

CHAPTER V

METHODS FOR PREVENTION OF DOUBLE TAXATION

ARTICLE 23

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 under the law of Indonesia and in accordance with this Convention on profits, income or gains arising in Indonesia shall be deducted from any Canadian tax payable in respect of such profits, income or gains.
 - (b) 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 Indonesia.
 - (c) For the purposes of subparagraph (a), tax payable under the law of Indonesia by a company which is a resident of Canada
 - (i) in respect of profits attributable to a trade or business carried on by it in Indonesia, or
 - (ii) in respect of dividends, interest and royalties received by it from a company which is a resident of Indonesia,shall be deemed to include any amount which would have been payable as Indonesian tax for any year but for an exemption from, or reduction of, tax granted for that year or any part thereof under—
 - (iii) any of the following provisions, that is to say:
 - Articles 15(5), 16(1), and 16(2) of Law No. 1 of 1967 regarding Foreign Capital Investment, as amended by Article 1 of Law No. 11 of 1970 regarding Amendment and Supplement to Law No. 1 of 1967 regarding Foreign Capital Investment, so far as they were in force on, and have not been modified since, the date of signature of this Convention, or have been modified only in minor respects so as not to affect their general character;
 - (iv) any other provision which may subsequently be made granting an exemption or reduction of tax which is agreed by the competent authorities of Contracting States to be of a substantially similar char-