

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

Profits of an enterprise from the operation of ships or aircraft in international traffic shall be taxable only in the territory in which the place of effective management of the enterprise is situated.

ARTICLE VI

Subject to paragraph (6) of Article III, copyright royalties and other like payments in respect of the production or reproduction of any literary, dramatic, musical or artistic work (but not including rents or royalties in respect of motion picture films and films or video tapes for use in connection with television) derived from sources within one of the territories by a resident of the other territory who is subject to tax in that other territory in respect thereof shall be exempt from tax in that first-mentioned territory.

ARTICLE VII

(1) Any pension (other than a pension referred to in paragraph (2), (3) or (4) of this Article), or any annuity derived from sources within one of the territories by an individual who is a resident of the other territory shall be exempt from tax in the first-mentioned territory.

Provided that this paragraph shall also apply instead of paragraphs (2), (3) and (4) to any pensions referred to in those paragraphs if the provisions of this paragraph are more favourable to the individual to whom the pension is paid.

(2) Subject to the proviso to paragraph (1), any pension paid by one of the Contracting Governments to an individual for services rendered to it in the discharge of governmental functions by that individual shall be exempt from tax in the territory of the other Contracting Government if

(a) that individual was a resident of the other territory on the relevant date;

(b) the first payment period of that pension commenced before the relevant date, and

(c) that pension would have been exempt from tax in that territory if Article VIII of the Agreement between Canada and the United Kingdom with respect to taxes on income signed in London on the 5th day of June 1946⁽¹⁾ were in force.

(3) Subject to the proviso to paragraph (1), any pension paid by one of the Contracting Governments to the surviving spouse or other surviving dependant of an individual who died before the relevant date, in respect of services rendered to it in the discharge of governmental functions by that individual, shall be exempt from tax in the territory of the other Contracting Government if

(a) that spouse or other dependant was a resident of the other territory on the relevant date, and

¹ Canada Treaty Series 1946 No. 17.