gross amount of the dividends paid by a company which is a resident of Papua New Guinea to a resident of that third State, the lowest rate shall be automatically substituted in subparagraph (b) of paragraph 2 for the rate referred to in that subparagraph and be applicable for the purposes of that subparagraph and paragraphs 6 and 7, from the date it has effect in accordance with the provisions of the agreement between Papua New Guinea and such third State.

## ARTICLE 11

### Interest

1. Interest arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State.

2. However, such interest may also be taxed in the Contracting State in which it arises and according to the laws of that State, but if the recipient is the beneficial owner of the interest the tax so charged shall not exceed 10 per cent of the gross amount of the interest.

3. The term "interest" as used in this Article means income from debt-claims of every kind, whether or not secured by mortgage and whether or not carrying a right to participate in the debtor's profits, and in particular, income from government securities and income from bonds or debentures, including premiums and prizes attaching to such securities, bonds or debentures as well as all other income assimilated to income from money lent by the taxation law of the Contracting State in which the income arises. However the term "interest" does not include income dealt with in Article 10.