

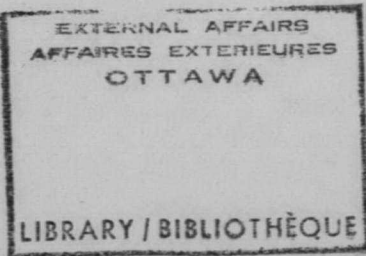


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CONVENTION BETWEEN CANADA AND ISRAEL
FOR THE AVOIDANCE OF DOUBLE TAXATION
AND THE PREVENTION OF FISCAL EVASION
WITH RESPECT TO TAXES ON INCOME
AND ON CAPITAL

DEPARTMENT OF EXTERNAL AFFAIRS
MINISTÈRE DES AFFAIRES EXTÉRIEURES

The Department of External Affairs wishes to announce that the Canadian Ambassador to Israel, Edward G. Lee and the Foreign Minister of Israel, the Honourable Yigal Allon, today exchanged the instruments of ratification of the Convention between Canada and Israel for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and on Capital.

After the 1971 Canadian tax reform, the Minister of Finance indicated that it would be necessary to revise existing tax treaties and to negotiate a large number of others. In the case of the Convention with Israel, talks started in the spring of 1973 and representatives of the Departments of Finance of both countries met on a number of occasions and reached an agreement on the text of a draft Convention early in 1974. The Convention was signed on July 21, 1975 by the Minister of Finance, the Honourable John N. Turner on behalf of Canada and by the Ambassador of Israel to Canada, His Excellency Theodor Meron on behalf of Israel.

The Convention, the text of which is patterned on the draft Double Taxation Convention prepared by the Organization for Economic Co-operation and Development (OECD), can be divided into seven different parts: Scope (Articles 1 and 2); Definitions (Articles 3 to 5); Taxation of Income (Articles 6 to 21); Taxation of Capital (Article 22); Elimination of Double Taxation (Article 23); Special Provisions (Articles 24 to 28); and Final Provisions (Articles 29 and 30).

It can be noted that in the case of dividends, branch profits, royalties, and interest paid to non-residents a general rate of withholding tax of 15% will apply. The Convention also provides for a limited number of exceptions in the case of interest and royalties.

The Convention will enter into force on the date of exchange of instruments of ratification. Generally, it applies to taxes pertaining to the year of the exchange of instruments of ratification, that is, to 1976.