

## PROTOCOL

At the time of signing of the *Convention between the Government of Canada and the Government of the State of Israel for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income* (the “Convention”), the Government of Canada and the Government of the State of Israel have agreed upon the following provisions which shall be an integral part of this Convention.

1. With reference to the Convention:

It is understood that the provisions of this Convention shall not be construed to restrict in any manner any exemption, allowance, credit or other deduction accorded by the laws of a Contracting State in the determination of the tax imposed by that State.

2. With reference to Article 2 (Taxes Covered) of the Convention:

It is understood that the taxes described in clause 3(a)(i) include taxes imposed under the *Petroleum Profits Taxation Law 5771-2011*.

3. With reference to paragraph 1 of Article 4 (Resident) of the Convention:

- (a) It is understood that the term “agency”, in relation to a State or any political subdivision or local authority thereof, includes a body empowered to perform functions or duties of a governmental nature on behalf of that State or any political subdivision or local authority thereof.
- (b) It is understood that the term “instrumentality” includes a person that is wholly owned, directly or indirectly, by a Contracting State or by a political subdivision or local authority of a Contracting State.

4. With reference to Article 10 (Dividends and Distributions by a Real Estate Investment Fund):

- (a) It is understood that, in the case of Israel, a Real Estate Investment Fund means a real estate investment fund which meets the conditions in section 64A3 of the Israeli *Income Tax Ordinance*.
- (b) It is understood that the term “branch tax” means, in the case of Canada, the tax imposed in accordance with the provisions of Part XIV (Additional Tax on Non-Resident Corporation) of the *Income Tax Act*, as amended from time to time without affecting the general principle hereof.

5. With reference to paragraph 1 of Article 14 (Income from Employment):

It is understood that the term “similar remuneration” includes stock-options benefits.