

- (a) if that State is Canada, 15 per cent of the gross amount of the interest;
- (b) if that State is Thailand,
  - (i) 10 per cent of the gross amount of the interest if it is received by any financial institution (including an insurance company); and
  - (ii) 25 per cent of the gross amount of the interest in all other cases.

3. Notwithstanding the provisions of paragraph 2, interest arising in a Contracting State and paid to the Government of the other Contracting State shall be exempt from tax in the first-mentioned State. For the purposes of this paragraph, the term "Government"

- (a) in the case of Thailand, means the Royal Government of Thailand and shall include:
  - (i) the Bank of Thailand;
  - (ii) the political subdivisions and local authorities thereof; and
  - (iii) any institution, the capital of which is wholly owned by the Royal Government of Thailand, a political subdivision or a local authority thereof which is specified and agreed in letters exchanged between the competent authorities of the Contracting States;
- (b) in the case of Canada, means the Government of Canada and shall include:
  - (i) the Bank of Canada;
  - (ii) the political subdivisions and local authorities thereof; and
  - (iii) the Export Development Corporation of Canada.

4. 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 income which is subjected to the same taxation treatment as income from money lent by the laws of the State in which the income arises. However, the term "interest" does not include income dealt with in Article X.

5. The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the interest, being a resident of a Contracting State, carries on business in the other Contracting State in which the interest arises through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the debt-claim in respect of which the interest is paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article VII or Article XIV, as the case may be, shall apply.

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