

previous years after deducting therefrom all taxes, other than the additional tax referred to herein, imposed on such profits by that State.

ARTICLE XI

Interest

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

2. However, such interest may be taxed in the Contracting State in which it arises, and according to the law of that Contracting State; but where such interest is paid to a resident of the other Contracting State who is subject to tax there in respect thereof, the tax so charged in the Contracting State in which the interest arises shall not exceed 15 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 profits, and in particular, income from government securities and income from bonds or debentures, including premiums attaching to such securities, bonds or debentures, as well as income assimilated to income from money lent by the law of the Contracting State in which the income arises, and including interest (stated or otherwise) on deferred payments on the sale of movable property. However, the term "interest" does not include income dealt with in paragraph 3 of Article X.

4. The provisions of paragraphs 1 and 2 shall not apply if the recipient of the interest, being a resident of a Contracting State, carries on in the other Contracting State in which the interest arises a trade or business through a permanent establishment situated therein, or performs in that other State professional 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 a case, the provisions of Article VII or Article XIV, as the case may be, shall apply.

5. 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 that interest is borne by that permanent establishment or fixed base, then such interest shall be deemed to arise in the Contracting State in which the permanent establishment or fixed base is situated.