



Guidance for the development of synthesised texts

Multilateral Convention to Implement Tax Treaty
Measures to Prevent BEPS

BEPS ACTION 15

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Measures to Prevent BEPS*

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Table of contents

1. Foreword	7
2. The suggested approach for the development of synthesised texts	9
2.1. Principles for the development of synthesised texts	9
2.2. Legal citation	10
2.3. Challenges in preparing synthesised texts	10
2.4. Suggestions for the development of synthesised texts	11
2.4.1. General disclaimer	11
2.4.2. Disclaimer on the entry into effect of the MLI provisions	12
2.4.3. Dates on which the MLI provisions have effect	13
2.4.4. Identification of the MLI provisions	13
2.4.5. Effects on existing provisions – general	14
2.4.6. Effects on existing provisions – partial modifications	14
2.4.7. Effects on existing provisions – replacing several existing provisions	15
2.4.8. Terminology changes	15
2.4.9. Title of the Synthesised texts	16
2.4.10. Headings	16
2.4.11. Numbering the MLI provisions	16
2.4.12. Part VI: arbitration	16
2.4.13. Languages	16
3. Per-Article sample boxes for the development of synthesised texts	17
3.1. Sample Disclaimer	18
3.2. Sample Disclaimer on the Entry into Effect of the MLI Provisions	19
3.3. Article 3 – Transparent Entities	20
3.3.1. Article 3(1)	20
3.3.2. Article 3(2)	21
3.4. Article 4 – Dual Resident Entities	22
3.4.1. Article 4(1)	22
3.5. Article 5 – Application of Methods for Elimination of Double Taxation	24
3.5.1. Article 5(2) – Option A	24
3.5.2. Article 5(4) – Option B	24
3.5.3. Article 5(6) – Option C	25
3.6. Article 6 – Purpose of a Covered Tax Agreement	26
3.6.1. Article 6(1)	26
3.6.2. Article 6(3)	26
3.7. Article 7 – Prevention of Treaty Abuse	27
3.7.1. Article 7(1)	27
3.7.2. Article 7(4)	27

3.7.3. Article 7(8)-(13) – Simplified Limitation on Benefits Provision.....	28
3.8. Article 8 – Dividend Transfer Transactions.....	31
3.9. Article 9 – Capital Gains from Alienation of Shares or Interests of Entities Deriving their Value Principally from Immovable Property	32
3.9.1. Article 9(1)	32
3.9.2. Article 9(4)	33
3.10. Article 10 – Anti-abuse Rule for Permanent Establishments Situated in Third Jurisdictions ..	34
3.11. Article 11 – Application of Tax Agreements to Restrict a Party’s Right to Tax its Own Residents	36
3.12. Article 12 – Artificial Avoidance of Permanent Establishment Status through Commissionaire Arrangements and Similar Strategies.....	37
3.12.1. Article 12(1).....	37
Article 12(2).....	37
3.13. Article 13 – Artificial Avoidance of Permanent Establishment Status through the Specific Activity Exemptions	39
3.13.1. Article 13(2) – Option A	39
3.13.2. Article 13(3) – Option B	40
3.13.3. Article 13(4).....	40
3.14. Article 14 – Splitting-up of Contracts.....	42
3.15. Article 15 – Definition of a Person Closely Related to an Enterprise	43
3.16. Article 16 – Mutual Agreement Procedure	44
3.16.1. Article 16(1), first sentence	44
3.16.2. Article 16(1), second sentence	44
3.16.3. Article 16(2), first sentence	45
3.16.4. Article 16(2), second sentence	45
3.16.5. Article 16(3), first sentence	45
3.16.6. Article 16(3), second sentence	45
3.17. Article 17 – Corresponding Adjustments.....	46
3.18. Part VI – Arbitration	47
3.18.1. Article 18 – Part VI	47
3.18.2. Article 19 – Mandatory binding arbitration	47
3.18.3. Article 20 – Appointment of Arbitrators.....	50
3.18.4. Article 21 –Confidentiality of Arbitration Proceedings	51
3.18.5. Article 22 – Resolution of a Case Prior to the Conclusion of the Arbitration.....	51
3.18.6. Article 23 – Type of Arbitration Process	52
3.18.7. Article 24 – Agreement on a Different Resolution	53
3.18.8. Article 25 – Costs of Arbitration Proceedings	53
3.18.9. Article 26 – Compatibility.....	54
3.18.10. Article 28 – Cases eligible to arbitration.....	54
3.19. Article 35 and Article 36 – Entry into Effect.....	55
3.19.1. Article 35(1) – General rules and choice to apply a shorter period with respect to other taxes levied.....	55
3.19.2. Article 35(2) – Choice to substitute “taxable period” for “calendar year”	55
3.19.3. Article 35(3) – Choice to replace the reference to “taxable periods beginning on or after the expiration of a period”	56
3.19.4. Article 35(4) – Specific rule for the entry into effect of Article 16 on Mutual Agreement Procedure.....	57
3.19.5. Article 35(5) – Entry into effect resulting from an extension of the list of agreements notified	57
3.19.6. Article 35(7) – Completion of internal procedures	57

3.19.7. Article 36 – Entry into effect of Part VI..... 58

**Annex A. Example of the Synthesised Text of the 2014 OECD Model Tax Convention as modified
by the Multilateral Instrument..... 61**

1. Foreword

The OECD Secretariat has prepared this Guidance for the development of synthesised texts to facilitate the interpretation and application of tax agreements modified by the *Multilateral Convention to Implement Tax Treaty Measures to Prevent Base Erosion and Profit Shifting* (hereafter the “MLI”). The Secretariat is grateful to several jurisdictions for their input to the guidance.

This Guidance has been prepared to provide suggestions to Parties to the MLI for the development of documents they could produce to help users of the MLI to understand its effects on tax agreements it covers and modifies (the “Covered Tax Agreements”). The objective is to present in a single document and for each covered tax agreement: the text of a Covered Tax Agreement, including the text of relevant amending instruments; the elements of the MLI that have an effect on the Covered Tax Agreement as a result of the interaction of the MLI positions of its Contracting Jurisdictions; and information on the dates on which the provisions of the MLI have effect in each Contracting Jurisdiction for the Covered Tax Agreement. Such documents would be referred to as “synthesised texts”.

To ensure clarity and transparency for the application of the MLI, Parties that intend to develop documents setting out the impact of the MLI on their Covered Tax Agreements should be as consistent as possible. **This Guidance sets out a suggested approach for the development of synthesised texts. The Guidance also suggests sample language that could be included in the synthesised texts. At this stage, the sample language includes: a sample general disclaimer on the synthesised texts; a sample disclaimer on the entry into effect of the provisions of the MLI; for each MLI Article, “sample boxes” of the provisions of the MLI that could modify the covered tax agreements; and sample footnote texts on the entry into effect of the provisions of the MLI.**

This Guidance exists as a tool for members of the *ad hoc* Group of the MLI and they may use this tool to develop their own approach taking account of legal constraints and existing practices. It is also expected that third parties, including publishers and advisors, will also develop synthesised texts. To ensure clarity on the application of the MLI and to maximise consistency in the development of tools to ease the understandings of the MLI, it would be helpful for third parties to follow the approach set out in this Guidance. The OECD Secretariat therefore intends to make the Guidance available to a wider audience in 2018. The Guidance may be updated in future years on the basis of real-life experiences with developing synthesised texts.

2. The suggested approach for the development of synthesised texts

2.1. Principles for the development of synthesised texts

1. Synthesised texts would take the form of a single document or webpage. It would reproduce (a) the text of each Covered Tax Agreement (including the texts of any amending protocols or similar instruments), and (b) the provisions of the MLI that will modify that Covered Tax Agreement in the light of the interaction of the MLI positions the Parties have taken. Synthesised texts would also include explanatory information, including information on the entry into effect of the relevant provisions of the MLI. Synthesised texts would thereby make it much simpler to understand the effects of the MLI and the way it modifies each Covered Tax Agreement.
2. Before developing synthesised texts of the MLI and Covered Tax Agreements, Contracting Jurisdictions could integrate into each Covered Tax Agreement the effects of any existing amending instruments or protocols.
3. The purpose of synthesised texts is primarily intended to facilitate the understanding of the MLI. For legal purposes, the provisions of the MLI must be read alongside Covered Tax Agreements as they remain the only legal instruments to be applied, in light of the interaction of the MLI positions of the Contracting Jurisdictions.
4. Parties to the MLI have **no legal obligation under the MLI to develop synthesised texts**. The Explanatory Statement on the MLI expressly indicates in paragraph 13 that “*some Parties may develop consolidated versions of their Covered Tax Agreements as modified by the Convention (MLI); doing so is not a prerequisite for the application of the MLP*”.
5. It follows therefore that the Contracting Jurisdictions to a Covered Tax Agreement **are under no legal obligation to consult each other** in developing synthesised texts.
6. **Contracting Jurisdictions are nevertheless encouraged to consult each other** in the development of synthesised texts. This is a good administrative practice and will help to ensure a consistent interpretation of the application of the MLI’s provisions to each Covered Tax Agreement.
7. There is **no official format to develop synthesised texts** on the MLI. However, the OECD Secretariat, acting as the Depositary of the MLI, encourages all stakeholders to take a consistent approach if their context and practices allow. It is expected that many Parties to the MLI will eventually develop synthesised texts based on this Guidance, providing greater certainty and clarity for taxpayers.
8. Some Parties, however, may prefer to produce documents that reflect MLI modifications as if these modifications would have been made through an amending protocol. While such

a consolidated text may be easier to read than a synthesised text, producing consolidated texts could be challenging and the result could be confusing: the MLI does not amend the text of Covered Tax Agreements. Instead, it applies alongside and modifies the application of the provisions of Covered Tax Agreements. It is expected that many Parties will prepare synthesised texts, not consolidated texts.

9. Finally, the development of synthesised texts will be an ongoing exercise, as Parties to the MLI will only deposit the definitive versions of their MLI position when they deposit their instrument of ratification, acceptance or approval. Further, Parties to the MLI could partially modify their MLI position after the deposit of their instrument of ratification, acceptance or approval.

2.2. Legal citation

10. As with the format of synthesised texts, there is not a single approach to refer to or to cite a Covered Tax Agreement as there are important differences in the way jurisdictions refer to international agreements.
11. It could be desirable that Parties to the MLI seek in the near future to standardise as far as possible in official publications the way they refer to their Covered Tax Agreements.
12. It would be important that the legal citations contained in official documents that refer to a Covered Tax Agreement contain sufficient information for readers and users to refer to the relevant legal instruments. This would include information on the MLI and on the Covered Tax Agreement.

