

3. The provisions of paragraph 1 shall likewise apply in respect of remuneration paid by the Bank of Korea, the Korea Exchange Bank, the Korea Trade Promotion Corporation, the Bank of Canada and any other government owned instrumentality performing functions of a governmental nature.

ARTICLE XIX

Income not Expressly Mentioned

1. Subject to the provisions of paragraph 2 of this Article, items of income of a resident of a Contracting State which are not expressly mentioned in the foregoing Articles of this Convention shall be taxable only in that Contracting State.

2. However, if such income is derived by a resident of a Contracting State from sources in the other Contracting State, such income may also be taxed in the State in which it arises, and according to the law of that State.

IV. METHODS FOR PREVENTION OF DOUBLE TAXATION

ARTICLE XX

Elimination of Double Taxation

1. In the case of Canada, double taxation shall be avoided as follows:

- (a) Subject to the existing provisions of the law of Canada regarding the deduction from tax payable in Canada of tax paid in a territory outside Canada and to any subsequent modification of those provisions—which shall not affect the general principle hereof—and unless a greater deduction or relief is provided under the laws of Canada, tax payable in Korea on profits, income or gains arising in Korea shall be deducted from any Canadian tax payable in respect of such profits, income or gains;
- (b) Subject to the existing provisions of the law of Canada regarding the determination of the exempt surplus of a foreign affiliate and to any subsequent modification of those provisions—which shall not affect the general principle hereof—for the purpose of computing Canadian tax, a company resident in Canada shall be allowed to deduct in computing its taxable income any dividend received by it out of the exempt surplus of a foreign affiliate resident in Korea.

2. For the purposes of paragraph 1 (a), tax payable in Korea by a resident of Canada in respect of dividends, interest or royalties received by it from a company which is a resident of Korea, shall be deemed to include any amount which would have been payable as Korean tax for any year but for an exemption from, or reduction of, tax granted for that year or any part thereof under: