

(2) For the purposes of paragraph 1(a), tax payable in Egypt by a company which is a resident of Canada

- (a) in respect of profits attributable to a trade or business carried on by it in Egypt, or
- (b) in respect of dividends or interest received by it from a company which is a resident of Egypt,

shall be deemed to include any amount which would have been payable as Egyptian tax for any year but for an exemption from, or reduction of, tax granted for that year or any part thereof under —

- (c) any of the following provisions, that is to say:

Articles 16 and 18 of Law No. 43 of 1974 as amended by Law No. 32 of 1977 concerning Arab and Foreign Capital Investment and Free Zones 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; and except to the extent that any of the said provisions has the effect of exempting or relieving a source of income for a period in excess of ten years;

- (d) any other provisions 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) For the purposes of determining the amount of income tax due to Egypt, profits of a company resident in Egypt (including dividend distributions out of such profits) from sources (including Egypt) other than Canada, and exempted or relieved in Canada by reason of paragraph 1(b) or 2 shall be considered as not subject to taxation in Canada within the meaning of Article 16 of the Egyptian Law No. 43 of 1974 as amended by Law No. 32 of 1977.

(4) In the case of Egypt, double taxation shall be avoided as follows: where a person being a resident of Egypt derives income from Canada and that income, in accordance with the provisions of this Convention may be taxed in Canada, Egypt shall allow as a deduction from the tax on the income of that person an amount equal to the tax paid in Canada. Such deduction shall not, however, exceed that part of the tax, as computed before the deduction is given, which is appropriate to the income derived from Canada.

(5) 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.