2.3. Challenges in preparing synthesised texts

13. Challenges in preparing synthesised texts include:
 - I. The MLI is not an amending protocol or an amending instrument in the traditional sense. It applies alongside Covered Tax Agreements modifying their application.
 - II. Synthesised texts would ideally be prepared when the parties to each Covered Tax Agreement have submitted a definitive version of their MLI positions.
 - III. The effects of the MLI on the application of a Covered Tax Agreement can change over time as the MLI is a living instrument and Parties can partially modify their MLI positions in the future:
 - Signatories can modify the choices, reservations and notifications contained in their MLI position before they deposit their instrument of ratification, acceptance or approval;
 - Parties can withdraw, or in certain instances replace, a reservation made in their MLI position, after the deposit of their instrument of ratification, acceptance or approval;
 - Parties can make additional notifications and opt to apply alternative or optional provisions, after the deposit of their instrument of ratification, acceptance or approval. For instance, a Party could decide to apply the provisions on arbitration

- to its Covered Tax Agreements after the deposit of its instrument of ratification, acceptance or approval; and,
 - The numbers of Signatories, Parties and Covered Tax Agreements are expected to increase over time.
- IV. The provisions of the MLI do not have effect on the same date for all Covered Tax Agreements:
 - The moment the provisions of the MLI have effect on Covered Tax Agreements may differ for each Covered Tax Agreement;
 - The moment the provisions of the MLI have effect differs according to the types of taxes involved;
 - The MLI provides several exceptions to the general rules on the entry into effect in Article 35; and
 - The MLI provides rules for the entry into effect of the provisions of the MLI that will apply if a Party modifies its positions after the deposit of its instrument of ratification, acceptance or approval.
- V. Synthesised texts should include information on the date on which the provisions of the MLI enter into effect and, at a minimum, should indicate that the modifications made to the application of a Covered Tax Agreement may not have effect at the same time.
- VI. Synthesised texts could be produced by different stakeholders:
 - There is no assurance of uniformity amongst different versions of synthesised texts; and in the event of any discrepancy between synthesised texts and the legal instruments, the stakeholders bear no responsibility as synthesised texts are provided for information purposes only.

2.4. Suggestions for the development of synthesised texts

14. The following section includes suggestions for the development of synthesised texts. While the *ad hoc* Group did not discuss an official format for the development of synthesised texts, it has expressed its interest in having the OECD Secretariat, acting as the Depositary of the MLI, develop suggestions for the development of such synthesised texts.
15. The approach followed in the Guidance seeks to strike a balance in the synthesised texts between the readability of the effects of the MLI and the correct transposition of its legal provisions.

2.4.1. General disclaimer

16. Synthesised texts should include before the text of the Covered Tax Agreement a disclaimer based on the General sample disclaimer text included in the Per-Article-sample boxes section.
17. The general disclaimer would refer to the legal instruments of the synthesised text (the MLI and the Covered Tax Agreement) and to the latest MLI positions submitted by the

Contracting Jurisdictions used to produce the synthesised texts. It would mention the date the Contracting Jurisdiction signed the MLI and the date it submitted its MLI positions to the Depository.

18. The disclaimer would stress that further modifications could be made to the MLI positions and that these modifications could change the effect of the MLI on the Covered Tax Agreement.
19. The disclaimer would state that the synthesised text has no legal value, and that the text of the MLI, applied alongside the text of the Covered Tax Agreement, would remain the only legal documents applicable.
20. The disclaimer could describe the approach taken when developing the synthesised text.
21. The disclaimer would mention that changes made to the text of the provision of the MLI have been made to conform the terminology used in the MLI to the terminology used in the Covered Tax Agreement, and that these changes do not change the substance of the provisions of the MLI.
22. The disclaimer would state that any references made to the provisions of the Covered Tax Agreement are references made to the Covered Tax Agreement as modified by the provisions of the MLI.
23. The disclaimer would include references or hyperlinks to the text of the MLI, the Covered Tax Agreement and the MLI positions of each Contracting Jurisdiction.

2.4.2. Disclaimer on the entry into effect of the MLI provisions

24. Synthesised texts should include a specific disclaimer on the entry into effect of the provisions of the MLI. The specific disclaimer would, at a minimum, contain the elements of the sample disclaimer on the entry into effect included in the Per-Article-sample boxes section which includes:
 - A statement that the provisions of the MLI that are applicable to the Covered Tax Agreement will not have effect on the same dates as the original provisions of the Covered Tax Agreement.
 - A statement that the provisions of the MLI could take effect on different dates, depending on the provision in question, the types of taxes involved (taxes withheld at source or other taxes levied) and the choices made by each Contracting Jurisdiction in their MLI positions with respect to rules on the entry into effect of the MLI in Article 35 of the MLI.
 - The date of the deposit of the instruments of ratification, acceptance or approval for both Contracting Jurisdictions.
 - The date of the entry into force of the MLI for each Contracting Jurisdiction.

2.4.3. Dates on which the MLI provisions have effect

25. It is recommended that jurisdictions indicate in the synthesised texts, and for all applicable provisions of the MLI, the dates on which its provisions will have effect.
26. This could be done by inserting footnotes for provisions of the MLI that are applicable. Inserting specific information on the entry into effect for the provisions of the MLI would be important as its provisions might not have effect on the same date for a Covered Tax Agreement¹ Further, the provisions of the MLI that will apply after modifications to MLI positions will also have effect on different dates.
27. When all the provisions of the MLI enter into effect on the same date for a Covered Tax Agreement (i.e. where the date for taxes withheld at source and the date for other types of taxes are the same), a single reference to the date of entry into effect in the disclaimer on the entry into effect is sufficient. However, where different provisions of the MLI enter into effect on different dates, it is suggested to spell this out in a footnote. Different provisions of the MLI could enter into effect on different dates when a Party to the MLI withdraws, replaces and adds notifications to its MLI Position following the deposit of its instrument of ratification.
28. The Per-Article-sample boxes section provides different sample boxes for the footnotes on the entry into effect. Different sample boxes were prepared for different choices and reservations that Parties could make on the entry into effect of the provisions of the MLI.

2.4.4. Identification of the MLI provisions

29. Readers and users should be able to clearly identify in the synthesised texts the provisions of the MLI that apply to a Covered Tax Agreement. The provisions of the MLI that are applicable could figure in boxes inserted throughout the text of the Covered Tax Agreement, as set out in the Per-Article-sample boxes section.
30. The boxes could be inserted either (i) following a specific existing provision or (ii) following the ordering of the 2017 OECD Model Tax Convention. In general, the boxes containing the provisions of the MLI that "apply to" or that "apply in the place of" an existing provision would be inserted following the specific provisions they modify (this could include provisions of Articles 3, 4, 5, 6, 8, 9, 12, 13, 14, 16 and 17 of the MLI). Other Articles, in particular those that would apply to the entire or part of a Covered Tax Agreement would be added in boxes following the ordering of the 2017 OECD Model Tax Convention. For example, the provisions of Article 7 would be placed after provisions covering members of diplomatic missions and consular posts. Provisions that will apply "in the absence of" would be added in a similar way. For example, the provisions of Article 15 would be placed at the end of the Permanent Establishment Article. Similarly, the relevant provisions of Part VI of the MLI would be reflected at the end of the Mutual Agreement Procedure Article.

¹ See paragraph 4 of Article 35 of the MLI on the entry into effect of Article 16 of the MLI.

31. The boxes would also indicate how the provisions of the MLI would affect the existing provisions of Covered Tax Agreements.
32. The provisions of the MLI that will supersede the provisions of Covered Tax Agreements or that will apply in the absence of an existing provision of a Covered Tax Agreement could be accompanied by a title or heading. This would be needed especially when the provisions of Article 7 of the MLI (Prevention of treaty abuse) supersede the provisions of Covered Tax Agreements. In this case, the title "Prevention of Treaty Abuse", "Treaty shopping" or "Entitlement to treaty benefits" could be introduced before the provisions of the MLI.

2.4.5. Effects on existing provisions – general

33. When an MLI provision replaces or otherwise modifies the application of an existing provision of a Covered Tax Agreement, the synthesised texts would provide, prior to that provision, explanations of the effect of the MLI on the existing provision. Examples are provided in the Example of the synthesised text on the Multilateral Instrument and the 2014 OECD Model Tax Convention.
34. Some Signatories have indicated that they would prefer to entirely strike through or delete the existing provisions that are being replaced by the provisions of the MLI in the synthesised texts.
35. In the case of deletions of existing provisions, jurisdictions may want to add a footnote to the boxes containing the new MLI provisions. The footnote would provide additional details on the existing provisions that have been replaced by the MLI and clearly indicate:
 - the dates on which the new provisions of the MLI have effect; and,
 - the fact that the former provisions remain applicable with respect to taxable events that take place before the dates on which the new provisions of the MLI have effect.

2.4.6. Effects on existing provisions – partial modifications

36. It is possible that a provision of the MLI applies only partially to an existing provision of a Covered Tax Agreement. This would be the case for an existing provision that falls within the scope of a compatibility clause but whose coverage is broader than the description in the compatibility clause.
37. When a provision of the MLI applies only partially to an existing provision, the synthesised texts would provide information on the application of that provision of the MLI. This could be done by adding further explanation in the box containing the applicable provision of the MLI. The additional explanation could be drafted based on the description of the MLI provision's compatibility clause.
38. For instance, some existing provisions that define the term "resident of a Contracting State" have in the same paragraph a rule on dual resident individuals and a rule on dual resident persons other than individuals. In this case, Article 4 of the MLI (Dual resident entity),

which only seeks to modify the rule that applies to a person other than an individual, would only partially apply to the existing provisions, and the existing provision governing the treatment of an individual would be unaffected.

