

2. In the case of Turkey, double taxation shall be avoided as follows: where a resident of Turkey derives income or owns capital which, in accordance with the provisions of the Agreement, may be taxed in Canada and in Turkey, Turkey shall, subject to the provisions of Turkish taxation laws regarding credit for foreign taxes, allow as a deduction from the tax on income or capital of that person, an amount equal to the tax on income or capital paid in Canada. Such deduction shall not, however, exceed that part of the tax computed in Turkey before the deduction is given, which is appropriate to the income or capital which may be taxed in Canada.

3. For the purposes of applying subparagraphs (a) and (b) of paragraph 1 to a company that is a resident of Canada, tax payable in Turkey shall include any tax which would have been payable in Turkey in respect of profits attributable to an active business carried on in Turkey for a taxation year, but for an exemption from or reduction of tax granted for that year, or any part thereof, under special tax measures in Turkey insofar as such measures were in force on, and have not been modified since, the date of signature of the Agreement or have been modified only in minor respects so as not to affect their general character. This paragraph shall apply,

- (a) in respect of subparagraph (a) of paragraph 1, to taxation years of the company that begin in the five-year period that begins on the first day of January in the calendar year following that in which the Agreement enters into force, and
- (b) in computing the taxes payable by a company that is a resident of Turkey for taxation years that begin in that period, for the purpose of applying subparagraph (b) of paragraph 1 to taxation years of a company resident in Canada that begin in that period.