

2. A resident of one of the States, deriving income from immovable property situated in the other State, may elect for any taxation year to be subject to the tax of such other State, on a net basis, as if such resident was engaged in trade or business within such other State through a permanent establishment therein during such taxation year, provided that he is not entitled to any personal deduction from income to determine taxable income.

ARTICLE IV.

1. The profits of an enterprise of one of the States shall not be subject to tax in the other State unless the enterprise is engaged in trade or business in that other State through a permanent establishment situated therein. If it is so engaged, tax may be imposed on those profits by the last-mentioned State, but only on so much of them as is attributable to that permanent establishment.

2. Where an enterprise of one of the States is engaged in trade or business in the other State through a permanent establishment situated therein, there shall be attributed to such permanent establishment the profits which it might be expected to derive in that other State if it were an independent enterprise engaged in the same or similar activities under the same or similar conditions and dealing at arm's length with the enterprise of which it is a permanent establishment.

3. No portion of any profits arising to an enterprise of one of the States shall be attributed to a permanent establishment situated in the other State by reason of the mere purchase of goods or merchandise within that other State by the enterprise.

4. In determining profits of a permanent establishment there shall be allowed as a deduction all expenses reasonably applicable to the permanent establishment including executive and general administrative expenses so applicable.

5. Where a company which is a resident of one of the States derives profits or income from sources within the other State, that other State shall not impose any form of taxation on dividends paid by the company to persons not resident in that other State, or any tax in the nature of an undistributed profits tax on undistributed profits of the company, by reason of the fact that those dividends or undistributed profits represent, in whole or in part, profits or income so derived.

6. The competent authorities of the two States may lay down rules by agreement for the apportionment of profits.

ARTICLE V.

Where

- (a) an enterprise of one of the States participates directly or indirectly in the management, control or capital of an enterprise of the other State, or
- (b) the same persons participate directly or indirectly in the management, control or capital of an enterprise of one of the States and an enterprise of the other State, and

in either case conditions are made or imposed between the two enterprises, in their commercial or financial relations, which differ from those which would