39. In this example, the synthesised texts could provide in the box containing the provision of the MLI:

[The following paragraph 1 of Article 4 of the MLI replaces the rules on paragraph 3 of Article 4 of this Convention for determining whether a person other than an individual shall be treated as a resident of one of the Contracting States in cases in which that person would otherwise be treated as a resident of more than one Contracting State:]

2.4.7. Effects on existing provisions – replacing several existing provisions

40. It is possible that a provision of the MLI has the effect of replacing more than one existing provision of a Covered Tax Agreement. This would be the case when more than one existing provision of a Covered Tax Agreement would fall within the scope of a compatibility clause of an article of the MLI.
41. When a provision of the MLI replaces multiple existing provisions, the synthesised text explains the effect of the provision of the MLI above the text of all relevant existing provisions as set out in the Per-Article-sample boxes section.
42. For instance, the principal purposes test rule in paragraph 1 of Article 7 could replace more than one existing provision of a Covered Tax Agreement. This would be the case when the Covered Tax Agreement provides for existing provisions that deny *part* of the benefits otherwise provided under the Covered Tax Agreement where the principal purpose or one of the principal purposes of any arrangement or transaction, or of the parties to an arrangement or transaction, was to obtain those benefits. In this case, the compatibility clause of the principal purposes test rule in paragraph 2 of Article 7 would cover all the existing provisions denying part of the benefits and paragraph 1 of Article 7 could replace such existing provisions.
43. Further explanations could also be provided in the box containing the provision of the MLI when a provision of the MLI has the effect of replacing more than one existing provision:

[The following paragraph 1 of Article 7 of the MLI replaces paragraph [X] of Article [10] of this Convention, paragraph [X] of Article [11] of this Convention, and, paragraph [X] of Article [12] of this Convention:]

2.4.8. Terminology changes

44. Changes would be made to the wording of the provisions of the MLI to conform to the wording used in the Covered Tax Agreement. For example, expressions such as “Covered Tax Agreement” and “Contracting Jurisdictions” would be replaced by “Convention” and “Contracting States” to ease the readability of the synthesised texts.

2.4.9. Title of the Synthesised texts

45. The expression "Synthesised text" should be included in the title of the synthesised text documents to ensure there is no confusion between the synthesised text and the Covered Tax Agreement text.
46. As example, the title of the synthesised text of the MLI and OECD 2014 Model Tax Convention would be: "*The Synthesised text of the multilateral instrument and the Convention between [State A] and [State B] with respect to Taxes on Income and on Capital*".

2.4.10. Headings

47. It is suggested to use headings throughout the synthesised text for each section of the document (e.g. General disclaimer on the Synthesised text; Disclaimer on the entry into effect of the provisions of the MLI; Synthesised text of the MLI and the Convention; Mandatory binding arbitration Part VI of the MLI; etc.).

2.4.11. Numbering the MLI provisions

48. The original article numbers of the provisions of the MLI would be indicated in the synthesised texts and would be indicated in the boxes that will contain the provisions of the MLI.

2.4.12. Part VI: arbitration

49. The applicable provisions of Part VI of the MLI (Arbitration) would be inserted in their entirety in the synthesised texts, as being a standalone part of the Covered Tax Agreement. Part VI of the MLI (Arbitration) could be replacing existing provisions based on Article 25(5) of the 2017 OECD Model Tax Convention or could be added in addition to existing provisions based on Article 25 of the 2017 OECD Model Tax Convention (Mutual Agreement Procedures).

2.4.13. Languages

50. The English or French text of the provisions of the MLI would ideally be inserted in the synthesised texts. Where a translation of the authentic provisions of the MLI is added to the synthesised texts, the general disclaimer would indicate that it is an unofficial translation of the authentic English and French provisions of the MLI.

3. Per-Article sample boxes for the development of synthesised texts

This Section provides sample boxes for the development of the synthesised texts.

It includes:

- **a sample disclaimer on the synthesised text and a sample disclaimer on the Entry into effect** of the provisions of the MLI that could be added before the preamble of the Covered Tax Agreement.
- for each substantive Article of the MLI (Articles 3 to 17 and Part VI on Arbitration), **all the sample boxes of the provisions of the MLI** for the development of synthesised texts.
- the **sample boxes of Part VI (Arbitration)**.
- the **sample footnotes on the entry into effect** of the provisions of the MLI.

When developing the synthesised texts:

- The texts of the sample boxes in [square brackets] and *in italics* identify minor terminology changes made to the text of the MLI.
- The texts of the sample boxes in {curly brackets} and *highlighted in grey* must be modified or adapted (depending of the treaty text and the MLI Position). The highlight serves as a reminder of which texts that need to be adapted to the particular Covered Tax Agreement but will not appear in the final version.
- It must be determined whether the provisions of the MLI "replace" or, "apply" or, and "apply and supersede" the provisions of a Covered Tax Agreement.
 - The effect of the MLI varies depending on notifications made by Parties in their MLI Positions and on the type of compatibility clause that applies to a provision of the MLI.
 - The MLI Database and the MLI Flowchart provide information on the effect of each of the provision of the MLI on Covered Tax Agreements.
 - Paragraph 15 of the MLI Explanatory Statement also provides further information of the effects of the provisions of the MLI.
- Footnotes on the entry into effect of the provisions of the MLI can be added for each provision of the MLI (for each box).

3.1. Sample Disclaimer

General disclaimer on the Synthesised text document

This document presents the synthesised text for the application of the *Convention between {State A} and {State B} with respect to Taxes on Income {and on Capital}* signed on {date} (the “Convention”), as modified by the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting signed by {State A} on {date} and by {State B} on {date} (the “MLI”).

The document was prepared on the basis of the MLI position of {State A} submitted to the Depository upon {signature}/{ratification} on {date} and of the MLI position of {State B} submitted to the Depository upon {signature}/{ratification} on {date}. These MLI positions are subject to modifications as provided in the MLI. Modifications made to MLI positions could modify the effects of the MLI on the Convention.

The authentic legal texts of the Convention and the MLI take precedence and remain the legal texts applicable.

The provisions of the MLI that are applicable with respect to the provisions of the Convention are included in boxes throughout the text of this document in the context of the relevant provisions of the Convention. The boxes containing the provisions of the MLI have generally been inserted in accordance with the ordering of the provisions of the 2017 OECD Model Tax Convention.

Changes to the text of the provisions of the MLI have been made to conform the terminology used in the MLI to the terminology used in the Convention (such as “Covered Tax Agreement” and “Convention”, “Contracting Jurisdictions” and “Contracting States”), to ease the comprehension of the provisions of the MLI. The changes in terminology are intended to increase the readability of the document and are not intended to change the substance of the provisions of the MLI. Similarly, changes have been made to parts of provisions of the MLI that describe existing provisions of the Convention: descriptive language has been replaced by legal references of the existing provisions to ease the readability.

In all cases, references made to the provisions of the Convention or to the Convention must be understood as referring to the Convention as modified by the provisions of the MLI, provided such provisions of the MLI have taken effect.

References

The authentic legal texts of the MLI and the Convention can be found [*insert hyperlink*].

The MLI position of {State A} submitted to the Depository upon {signature}/{ratification} on {date} and of the MLI position of {State B} submitted to the Depository upon {signature}/{ratification} on {date} can be found [on the MLI Depository \(OECD\) webpage](#).

3.2. Sample Disclaimer on the Entry into Effect of the MLI Provisions

Disclaimer on the entry into effect of the provisions of the MLI

The provisions of the MLI applicable to this Convention do not take effect on the same dates as the original provisions of the Convention. Each of provisions of the MLI could take effect on different dates, depending on the types of taxes involved (taxes withheld at source or other taxes levied) and on the choices made by {State A} and {State B} in their MLI positions.

Dates of the deposit of instruments of ratification, acceptance or approval: {date} for {State A} and {date} for {State B}.

Entry into force of the MLI: {date} for {State A} and {date} for {State B}.

This document provides specific information on the dates on or after which each of the provisions of the MLI has effect with respect to the Convention throughout this document.

3.3. Article 3 – Transparent Entities

Article 3 relates to Article 1(2) of the 2017 OECD Model Tax Convention, which addresses income earned through transparent entities.

Information on Article 3:

- MLI Explanatory Statement (paragraphs 39-48).
- [Action 2 Report](#) – Chapter 14 (pages 139-143).
- [Action 6 Report](#) – Section A (pages 88-89).
- The [Application of the OECD Model Tax Convention to Partnerships](#), OECD, 1999 (the Partnership Report).
- Article 1(2) of the 2017 OECD Model Tax Convention.

3.3.1. Article 3(1)

The following paragraph 1 of Article 3 of the MLI replaces paragraph {2} of Article {1} of this Convention:

or

The following paragraph 1 of Article 3 of the MLI applies and supersedes the provisions of this Convention:

ARTICLE 3 OF THE MLI – TRANSPARENT ENTITIES

For the purposes of the [Convention], income derived by or through an entity or arrangement that is treated as wholly or partly fiscally transparent under the tax law of either [Contracting State] shall be considered to be income of a resident of a [Contracting State] but only to the extent that the income is treated, for purposes of taxation by that [Contracting State], as the income of a resident of that [Contracting State].

In the case where Article 3(1) is modified by Article 3(3):

The following paragraphs 1 and 3 of Article 3 of the MLI replace paragraph {2} of Article {1} of this Convention:

Or

The following paragraphs 1 and 3 of Article 3 of the MLI apply and supersede the provisions of this Convention:

ARTICLE 3 OF THE MLI – TRANSPARENT ENTITIES

For the purposes of the [Convention], income derived by or through an entity or arrangement that is treated as wholly or partly fiscally transparent under the tax law of either [Contracting State] shall be considered to be income of a resident of a [Contracting State] but only to the extent that the income is treated, for purposes of taxation by that [Contracting State], as the income of a resident of that [Contracting State]. In no case shall the provisions of this paragraph be construed to affect a [Contracting State's] right to tax the residents of that [Contracting State].

3.3.2. Article 3(2)

The following paragraph 2 of Article 3 of the MLI applies and supersedes the provisions of this Convention:

ARTICLE 3 OF THE MLI – TRANSPARENT ENTITIES

[Article {23} of the Convention] shall not apply to the extent that such provision allows taxation by that other [Contracting State] solely because the income is also income derived by a resident of that other [Contracting State].

3.4. Article 4 – Dual Resident Entities

Article 4 relates to Article 4(3) of the 2017 OECD Model Tax Convention that determines the treaty residence of a person other than an individual that is a resident of more than one Contracting Jurisdiction.

Information on Article 4:

- MLI Explanatory Statement (paragraphs 49-59).
- [Action 6 Report](#) – Section A (pages 72-75).
- Article 4(3) of the 2017 OECD Model Tax Convention.

3.4.1. Article 4(1)

The following paragraph 1 of Article 4 of the MLI replaces paragraph {3} of Article {4} of this Convention:

or

The following paragraph 1 of Article 4 of the MLI applies and supersedes the provisions of this Convention:

ARTICLE 4 OF THE MLI – DUAL RESIDENT ENTITIES

Where by reason of the provisions of [*the Convention*] a person other than an individual is a resident of both [*Contracting States*], the competent authorities of the [*Contracting States*] shall endeavour to determine by mutual agreement the [*Contracting State*] of which such person shall be deemed to be a resident for the purposes of [*the Convention*], having regard to its place of effective management, the place where it is incorporated or otherwise constituted and any other relevant factors. In the absence of such agreement, such person shall not be entitled to any relief or exemption from tax provided by [*the Convention*] except to the extent and in such manner as may be agreed upon by the competent authorities of the [*Contracting States*].

