

ARTICLE 22

Elimination of Double Taxation

1. In the case of Canada, double taxation shall be avoided as follows:
 - (a) Subject to the existing provisions of the law of Canada regarding the deduction from tax payable in Canada of tax paid in a territory outside Canada and to any subsequent modification of those provisions — which shall not affect the general principle hereof — and unless a greater deduction or relief is provided under the laws of Canada, tax payable in Switzerland on profits, income or gains arising in Switzerland shall be deducted from any tax payable in respect of such profits, income or gains.
 - (b) Where a resident of Switzerland derives a gain, referred to in paragraph 5 of Article 13, which may be taxed in Canada, Canada shall, subject to the existing provisions of the law of Canada regarding the deduction from tax payable in Canada of tax paid in a territory outside Canada and to any subsequent modification of those provisions — which shall not affect the general principle hereof — allow as a deduction from any tax payable by that person in respect of such gain, an amount equal to the tax paid in Switzerland on that gain.
 - (c) Subject to the existing provisions of the law of Canada regarding the determination of the exempt surplus of a foreign affiliate and to any subsequent modification of those provisions — which shall not affect the general principle hereof — for the purpose of computing Canadian tax, a company resident in Canada shall be allowed to deduct in computing its taxable income any dividend received by it out of the exempt surplus of a foreign affiliate resident in Switzerland.
2. In the case of Switzerland, double taxation shall be avoided as follows:
 - (a) Where a resident of Switzerland derives income or owns capital which, in accordance with the provisions of this Convention, may be taxed in Canada, Switzerland shall, subject to the provisions of subparagraphs (b), (c) and (d), exempt such income or capital from tax but may, in calculating tax on the remaining income or capital of that resident, apply the rate of tax which would have been applicable if the exempted income or capital had not been so exempted; provided, however, that such exemption shall apply to gains referred to in paragraph 3 of Article 13 only if actual taxation of such gains in Canada is demonstrated.
 - (b) Where a resident of Switzerland derives dividends, interest or royalties which, in accordance with the provisions of Articles 10, 11 and 12, may be taxed in Canada, Switzerland shall allow, upon request, a relief to such resident. The relief may consist of
 - (i) a deduction from the Swiss tax on the income of that resident of an amount equal to the tax levied in Canada in accordance with the provisions of Articles 10, 11 and 12; such deduction shall not, however, exceed that part of the Swiss tax, as computed before the deduction is given, which is appropriate to the income which may be taxed in Canada; or
 - (ii) a lump sum reduction of the Swiss tax; or
 - (iii) a partial exemption of such dividends, interest or royalties from Swiss tax, in any case consisting at least of the deduction of the tax levied in Canada from the gross amount of the dividends, interest or royalties.Switzerland shall determine the applicable relief and regulate the procedure in accordance with the Swiss provisions relating to the carrying out of international conventions of the Swiss Confederation for the avoidance of double taxation.
 - (c) The provisions of subparagraph (a) shall not restrict the right of Switzerland to tax the gains referred to in paragraph 5 of Article 13.