

5. Paragraph 1 shall not be construed as preventing one of the Contracting States from imposing, in accordance with this Convention, tax on income, such as dividends, interest, rents or royalties arising in that Contracting State, of a resident of the other Contracting State, notwithstanding that such income is not attributable to a permanent establishment situated in the first-mentioned Contracting State.

ARTICLE IV.

Where

- (a) an enterprise of one of the Contracting States participates directly or indirectly in the management, control or capital of an enterprise of the other Contracting State, or
- (b) the same persons participate directly or indirectly in the management, control or capital of an enterprise of one of the Contracting States and an enterprise of the other Contracting 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 be made between independent enterprises, then any profits which would, but for those conditions, have accrued to one of the enterprises, but, by reason of those conditions have not so accrued, may be included in the profits of that enterprise and taxed accordingly.

ARTICLE V.

1. Notwithstanding Articles III and IV, profits of an enterprise of one of the Contracting States from the operation of ships or aircraft shall be exempt from the tax of the other Contracting State, unless the ships or aircraft are operated wholly or mainly between places within that other Contracting State.

2. The Agreement between the Government of Canada and the Government of Japan constituted by the Notes exchanged at Ottawa on September 21, 1929, concerning reciprocal exemption from income tax on profits accruing from the operation of ships, shall not have effect in respect of any taxable year or taxation year for which this Convention has effect.

ARTICLE VI.

1. The rate of tax imposed by one of the Contracting States on dividends paid by a corporation of that Contracting State to a resident of the other Contracting State shall not exceed 15 per cent, unless such dividends are attributable to a permanent establishment situated in the first-mentioned Contracting State.

2. Where a corporation of one of the Contracting States derives profits or income from within the other Contracting State, there shall not be imposed in that other Contracting State any form of taxation on dividends paid by the corporation unless such dividends are paid to a resident of that other Contracting State, or any tax in the nature of an undistributed profits tax on undistributed profits of the corporation, whether or not those dividends or undistributed profits represent, in whole or in part, profits or income so derived.

ARTICLE VII

1. The rate of tax imposed by one of the Contracting States on interest arising in that Contracting State and paid to a resident of the other Contracting State shall not exceed 15 per cent, unless such interest is attributable to a permanent establishment situated in the first-mentioned Contracting State.