In the case where the last sentence of Article 4(1) is replaced with the text described in Article 4(3)(e):

The following paragraph 1 of Article 4 and subparagraph e) of paragraph 3 of Article 4 of the MLI replace paragraph {3} of Article {4} of this Convention:

or

The following paragraph 1 of Article 4 and subparagraph e) of paragraph 3 of Article 4 of the MLI apply and supersede the provisions of this Convention:

ARTICLE 4 OF THE MLI – DUAL RESIDENT ENTITIES

Where by reason of the provisions of [*the Convention*] a person other than an individual is a resident of both [*Contracting States*], the competent authorities of the [*Contracting States*] shall endeavour to

determine by mutual agreement the [*Contracting State*] of which such person shall be deemed to be a resident for the purposes of [*the Convention*], having regard to its place of effective management, the place where it is incorporated or otherwise constituted and any other relevant factors. In the absence of such agreement, such person shall not be entitled to any relief or exemption from tax provided by [*the Convention*].

3.5. Article 5 – Application of Methods for Elimination of Double Taxation

Article 5 relates to Article 23 of the 2017 OECD Model Tax Convention on the Methods for Elimination of Double Taxation.

Information on Article 5:

- MLI Explanatory Statement (paragraphs 60-74).
- [Action 2 Report](#) – Chapter 15 (pages 146-148).
- Article 23A(4); Article 23B of the 2017 OECD Model Tax Convention.

3.5.1. Article 5(2) – Option A

The following paragraph 2 of Article 5 of the MLI applies to Article {23A} of this Convention with respect to the residents of {Contracting State 1 and Contracting State 2}:

ARTICLE 5 OF THE MLI – APPLICATION OF METHODS FOR ELIMINATION OF DOUBLE TAXATION (*Option A*)

[Article {23A} of the Convention] shall not apply where the other [Contracting State] applies the provisions of [the Convention] to exempt income derived {or capital owned} by a resident of a [Contracting State] from tax or to limit the rate at which such income {or capital} may be taxed. In the latter case, the first-mentioned [Contracting State] shall allow as a deduction from the tax on the income {or capital} of that resident an amount equal to the tax paid in that other [Contracting State]. Such deduction shall not, however, exceed that part of the tax, as computed before the deduction is given, which is attributable to such items of income {or capital} which may be taxed in that other [Contracting State].

3.5.2. Article 5(4) – Option B

The following paragraph 4 of Article 5 of the MLI applies to Article {23A} of this Convention with respect to the residents of {Contracting State 1 and Contracting State 2}:

ARTICLE 5 OF THE MLI – APPLICATION OF METHODS FOR ELIMINATION OF DOUBLE TAXATION (*Option B*)

[Article {23A} of the Convention] that would otherwise exempt income derived by a resident of a [Contracting State] from tax in that [Contracting State] for the purpose of eliminating double taxation because such income is treated as a dividend by that [Contracting State] shall not apply where such income gives rise to a deduction for the purpose of determining the taxable profits of a resident of the other [Contracting State] under the laws of that other [Contracting State]. In such case, the first-mentioned [Contracting State] shall allow as a deduction from the tax on the income of that resident an amount equal to the income tax paid in that other [Contracting State]. Such deduction shall not, however, exceed that part of the income tax, as computed before the deduction is given, which is attributable to such income which may be taxed in that other [Contracting State].

3.5.3. Article 5(6) – Option C

The following paragraph 6 of Article 5 of the MLI replaces Article {23A} of this Convention with respect to the residents of {Contracting State 1 and Contracting State 2}:

ARTICLE 5 OF THE MLI – APPLICATION OF METHODS FOR ELIMINATION OF DOUBLE TAXATION (Option C)

Where a resident of a [Contracting State] derives income {or owns capital} which may be taxed in the other [Contracting State] in accordance with the provisions of [this Convention] (except to the extent that these provisions allow taxation by that other [Contracting State] solely because the income is also income derived by a resident of that other [Contracting State]), the first-mentioned [Contracting State] shall allow

- i) as a deduction from the tax on the income of that resident, an amount equal to the income tax paid in that other [Contracting State] ;
- ii) as a deduction from the tax on the capital of that resident, an amount equal to the capital tax paid in that other [Contracting State].

Such deduction shall not, however, exceed that part of the income tax {or capital tax}, as computed before the deduction is given, which is attributable to the income {or the capital} which may be taxed in that other [Contracting State].

Where in accordance with any provision of [the Convention] income derived {or capital owned} by a resident of a [Contracting State] is exempt from tax in that [Contracting State], such [Contracting State] may nevertheless, in calculating the amount of tax on the remaining income {or capital} of such resident, take into account the exempted income {or capital}.

3.6. Article 6 – Purpose of a Covered Tax Agreement

Article 6 relates to the preamble of tax agreements.

Information on Article 6:

- MLI Explanatory Statement (paragraphs 75-87).
- [Action 6 Report](#) – Section B (page 91).
- Preamble of the 2017 OECD Model Tax Convention.

3.6.1. Article 6(1)

The following paragraph 1 of Article 6 of the MLI replaces the text referring to an intent to eliminate double taxation in the preamble of this Convention:

or

The following paragraph 1 of Article 6 of the MLI is included in the preamble of this Convention:

ARTICLE 6 OF THE MLI – PURPOSE OF A COVERED TAX AGREEMENT

Intending to eliminate double taxation with respect to the taxes covered by [*this Convention*] without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through treaty-shopping arrangements aimed at obtaining reliefs provided in [*the Convention*] for the indirect benefit of residents of third jurisdictions),

3.6.2. Article 6(3)

The following paragraph 3 of Article 6 of the MLI is included in the preamble of this Convention:

Desiring to further develop their economic relationship and to enhance their co-operation in tax matters,

Or (when both Article 6(1) and Article 6(3) applies to a Covered Tax Agreement)

The following paragraph 1 and paragraph 3 of Article 6 of the MLI {replace the text referring to an intent to eliminate double taxation in the preamble of this Convention:} / {are included in the preamble of this Convention:}

ARTICLE 6 OF THE MLI – PURPOSE OF A COVERED TAX AGREEMENT

Desiring to further develop their economic relationship and to enhance their co-operation in tax matters,

Intending to eliminate double taxation with respect to the taxes covered by [*this Convention*] without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through treaty-shopping arrangements aimed at obtaining reliefs provided in [*the Convention*] for the indirect benefit of residents of third jurisdictions),

3.7. Article 7 – Prevention of Treaty Abuse

Article 7 relates to Article 29(9) of the 2017 OECD Model Tax Convention (the PPT) and Article 29 (1) through (7) of the 2017 OECD Model Tax Convention (S-LOB).

Information on Article 7:

- MLI Explanatory Statement (paragraphs 88-117).
- [Action 6 Report](#) - Section A.1.a (LOB - page 20; PPT - page 54).
- Article 29(1) through (7) and (9) of the 2017 OECD Model Tax Convention.

3.7.1. Article 7(1)

The following paragraph 1 of Article 7 of the MLI replaces paragraph {9} of Article {29} of this Convention:

or

The following paragraph 1 of Article 7 of the MLI applies and supersedes the provisions of this Convention:

ARTICLE 7 OF THE MLI – PREVENTION OF TREATY ABUSE

(Principal purposes test provision)

Notwithstanding any provisions of [*the Convention*], a benefit under [*the Convention*] shall not be granted in respect of an item of income {or capital} if it is reasonable to conclude, having regard to all relevant facts and circumstances, that obtaining that benefit was one of the principal purposes of any arrangement or transaction that resulted directly or indirectly in that benefit, unless it is established that granting that benefit in these circumstances would be in accordance with the object and purpose of the relevant provisions of [*the Convention*].

3.7.2. Article 7(4)

The following paragraph 4 of Article 7 of the MLI applies to paragraph 1 of Article 7 of the MLI:

Where a benefit under [*the Convention*] is denied to a person under [*paragraph 1 of Article 7 of the MLI*], the competent authority of the [*Contracting State*] that would otherwise have granted this benefit shall nevertheless treat that person as being entitled to this benefit, or to different benefits with respect to a specific item of income {or capital}, if such competent authority, upon request from that person and after consideration of the relevant facts and circumstances, determines that such benefits would have been granted to that person in the absence of the transaction or arrangement referred to in [*paragraph 1 of Article 7 of the MLI*]. The competent authority of the [*Contracting State*] to which a request has been made under this paragraph by a resident of the other [*Contracting State*] shall consult with the competent authority of that other [*Contracting State*] before rejecting the request.

3.7.3. Article 7(8)-(13) – Simplified Limitation on Benefits Provision

The following paragraphs 8 through 13 of Article 7 of the MLI replace {paragraphs 1 through 7 of Article 29} of this Convention:

or

The following paragraphs 8 to 13 of Article 7 of the MLI applies and supersedes the provisions of this Convention:

ARTICLE 7 OF THE MLI – PREVENTION OF TREATY ABUSE

(Simplified Limitation on Benefits Provision)

Paragraph 8 of Article 7 of the MLI

Except as otherwise provided in the Simplified Limitation on Benefits Provision, a resident of a [Contracting State] shall not be entitled to a benefit that would otherwise be accorded by [this Convention], other than a benefit under {paragraph 3 of Article 4, paragraph 2 of Article 9 or Article 25} of the [Convention], unless such resident is a “qualified person”, as defined in paragraph 9 [of Article 7 of the MLI] at the time that the benefit would be accorded.

Paragraph 9 of Article 7 of the MLI

A resident of a [Contracting State] shall be a qualified person at a time when a benefit would otherwise be accorded by [the Convention] if, at that time, the resident is:

- a) an individual;
- b) that [Contracting State], or a political subdivision or local authority thereof, or an agency or instrumentality of any such [Contracting State], political subdivision or local authority;
- c) a company or other entity, if the principal class of its shares is regularly traded on one or more recognised stock exchanges;
- d) a person, other than an individual, that:
 - i) is a non-profit organisation of a type that is agreed to by the [Contracting States] through an exchange of diplomatic notes; or
 - ii) is an entity or arrangement established in that [Contracting State] that is treated as a separate person under the taxation laws of that [Contracting State] and:
 - A) that is established and operated exclusively or almost exclusively to administer or provide retirement benefits and ancillary or incidental benefits to individuals and that is regulated as such by that [Contracting State] or one of its political subdivisions or local authorities; or
 - B) that is established and operated exclusively or almost exclusively to invest funds for the benefit of entities or arrangements referred to in subdivision A);

- e) a person other than an individual, if, on at least half the days of a twelve-month period that includes the time when the benefit would otherwise be accorded, persons who are residents of that [Contracting State] and that are entitled to benefits of the Convention under subparagraphs a) to d) own, directly or indirectly, at least 50 per cent of the shares of the person.

