

(b) in the case of any approved capital expenditure any amount which would have been payable as Cyprus tax but for a investment deduction allowed under Section 12(2)(b) or (c) or the Cyprus Income Tax Laws 1961 to 1977 (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 respect so as not to affect their general character). For the purpose of this subparagraph the term "approved capital expenditure" means capital expenditure which is incurred, on or after the date of signature of this Convention and not later than 5 years after the commencement of the trade or business in question by an enterprise wholly or mainly engaged in the hotel business or in activities falling within one of the following classes:

- (i) manufacturing, assembling or processing;
- (ii) construction, civil engineering or ship-building; or
- (iii) electricity, hydraulic power, gas or water supply;

and which is certified by the competent authority of Cyprus as incurred for the purposes of promoting development in Cyprus;

(c) any other provision which may subsequently be made granting an exemption or reduction of tax which is agreed by the competent authorities of the Contracting States to be of a substantially similar character, if it has not been modified thereafter or has been modified only in minor respects so as not to affect its general character.

3. In the case of Cyprus, subject to the existing provisions of the law of Cyprus regarding the deduction from tax payable in Cyprus of tax paid in a territory outside Cyprus 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 Cyprus, tax payable in Canada on profits, income or gains arising in Canada shall be deducted from any Cyprus tax payable in respect of such profits, income or gains.

4. For the purposes of this Article, profits, income or gains of a resident of a Contracting State which are taxed in the other Contracting State in accordance with this Convention shall be deemed to arise from sources in that other State.