

3. Notwithstanding the provisions of paragraph 2, interest arising in a Contracting State and paid to a resident of the other Contracting State who is the beneficial owner thereof shall be taxable only in that other State to the extent that such interest:
 - (a) is a penalty charge for late payment;
 - (b) is paid by the central bank of a Contracting State to the central bank of the other Contracting State;
 - (c) is paid with respect to indebtedness in connection with the sale on credit by a resident of that other State of any equipment, merchandise or services, except where the sale or indebtedness was made between associated enterprises within the meaning of Article 9, paragraph 1 a) or b); or
 - (d) is paid to a person which was constituted and is operated exclusively to administer or provide benefits under one or more pension, retirement or other employee benefits plans provided that:
 - (i) such person is generally exempt from tax in the other State; and
 - (ii) the interest is not derived from carrying on a trade or business or from a related person.

4. Notwithstanding the provisions of paragraph 2,
 - (a) interest arising in a Contracting State and paid in respect of indebtedness of the government of that Contracting State or of a political subdivision or local authority thereof shall, provided that the interest is beneficially owned by a resident of the other Contracting State, be taxable only in that other State;
 - (b) interest arising in Denmark and paid to a resident of Canada shall be taxable only in Canada if it is paid in respect of a loan made, guaranteed or insured, or a credit extended, guaranteed or insured by the Export Development Corporation; and
 - (c) interest arising in Canada and paid to a resident of Denmark shall be taxable only in Denmark if it is paid in respect of a loan made, guaranteed or insured, or a credit extended, guaranteed or insured by the Eksportkredittraadet or by such lending institution as is specified and agreed in letters exchanged between the Contracting States.

5. The term "interest" as used in this Article means income from debt-claims of every kind, whether or not secured by mortgage, and in particular, income from government securities and income from bonds or debentures, including premiums and prizes attaching to such securities, bonds or debentures, as well as income which is subjected to the same taxation treatment as income from money lent by the laws of the State in which the income arises. However, the term "interest" does not include income dealt with in Article 10.

6. The provisions of paragraphs 1, 2, 3 and 4 shall not apply if the beneficial owner of the interest, being a resident of a Contracting State, carries on business in the other Contracting State in which the interest arises through a permanent establishment situated therein, or performs in that other State independent personal 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 case the provisions of Article 7 or Article 14, as the case may be, shall apply.