Paragraph 10 of Article 7 of the MLI

- a) A resident of a [Contracting State] will be entitled to benefits of [the Convention] with respect to an item of income derived from the other [Contracting State], regardless of whether the resident is a qualified person, if the resident is engaged in the active conduct of a business in the first-mentioned [Contracting State], and the income derived from the other [Contracting State] emanates from, or is incidental to, that business. For purposes of the Simplified Limitation on Benefits Provision, the term “active conduct of a business” shall not include the following activities or any combination thereof:
 - i) operating as a holding company;
 - ii) providing overall supervision or administration of a group of companies;
 - iii) providing group financing (including cash pooling); or
 - iv) making or managing investments, unless these activities are carried on by a bank, insurance company or registered securities dealer in the ordinary course of its business as such.
- b) If a resident of a [Contracting State] derives an item of income from a business activity conducted by that resident in the other [Contracting State], or derives an item of income arising in the other [Contracting State] from a connected person, the conditions described in subparagraph a) shall be considered to be satisfied with respect to such item only if the business activity carried on by the resident in the first-mentioned [Contracting State] to which the item is related is substantial in relation to the same activity or a complementary business activity carried on by the resident or such connected person in the other [Contracting State]. Whether a business activity is substantial for the purposes of this subparagraph shall be determined based on all the facts and circumstances.
- c) For purposes of applying this paragraph, activities conducted by connected persons with respect to a resident of a [Contracting State] shall be deemed to be conducted by such resident.

Paragraph 11 of Article 7 of the MLI

A resident of a [Contracting State] that is not a qualified person shall also be entitled to a benefit that would otherwise be accorded by [the Convention] with respect to an item of income if, on at least half of the days of any twelve-month period that includes the time when the benefit would otherwise be accorded, persons that are equivalent beneficiaries own, directly or indirectly, at least 75 per cent of the beneficial interests of the resident.

Paragraph 12 of Article 7 of the MLI

If a resident of a [Contracting State] is neither a qualified person pursuant to the provisions of paragraph 9 [of Article 7 of the MLI], nor entitled to benefits under paragraph 10 or 11 [of Article 7 of the MLI], the

competent authority of the other [*Contracting State*] may, nevertheless, grant the benefits of [*the Convention*], or benefits with respect to a specific item of income, taking into account the object and purpose of [*the Convention*], but only if such resident demonstrates to the satisfaction of such competent authority that neither its establishment, acquisition or maintenance, nor the conduct of its operations, had as one of its principal purposes the obtaining of benefits under [*the Convention*]. Before either granting or denying a request made under this paragraph by a resident of a [*Contracting State*], the competent authority of the other [*Contracting State*] to which the request has been made shall consult with the competent authority of the first-mentioned [*Contracting State*].

Paragraph 13 of Article 7 of the MLI

For the purposes of the Simplified Limitation on Benefits Provision:

- a) the term “recognised stock exchange” means:
 - i) any stock exchange established and regulated as such under the laws of either [*Contracting State*]; and
 - ii) any other stock exchange agreed upon by the competent authorities of the [*Contracting States*];
- b) the term “principal class of shares” means the class or classes of shares of a company which represents the majority of the aggregate vote and value of the company or the class or classes of beneficial interests of an entity which represents in the aggregate a majority of the aggregate vote and value of the entity;
- c) the term “equivalent beneficiary” means any person who would be entitled to benefits with respect to an item of income accorded by a [*Contracting State*] under the domestic law of that [*Contracting State*], [*the Convention*] or any other international instrument which are equivalent to, or more favourable than, benefits to be accorded to that item of income under [*the Convention*]; for the purposes of determining whether a person is an equivalent beneficiary with respect to dividends, the person shall be deemed to hold the same capital of the company paying the dividends as such capital the company claiming the benefit with respect to the dividends holds;
- d) with respect to entities that are not companies, the term “shares” means interests that are comparable to shares;
- e) two persons shall be “connected persons” if one owns, directly or indirectly, at least 50 per cent of the beneficial interest in the other (or, in the case of a company, at least 50 per cent of the aggregate vote and value of the company's shares) or another person owns, directly or indirectly, at least 50 per cent of the beneficial interest (or, in the case of a company, at least 50 per cent of the aggregate vote and value of the company's shares) in each person; in any case, a person shall be connected to another if, based on all the relevant facts and circumstances, one has control of the other or both are under the control of the same person or persons.

3.8. Article 8 – Dividend Transfer Transactions

Article 8 relates to Article 10(2)(a) of the 2017 OECD Model Tax Convention.

Information on Article 8:

- MLI Explanatory Statement (paragraphs 118-127).
- [Action 6 Report](#) - Section A. (pages 70-72).
- Article 10(2) of the 2017 OECD Model Tax Convention

The minimum holding period provided in the following paragraph 1 of Article 8 of the MLI replaces the minimum holding period in subparagraph {a} of paragraph {2} of Article {10} of this Convention:

or,

The following paragraph 1 of Article 8 of the MLI applies to subparagraph {a} of paragraph {2} of Article {10} of this Convention:

ARTICLE 8 OF THE MLI – DIVIDEND TRANSFER TRANSACTIONS

[Subparagraph {a} paragraph {2} of Article {10} of the Convention] shall apply only if the ownership conditions described in those provisions are met throughout a 365 day period that includes the day of the payment of the dividends (for the purpose of computing that period, no account shall be taken of changes of ownership that would directly result from a corporate reorganisation, such as a merger or divisive reorganisation, of the company that holds the shares or that pays the dividends).

3.9. Article 9 – Capital Gains from Alienation of Shares or Interests of Entities Deriving their Value Principally from Immovable Property

Article 9 relates to Article 13(4) of the 2017 OECD Model Tax Convention.

Information on Article 9:

- MLI Explanatory Statement (paragraphs 118-141).
- [Action 6 Report](#) - Section A. (pages 71-72).
- Article 13 of the 2017 OECD Model Tax Convention.

3.9.1. Article 9(1)

The following paragraph 1 of Article 9 of the MLI applies to paragraph {4} of Article {13} of this Convention:

ARTICLE 9 OF THE MLI – CAPITAL GAINS FROM ALIENATION OF SHARES OR INTERESTS OF ENTITIES DERIVING THEIR VALUE PRINCIPALLY FROM IMMOVABLE PROPERTY

[Paragraph {4} of Article {13} of the Convention:]

- shall apply if the relevant value threshold is met at any time during the 365 days preceding the alienation; and
- shall apply to shares or comparable interests, such as interests in a partnership or trust (to the extent that such shares or interests are not already covered) in addition to any shares or rights already covered by the provisions *[of the Convention]*.

and/or

The time period in the following paragraph 1 of Article 9 of the MLI replaces the period provided in paragraph {4} of Article {13} of the Convention:

[Paragraph {4} of Article {13} of the Convention] shall apply if the relevant value threshold is met at any time during the 365 days preceding the alienation.

In the case where Article 9(a) shall not apply (and Article 9(b) shall apply):

The following subparagraph b of paragraph 1 of Article 9 of the MLI applies to paragraph {4} of Article {13} of this Convention:

ARTICLE 9 OF THE MLI – CAPITAL GAINS FROM ALIENATION OF SHARES OR INTERESTS OF ENTITIES DERIVING THEIR VALUE PRINCIPALLY FROM IMMOVABLE PROPERTY

[Paragraph {4} of Article {13} of the Convention] shall apply to shares or comparable interests, such as interests in a partnership or trust (to the extent that such shares or interests are not already covered) in addition to any shares or rights already covered by the provisions [of the Convention].

In the case where Article 9(b) shall not apply (and Article 9(a) shall apply):

The following subparagraph a of paragraph 1 of Article 9 of the MLI applies to paragraph {4} of Article {13} of this Convention:

ARTICLE 9 OF THE MLI – CAPITAL GAINS FROM ALIENATION OF SHARES OR INTERESTS OF ENTITIES DERIVING THEIR VALUE PRINCIPALLY FROM IMMOVABLE PROPERTY

[Paragraph {4} of Article {13} of the Convention] shall apply if the relevant value threshold is met at any time during the 365 days preceding the alienation.

3.9.2. Article 9(4)

The following paragraph 4 of Article 9 of the MLI replaces paragraph {4} of Article {13} of this Convention:

or

The following paragraph 1 of Article 9 of the MLI applies and supersedes paragraph {4} of Article {13} of this Convention:

ARTICLE 9 OF THE MLI – CAPITAL GAINS FROM ALIENATION OF SHARES OR INTERESTS OF ENTITIES DERIVING THEIR VALUE PRINCIPALLY FROM IMMOVABLE PROPERTY

For purposes of [the Convention], gains derived by a resident of a [Contracting State] from the alienation of shares or comparable interests, such as interests in a partnership or trust, may be taxed in the other [Contracting State] if, at any time during the 365 days preceding the alienation, these shares or comparable interests derived more than 50 per cent of their value directly or indirectly from immovable property (real property) situated in that other [Contracting State].

3.10. Article 10 – Anti-abuse Rule for Permanent Establishments Situated in Third Jurisdictions

Article 10 relates to the new Article 29(8) of the 2017 OECD Model Tax Convention.

Information on Article 10:

- MLI Explanatory Statement (paragraphs 142-146).
- [Action 6 Report](#) - Section A.1.b.vii (page 75).
- Article 29(8) of the 2017 OECD Model Tax Convention.

The following paragraphs 1 through 3 of Article 10 of the MLI replace paragraph {8} of Article {29} of this Convention:

or

The following paragraphs 1 through 3 of Article 10 of the MLI apply and supersede the provisions of this Convention:

ARTICLE 10 OF THE MLI – ANTI-ABUSE RULE FOR PERMANENT ESTABLISHMENT SITUATED IN THIRD JURISDICTIONS

Paragraph 1 of Article 10 of the MLI

Where:

- an enterprise of a [Contracting State] derives income from the other [Contracting State] and the first-mentioned [Contracting State] treats such income as attributable to a permanent establishment of the enterprise situated in a third jurisdiction; and
- the profits attributable to that permanent establishment are exempt from tax in the first-mentioned [Contracting State],

the benefits of [the Convention] shall not apply to any item of income on which the tax in the third jurisdiction is less than 60 per cent of the tax that would be imposed in the first-mentioned [Contracting State] on that item of income if that permanent establishment were situated in the first-mentioned [Contracting State]. In such a case, any income to which the provisions of this paragraph apply shall remain taxable according to the domestic law of the other [Contracting State], notwithstanding any other provisions of [the Convention].

