

tracting State, not exceed 15 per cent of the gross amount of the interest.

3. Notwithstanding the provisions of paragraph 2, interest arising in a Contracting State and paid to a resident of the other Contracting State who is the beneficial owner thereof shall be taxable only in that other State to the extent that such interest:

- (a) is a penalty charge for late payment;
- (b) is paid by the central bank of a Contracting State to the central bank of the other Contracting State; or
- (c) is paid by the purchasing enterprise to the selling enterprise in connection with the sale on credit of any equipment or merchandise, except where the sale is made between associated enterprises within the meaning of Article IX, paragraph 1(a) or (b).

4. Notwithstanding the provisions of paragraph 2,

- (a) interest arising in a Contracting State and paid to a resident of the other Contracting State who is the beneficial owner thereof in respect of a bond, debenture or similar obligation of a Contracting State or of a political subdivision or local authority thereof, shall be taxable only in that other State;
- (b) interest arising in France and paid to a resident of Canada shall be taxable only in Canada if it is paid in respect of a loan made or guaranteed, or of a credit granted or guaranteed, by the Export Development Corporation;
- (c) interest arising in Canada and paid to a resident of France shall be taxable only in France if it is paid in respect of a loan made or guaranteed, or of a credit granted or guaranteed, by the French Bank for External Trade (la Banque Française pour le Commerce Extérieur).

5. The term "interest" as used in this Article means income from debt-claims of every kind, whether or not secured by mortgage, and whether or not carrying a right to participate in the debtor's profits, and in particular, income from government securities and income from bonds or debentures, including premiums and prizes attaching to such securities, bonds or debentures, as well as income assimilated to income from money lent by the taxation law of the State in which the income arises. However, the term "interest" does not include income dealt with in Article X.

6. The provisions of paragraphs 2, 3 and 4 shall not apply if the recipient of the interest, being a resident of a Contracting State, carries on in the other Contracting State in which the interest arises a trade or business through a permanent establishment situated therein, or performs in that other State professional services from a fixed base situated therein, and the debt-claim in respect of which the interest is paid is effectively connected with such permanent establishment or