

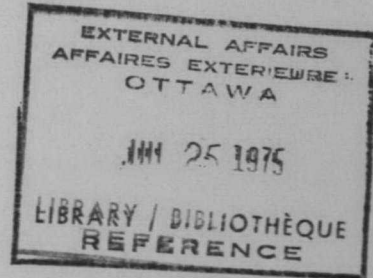


CANADA

Communiqué

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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 CAPITAL

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DEPARTMENT OF EXTERNAL AFFAIRS  
MINISTÈRE DES AFFAIRES EXTÉRIEURES

The Department of External Affairs wishes to announce the signing today of an Agreement 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. The Agreement was signed today in Ottawa by the Minister of Finance, Honourable John N. Turner on behalf of Canada and the Ambassador of Israel to Canada, His Excellency Theodor Meron on behalf of Israel.

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 Departments of Finance of both countries have met on many occasions since then and have reached an agreement on the text of a draft Convention; this Convention, the signature of which takes place today, is the third one signed by Canada since tax reform.

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 interests 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 only on the date of the exchange of instruments of ratification.