Paragraph 2 of Article 10 of the MLI

Paragraph 1 [of Article 10 of the MLI] shall not apply if the income derived from the other [Contracting State] described in paragraph 1 [of Article 10 of the MLI] is derived in connection with or is incidental to the active conduct of a business carried on through the permanent establishment (other than the business of making, managing or simply holding investments for the enterprise's own account, unless

these activities are banking, insurance or securities activities carried on by a bank, insurance enterprise or registered securities dealer, respectively).

Paragraph 3 of Article 10 of the MLI

If benefits under [*the Convention*] are denied pursuant to paragraph 1 [*of Article 10 of the MLI*] with respect to an item of income derived by a resident of a [*Contracting State*], the competent authority of the other [*Contracting State*] may, nevertheless, grant these benefits with respect to that item of income if, in response to a request by such resident, such competent authority determines that granting such benefits is justified in light of the reasons such resident did not satisfy the requirements of paragraphs 1 and 2 [*of Article 10 of the MLI*]. The competent authority of the [*Contracting State*] to which a request has been made under the preceding sentence by a resident of the other [*Contracting State*] shall consult with the competent authority of that other [*Contracting State*] before either granting or denying the request.

3.11. Article 11 – Application of Tax Agreements to Restrict a Party’s Right to Tax its Own Residents

Article 11 relates to Article 1(3) of the 2017 OECD Model Tax Convention.

Information on Article 11:

- MLI Explanatory Statement (paragraphs 147-155).
- [Action 6 Report](#) - Section A.2.a (page 86).
- Article 1(3) of the 2017 OECD Model Tax Convention.

The following paragraph 1 of Article 11 of the MLI replaces paragraph {3} of Article {1} of this Convention:

or

The following paragraph 1 of Article 11 of the MLI applies and supersedes the provisions of this Convention:

**ARTICLE 11 OF THE MLI – APPLICATION OF TAX AGREEMENTS TO
RESTRICT A PARTY’S RIGHT TO TAX ITS OWN RESIDENTS**

[*The Convention*] shall not affect the taxation by a [*Contracting State*] of its residents, except with respect to the benefits granted under {*paragraph 3 of Article 7, paragraph 2 of Article 9, or Article 19, Article 20, Article 23, Article 24, Article 25, Article 28, [...] or [...]*} of [*the Convention*].

3.12. Article 12 – Artificial Avoidance of Permanent Establishment Status through Commissionnaire Arrangements and Similar Strategies

Article 12 relates to Article 5(5) and Article 5(6) of the 2017 OECD Model Tax Convention.

Information on Article 12:

- MLI Explanatory Statement (paragraphs 157-167).
- [Action 7 Report](#) - Section A (pages 15-27).
- Article 5(5) and Article 5(6) of the 2017 OECD Model Tax Convention.

3.12.1. Article 12(1)

The following paragraph 1 of Article 12 of the MLI replaces paragraph {5} of Article {5} of this Convention:

ARTICLE 12 OF THE MLI – ARTIFICIAL AVOIDANCE OF PERMANENT
ESTABLISHMENT STATUS THROUGH COMMISSIONNAIRE
ARRANGEMENTS AND SIMILAR STRATEGIES

Notwithstanding [Article {5} of the Convention], but subject to [paragraph 2 of Article 12 of the MLI], where a person is acting in a [Contracting State] on behalf of an enterprise and, in doing so, habitually concludes contracts, or habitually plays the principal role leading to the conclusion of contracts that are routinely concluded without material modification by the enterprise, and these contracts are:

- a) in the name of the enterprise; or
- b) for the transfer of the ownership of, or for the granting of the right to use, property owned by that enterprise or that the enterprise has the right to use; or
- c) for the provision of services by that enterprise,

that enterprise shall be deemed to have a permanent establishment in that [Contracting State] in respect of any activities which that person undertakes for the enterprise unless these activities, if they were exercised by the enterprise through a fixed place of business of that enterprise situated in that [Contracting State], would not cause that fixed place of business to be deemed to constitute a permanent establishment under the definition of permanent establishment included in the provisions of [Article {5} of the Convention].

Article 12(2)

The following paragraph 2 of Article 12 of the MLI replaces paragraph {6} of Article {5} of this Convention:

ARTICLE 12 OF THE MLI – ARTIFICIAL AVOIDANCE OF PERMANENT
ESTABLISHMENT STATUS THROUGH COMMISSIONNAIRE
ARRANGEMENTS AND SIMILAR STRATEGIES

[Paragraph 1 of Article 12 of the MLI] shall not apply where the person acting in a *[Contracting State]* on behalf of an enterprise of the other *[Contracting State]* carries on business in the first-mentioned *[Contracting State]* as an independent agent and acts for the enterprise in the ordinary course of that business. Where, however, a person acts exclusively or almost exclusively on behalf of one or more enterprises to which it is closely related, that person shall not be considered to be an independent agent within the meaning of this paragraph with respect to any such enterprise.

3.13. Article 13 – Artificial Avoidance of Permanent Establishment Status through the Specific Activity Exemptions

Article 13 relates to Article 5(4) of the 2017 OECD Model Tax Convention.

NOTE BY THE SECRETARIAT

Given the variations of existing provisions of Covered Tax Agreements that provide a list of exceptions to permanent establishment status where a place of business is used solely for specifically listed activities, the suggested sample box for the application of Article 13 of the MLI may need to be further tailored to the specific characteristics of Covered Tax Agreements.

Delegations are invited to send examples of the application of Article 13(2) and Article 13(3) on their existing provisions to the Secretariat.

Information on Article 13:

- MLI Explanatory Statement (paragraphs 168-181).
- [Action 7 Report](#) - Section B (pages 28-41).
- Article 5(4) and (4.1) of the 2017 OECD Model Tax Convention.

3.13.1. Article 13(2) – Option A

The following paragraph 2 of Article 13 of the MLI replaces paragraph {4} of Article {5} of this Convention:

ARTICLE 13 OF THE MLI – ARTIFICIAL AVOIDANCE OF PERMANENT ESTABLISHMENT STATUS THROUGH THE SPECIFIC ACTIVITY EXEMPTIONS (*Option A*)

Notwithstanding [*Article {5} of the Convention*], the term “permanent establishment” shall be deemed not to include:

- a) the activities specifically listed in [*paragraph {4} of Article {5} of the Convention*] as activities deemed not to constitute a permanent establishment, whether or not that exception from permanent establishment status is contingent on the activity being of a preparatory or auxiliary character;
- b) the maintenance of a fixed place of business solely for the purpose of carrying on, for the enterprise, any activity not described in subparagraph a);
- c) the maintenance of a fixed place of business solely for any combination of activities mentioned in subparagraphs a) and b),

provided that such activity or, in the case of subparagraph c), the overall activity of the fixed place of business, is of a preparatory or auxiliary character.

3.13.2. Article 13(3) – Option B

The following paragraph 3 of Article 13 of the MLI replaces of paragraph {4} of Article {5} of this Convention:

ARTICLE 13 OF THE MLI – ARTIFICIAL AVOIDANCE OF PERMANENT
ESTABLISHMENT STATUS THROUGH THE SPECIFIC ACTIVITY
EXEMPTIONS (*Option B*)

Notwithstanding [Article {5} of the Convention], the term “permanent establishment” shall be deemed not to include:

- a) the activities specifically listed in [paragraph {4} of Article {5} of the Convention] as activities deemed not to constitute a permanent establishment, whether or not that exception from permanent establishment status is contingent on the activity being of a preparatory or auxiliary character, except to the extent that [the provision] provides explicitly that a specific activity shall be deemed not to constitute a permanent establishment provided that the activity is of a preparatory or auxiliary character;
- b) the maintenance of a fixed place of business solely for the purpose of carrying on, for the enterprise, any activity not described in subparagraph a), provided that this activity is of a preparatory or auxiliary character;
- c) the maintenance of a fixed place of business solely for any combination of activities mentioned in subparagraphs a) and b), provided that the overall activity of the fixed place of business resulting from this combination is of a preparatory or auxiliary character.

3.13.3. Article 13(4)

When applicable with one of the options in Article 13(2) or Article 13(3), Article 13(4) can be inserted in the box that contains the text of Article 13(2) or Article 13(3).

The following paragraph 4 of Article 13 of the MLI applies to paragraph {4} of Article {5} of this Convention {as modified by paragraph {2}/{3} of Article 13 of the MLI}:

[Article {5} of the Convention, {as modified by paragraph {2}/{3} of Article 13 of the MLI}] shall not apply to a fixed place of business that is used or maintained by an enterprise if the same enterprise or a closely related enterprise carries on business activities at the same place or at another place in the same [Contracting State] and:

- a) that place or other place constitutes a permanent establishment for the enterprise or the closely related enterprise under the provisions of [*Article {5} of the Convention*]; or
- b) the overall activity resulting from the combination of the activities carried on by the two enterprises at the same place, or by the same enterprise or closely related enterprises at the two places, is not of a preparatory or auxiliary character,

provided that the business activities carried on by the two enterprises at the same place, or by the same enterprise or closely related enterprises at the two places, constitute complementary functions that are part of a cohesive business operation.

3.14. Article 14 – Splitting-up of Contracts

Article 14 relates to Article 5(3) of the 2017 OECD Model Tax Convention.

Information on Article 14:

- MLI Explanatory Statement (paragraphs 182-187).
- [Action 7 Report](#) - Section C.1 (pages 42-44).
- Article 5(3) of the OECD Model Tax Convention.

The following paragraph 1 of Article 14 of the MLI applies and supersede the provisions of this Convention:

or

The following paragraph 1 of Article 14 of the MLI replaces paragraph {X} of Article {5} of this Convention:

ARTICLE 14 OF THE MLI – SPLITTING-UP OF CONTRACTS

For the sole purpose of determining whether the period {s} referred to in [paragraph {3} of Article {5} of the Convention] has been exceeded:

- a) where an enterprise of a [Contracting State] carries on activities in the other [Contracting State] at a place that constitutes a building site, construction project, installation project or other specific project identified in [paragraph {3} of Article {5} of the Convention] {or carries on supervisory or consultancy activities in connection with such a place}, and these activities are carried on during one or more periods of time that, in the aggregate, exceed 30 days without exceeding the period {s} referred to in [paragraph {3} of Article {5} of the Convention]; and
- b) where connected activities are carried on in that other [Contracting State] at {(or, where [paragraph {3} of Article {5} of the Convention] applies to supervisory or consultancy activities, in connection with)} the same building site, construction project, installation project or other specific project identified in [paragraph {3} of Article {5} of the Convention] during different periods of time, each exceeding 30 days, by one or more enterprises closely related to the first-mentioned enterprise,

these different periods of time shall be added to the aggregate period of time during which the first-mentioned enterprise has carried on activities at that a building site, construction project, installation project or other specific project identified in [paragraph {3} of Article {5} of the Convention].

3.15. Article 15 – Definition of a Person Closely Related to an Enterprise

Article 15 relates to Article 5(6)(b) of the 2017 OECD Model Tax Convention to accompany Article 12, Article 13 and Article 14 of the MLI.

Information on Article 15:

- MLI Explanatory Statement (paragraphs 188-190).
- [Action 7 Report](#) - Section A (pages 15-17, 23-27).
- Article 5(6)(b) of the 2017 OECD Model Tax Convention.

The following paragraph 1 of Article 15 of the MLI applies to provisions of this Convention:

ARTICLE 15 OF THE MLI – DEFINITION OF A PERSON CLOSELY RELATED
TO AN ENTERPRISE

For the purposes of the provisions of [*Article {5} of the Convention*], a person is closely related to an enterprise if, based on all the relevant facts and circumstances, one has control of the other or both are under the control of the same persons or enterprises. In any case, a person shall be considered to be closely related to an enterprise if one possesses directly or indirectly more than 50 per cent of the beneficial interest in the other (or, in the case of a company, more than 50 per cent of the aggregate vote and value of the company's shares or of the beneficial equity interest in the company) or if another person possesses directly or indirectly more than 50 per cent of the beneficial interest (or, in the case of a company, more than 50 per cent of the aggregate vote and value of the company's shares or of the beneficial equity interest in the company) in the person and the enterprise.

3.16. Article 16 – Mutual Agreement Procedure

Article 16 relates to Article 25 of the 2017 OECD Model Tax Convention.

When more than one sentences of a paragraph of Article 16 are applicable to a Covered Tax Agreement, the paragraphs could be inserted in the same box.

Information on Article 16:

- MLI Explanatory Statement (paragraphs 191-208).
- [Action 14 Report](#) - Section I. A. (pages 13-14, 22-28).
- See also the [BEPS Action 14 Peer Review Documents](#).
- Article 25 of the 2017 OECD Model Tax Convention.

3.16.1. Article 16(1), first sentence

The following first sentence of paragraph 1 of Article 16 of the MLI replaces the {first sentence} of paragraph {1} of Article {25} of this Convention:

or

The following first sentence of paragraph 1 of Article 16 of the MLI applies and supersedes the provisions of this Convention:

ARTICLE 16 OF THE MLI – MUTUAL AGREEMENT PROCEDURE

Where a person considers that the actions of one or both of the [Contracting States] result or will result for that person in taxation not in accordance with the provisions of [this Convention], that person may, irrespective of the remedies provided by the domestic law of those [Contracting States], present the case to the competent authority of either [Contracting State].

3.16.2. Article 16(1), second sentence

The following second sentence of paragraph 1 of Article 16 of the MLI replaces the {second sentence} of paragraph {1} of Article {25} of this Convention:

or

The following second sentence of paragraph 1 of Article 16 of the MLI applies and supersedes the provisions of this Convention:

ARTICLE 16 OF THE MLI – MUTUAL AGREEMENT PROCEDURE

The case must be presented within three years from the first notification of the action resulting in taxation not in accordance with the provisions of [the Convention].

3.16.3. Article 16(2), first sentence

The following first sentence of paragraph 2 of Article 16 of the MLI applies to this Convention:

ARTICLE 16 OF THE MLI – MUTUAL AGREEMENT PROCEDURE

The competent authority shall endeavour, if the objection appears to it to be justified and if it is not itself able to arrive at a satisfactory solution, to resolve the case by mutual agreement with the competent authority of the other [Contracting State], with a view to the avoidance of taxation which is not in accordance with [the Convention].

3.16.4. Article 16(2), second sentence

The following second sentence of paragraph 2 of Article 16 of the MLI applies to this Convention:

ARTICLE 16 OF THE MLI – MUTUAL AGREEMENT PROCEDURE

Any agreement reached shall be implemented notwithstanding any time limits in the domestic law of the [Contracting States].

3.16.5. Article 16(3), first sentence

The following first sentence of paragraph 3 of Article 16 of the MLI applies to this Convention:

ARTICLE 16 OF THE MLI – MUTUAL AGREEMENT PROCEDURE

The competent authorities of the [Contracting States] shall endeavour to resolve by mutual agreement any difficulties or doubts arising as to the interpretation or application of [the Convention]

3.16.6. Article 16(3), second sentence

The following second sentence of paragraph 3 of Article 16 of the MLI applies to this Convention:

ARTICLE 16 OF THE MLI – MUTUAL AGREEMENT PROCEDURE

They may also consult together for the elimination of double taxation in cases not provided for in [the Convention].

3.17. Article 17 – Corresponding Adjustments

Article 17 relates to Article 9(2) of the 2017 OECD Model Tax Convention.

Information on Article 17:

- MLI Explanatory Statement (paragraphs 209-214).
- [Action 14 Report](#) - Section B. (Best practice 1, page 29).
- See also the [BEPS Action 14 Peer Review Documents](#).
- Article 9(2) of the 2017 OECD Model Tax Convention.

The following paragraph 1 of Article 17 of the MLI replaces paragraph {2} of Article {9} of this Convention:

or

The following paragraph 1 of Article 17 of the MLI applies and supersedes the provisions of this Convention:

ARTICLE 17 OF THE MLI – CORRESPONDING ADJUSTMENTS

Where a [Contracting State] includes in the profits of an enterprise of that [Contracting State] — and taxes accordingly — profits on which an enterprise of the other [Contracting State] has been charged to tax in that other [Contracting State] and the profits so included are profits which would have accrued to the enterprise of the first-mentioned [Contracting State] if the conditions made between the two enterprises had been those which would have been made between independent enterprises, then that other [Contracting State] shall make an appropriate adjustment to the amount of the tax charged therein on those profits. In determining such adjustment, due regard shall be had to the other provisions of [the Convention] and the competent authorities of the [Contracting States] shall if necessary consult each other.

3.18. Part VI – Arbitration

Part VI contains the provisions on mandatory binding arbitration. Part VI could either apply to a Covered Tax Agreement or replace existing provisions on arbitration (existing provisions based on paragraph 5 of Article 25 of the 2017 OECD Model Tax Convention).

The synthesised texts would not need to contain the entire Part VI as some of its provisions are compatibility clauses, reservation clauses and notifications clauses. In all cases however, it would be important that synthesised texts contains the core arbitration provision (Article 19 (*Mandatory Binding Arbitration*)) and all applicable choices and options. Reservations made by all Contracting Jurisdictions on the scope of cases eligible to arbitration under sub-paragraph a) of paragraph 2 of Article 28 should also be included in the synthesised texts.

Information on Part VI:

- MLI Explanatory Statement (paragraphs 215-259).
- [Action 14 Report](#) - Section I. A. (para. 62-63).
- See also the [BEPS Action 14 Peer Review Documents](#).
- Paragraph 5 of Article 25 of the 2017 OECD Model Tax Convention.

3.18.1. Article 18 – Part VI

The following Part VI of the MLI replaces paragraph {5} of Article {25} of this Convention:

or

The following Part VI of the MLI applies to this Convention:

PART VI OF THE MLI (ARBITRATION)

3.18.2. Article 19 – Mandatory binding arbitration

Article 19 (Mandatory Binding Arbitration) of the MLI

1. Where:

- a) under [paragraph {1} of Article {25} of this Convention], a person has presented a case to the competent authority of a [Contracting State] on the basis that the actions of one or both of the [Contracting States] have resulted for that person in taxation not in accordance with the provisions of [the Convention]; and
- b) the competent authorities are unable to reach an agreement to resolve that case pursuant to [paragraph {2} of Article {25} of the Convention], within a period of {two years} {[three years]} beginning on the start date referred to in paragraph 8 or 9 [of Article 19 of the MLI], as the case may be (unless, prior to the expiration of that period the competent authorities

of the [*Contracting States*] have agreed to a different time period with respect to that case and have notified the person who presented the case of such agreement),

any unresolved issues arising from the case shall, if the person so requests in writing, be submitted to arbitration in the manner described in [*Part VI of the MLI*], according to any rules or procedures agreed upon by the competent authorities of the [*Contracting States*] pursuant to the provisions [*of paragraph 10 of Article 19 of the MLI*].

2. Where a competent authority has suspended the mutual agreement procedure referred to in paragraph 1 [*of Article 19 of the MLI*] because a case with respect to one or more of the same issues is pending before court or administrative tribunal, the period provided in subparagraph b) of paragraph 1 [*of Article 19 of the MLI*] will stop running until either a final decision has been rendered by the court or administrative tribunal or the case has been suspended or withdrawn. In addition, where a person who presented a case and a competent authority have agreed to suspend the mutual agreement procedure, the period provided in subparagraph b) of paragraph 1 [*of Article 19 of the MLI*] will stop running until the suspension has been lifted.

3. Where both competent authorities agree that a person directly affected by the case has failed to provide in a timely manner any additional material information requested by either competent authority after the start of the period provided in subparagraph b) of paragraph 1 [*of Article 19 of the MLI*], the period provided in subparagraph b) of paragraph 1 [*of Article 19 of the MLI*] shall be extended for an amount of time equal to the period beginning on the date by which the information was requested and ending on the date on which that information was provided.

4. a) The arbitration decision with respect to the issues submitted to arbitration shall be implemented through the mutual agreement concerning the case referred to in paragraph 1 [*of Article 19 of the MLI*]. The arbitration decision shall be final.

b) The arbitration decision shall be binding on both [*Contracting States*] except in the following cases:

i) if a person directly affected by the case does not accept the mutual agreement that implements the arbitration decision. In such a case, the case shall not be eligible for any further consideration by the competent authorities. The mutual agreement that implements the arbitration decision on the case shall be considered not to be accepted by a person directly affected by the case if any person directly affected by the case does not, within 60 days after the date on which notification of the mutual agreement is sent to the person, withdraw all issues resolved in the mutual agreement implementing the arbitration decision from consideration by any court or administrative tribunal or otherwise terminate any pending court or administrative proceedings with respect to such issues in a manner consistent with that mutual agreement.

ii) if a final decision of the courts of one of the [*Contracting States*] holds that the arbitration decision is invalid. In such a case, the request for arbitration under paragraph 1 [*of Article 19 of the MLI*] shall be considered not to have been made, and the arbitration process shall be considered not to have taken place (except for the purposes of Articles 21 (Confidentiality of Arbitration Proceedings) and 25 (Costs of Arbitration Proceedings) [*of the MLI*]). In such a case, a new request for

arbitration may be made unless the competent authorities agree that such a new request should not be permitted.

- iii) if a person directly affected by the case pursues litigation on the issues which were resolved in the mutual agreement implementing the arbitration decision in any court or administrative tribunal.

5. The competent authority that received the initial request for a mutual agreement procedure as described in subparagraph a) of paragraph 1 [*of Article 19 of the MLI*], shall, within two calendar months of receiving the request:

- a) send a notification to the person who presented the case that it has received the request; and
- b) send a notification of that request, along with a copy of the request, to the competent authority of the other [*Contracting State*].

6. Within three calendar months after a competent authority receives the request for a mutual agreement procedure (or a copy thereof from the competent authority of the other [*Contracting State*]) it shall either:

- a) notify the person who has presented the case and the other competent authority that it has received the information necessary to undertake substantive consideration of the case; or
- b) request additional information from that person for that purpose.

7. Where pursuant to subparagraph b) of paragraph 6 [*of Article 19 of the MLI*], one or both of the competent authorities have requested from the person who presented the case additional information necessary to undertake substantive consideration of the case, the competent authority that requested the additional information shall, within three calendar months of receiving the additional information from that person, notify that person and the other competent authority either:

- a) that it has received the requested information; or
- b) that some of the requested information is still missing.

8. Where neither competent authority has requested additional information pursuant to subparagraph b) of paragraph 6 [*of Article 19 of the MLI*], the start date referred to in paragraph 1 [*of Article 19 of the MLI*] shall be the earlier of:

- a) the date on which both competent authorities have notified the person who presented the case pursuant to subparagraph a) of paragraph 6 [*of Article 19 of the MLI*]; and
- b) the date that is three calendar months after the notification to the competent authority of the other [*Contracting State*] pursuant to subparagraph b) of paragraph 5 [*of Article 19 of the MLI*].

9. Where additional information has been requested pursuant to subparagraph b) of paragraph 6 [*of Article 19 of the MLI*], the start date referred to in paragraph 1 [*of Article 19 of the MLI*] shall be the earlier of:

- a) the latest date on which the competent authorities that requested additional information have notified the person who presented the case and the other competent authority pursuant to subparagraph a) of paragraph 7 [of Article 19 of the MLI]; and
- b) the date that is three calendar months after both competent authorities have received all information requested by either competent authority from the person who presented the case.

If, however, one or both of the competent authorities send the notification referred to in subparagraph b) of paragraph 7 [of Article 19 of the MLI], such notification shall be treated as a request for additional information under subparagraph b) of paragraph 6 [of Article 19 of the MLI].

10. The competent authorities of the [Contracting States] shall by mutual agreement pursuant to [Article 25 of the MLI] settle the mode of application of the provisions contained in [Part VI of the MLI], including the minimum information necessary for each competent authority to undertake substantive consideration of the case. Such an agreement shall be concluded before the date on which unresolved issues in a case are first eligible to be submitted to arbitration and may be modified from time to time thereafter.

{12.

- a) any unresolved issue arising from a mutual agreement procedure case otherwise within the scope of the arbitration process provided for by [the MLI] shall not be submitted to arbitration, if a decision on this issue has already been rendered by a court or administrative tribunal of either [Contracting State];
- b) if, at any time after a request for arbitration has been made and before the arbitration panel has delivered its decision to the competent authorities of the [Contracting State], a decision concerning the issue is rendered by a court or administrative tribunal of one of the [Contracting States], the arbitration process shall terminate.}

3.18.3. Article 20 – Appointment of Arbitrators

Article 20 (Appointment of Arbitrators) of the MLI

1. Except to the extent that the competent authorities of the [Contracting States] mutually agree on different rules, paragraphs 2 through 4 [of Article 20 of the MLI] shall apply for the purposes of [Part VI of the MLI].
2. The following rules shall govern the appointment of the members of an arbitration panel:
 - a) The arbitration panel shall consist of three individual members with expertise or experience in international tax matters.
 - b) Each competent authority shall appoint one panel member within 60 days of the date of the request for arbitration under paragraph 1 of Article 19 [of the MLI]. The two panel members so appointed shall, within 60 days of the latter of their appointments, appoint a third member who shall serve as Chair of the arbitration panel. The Chair shall not be a national or resident of either [Contracting State].

- c) Each member appointed to the arbitration panel must be impartial and independent of the competent authorities, tax administrations, and ministries of finance of the [*Contracting States*] and of all persons directly affected by the case (as well as their advisors) at the time of accepting an appointment, maintain his or her impartiality and independence throughout the proceedings, and avoid any conduct for a reasonable period of time thereafter which may damage the appearance of impartiality and independence of the arbitrators with respect to the proceedings.

3. In the event that the competent authority of a [*Contracting State*] fails to appoint a member of the arbitration panel in the manner and within the time periods specified in paragraph 2 [*of Article 20 of the MLI*] or agreed to by the competent authorities of the [*Contracting States*], a member shall be appointed on behalf of that competent authority by the highest ranking official of the Centre for Tax Policy and Administration of the Organisation for Economic Co-operation and Development that is not a national of either [*Contracting State*].

4. If the two initial members of the arbitration panel fail to appoint the Chair in the manner and within the time periods specified in paragraph 2 [*of Article 20 of the MLI*] or agreed to by the competent authorities of the [*Contracting States*], the Chair shall be appointed by the highest ranking official of the Centre for Tax Policy and Administration of the Organisation for Economic Co-operation and Development that is not a national of either [*Contracting State*].

3.18.4. Article 21 – Confidentiality of Arbitration Proceedings

Article 21 (Confidentiality of Arbitration Proceedings) of the MLI

1. Solely for the purposes of the application of the provisions of [*Part VI of the MLI*] and of the provisions of [*the Convention*] and of the domestic laws of the [*Contracting States*] related to the exchange of information, confidentiality, and administrative assistance, members of the arbitration panel and a maximum of three staff per member (and prospective arbitrators solely to the extent necessary to verify their ability to fulfil the requirements of arbitrators) shall be considered to be persons or authorities to whom information may be disclosed. Information received by the arbitration panel or prospective arbitrators and information that the competent authorities receive from the arbitration panel shall be considered information that is exchanged under the provisions of [*the Convention*] related to the exchange of information and administrative assistance.

2. The competent authorities of the [*Contracting States*] shall ensure that members of the arbitration panel and their staff agree in writing, prior to their acting in an arbitration proceeding, to treat any information relating to the arbitration proceeding consistently with the confidentiality and nondisclosure obligations described in the provisions of [*the Convention*] related to exchange of information and administrative assistance and under the applicable laws of the [*Contracting States*].

3.18.5. Article 22 – Resolution of a Case Prior to the Conclusion of the Arbitration

Article 22 (Resolution of a Case Prior to the Conclusion of the Arbitration) of the MLI

For the purposes of [*Part VI of the MLI*] and the provisions of [*the Convention*] that provide for resolution of cases through mutual agreement, the mutual agreement procedure, as well as the arbitration

proceeding, with respect to a case shall terminate if, at any time after a request for arbitration has been made and before the arbitration panel has delivered its decision to the competent authorities of the [Contracting States]:

- a) the competent authorities of the [Contracting States] reach a mutual agreement to resolve the case; or
- b) the person who presented the case withdraws the request for arbitration or the request for a mutual agreement procedure.

3.18.6. Article 23 – Type of Arbitration Process

Article 23 (Type of Arbitration Process) of the MLI

{Final offer arbitration}

1. Except to the extent that the competent authorities of the [Contracting States] mutually agree on different rules, the following rules shall apply with respect to an arbitration proceeding pursuant to [Part VI of the MLI]:

- a) After a case is submitted to arbitration, the competent authority of each [Contracting State] shall submit to the arbitration panel, by a date set by agreement, a proposed resolution which addresses all unresolved issue(s) in the case (taking into account all agreements previously reached in that case between the competent authorities of the [Contracting States]). The proposed resolution shall be limited to a disposition of specific monetary amounts (for example, of income or expense) or, where specified, the maximum rate of tax charged pursuant to [the Convention], for each adjustment or similar issue in the case. In a case in which the competent authorities of the [Contracting States] have been unable to reach agreement on an issue regarding the conditions for application of a provision of [the Convention] (hereinafter referred to as a “threshold question”), such as whether an individual is a resident or whether a permanent establishment exists, the competent authorities may submit alternative proposed resolutions with respect to issues the determination of which is contingent on resolution of such threshold questions.
- b) The competent authority of each [Contracting State] may also submit a supporting position paper for consideration by the arbitration panel. Each competent authority that submits a proposed resolution or supporting position paper shall provide a copy to the other competent authority by the date on which the proposed resolution and supporting position paper were due. Each competent authority may also submit to the arbitration panel, by a date set by agreement, a reply submission with respect to the proposed resolution and supporting position paper submitted by the other competent authority. A copy of any reply submission shall be provided to the other competent authority by the date on which the reply submission was due.
- c) The arbitration panel shall select as its decision one of the proposed resolutions for the case submitted by the competent authorities with respect to each issue and any threshold questions, and shall not include a rationale or any other explanation of the decision. The arbitration decision will be adopted by a simple majority of the panel members. The

arbitration panel shall deliver its decision in writing to the competent authorities of the [Contracting States]. The arbitration decision shall have no precedential value.}

{Independent opinion arbitration

2. [E]xcept to the extent that the competent authorities of the [Contracting States] mutually agree on different rules, the following rules shall apply with respect to an arbitration proceeding:

- a) After a case is submitted to arbitration, the competent authority of each [Contracting State] shall provide any information that may be necessary for the arbitration decision to all panel members without undue delay. Unless the competent authorities of the [Contracting States] agree otherwise, any information that was not available to both competent authorities before the request for arbitration was received by both of them shall not be taken into account for purposes of the decision.
- b) The arbitration panel shall decide the issues submitted to arbitration in accordance with the applicable provisions of [the Convention] and, subject to these provisions, of those of the domestic laws of the [Contracting States]. The panel members shall also consider any other sources which the competent authorities of the [Contracting States] may by mutual agreement expressly identify.
- c) The arbitration decision shall be delivered to the competent authorities of the [Contracting States] in writing and shall indicate the sources of law relied upon and the reasoning which led to its result. The arbitration decision shall be adopted by a simple majority of the panel members. The arbitration decision shall have no precedential value.}

{5. Prior to the beginning of arbitration proceedings, the competent authorities of the [Contracting States] shall ensure that each person that presented the case and their advisors agree in writing not to disclose to any other person any information received during the course of the arbitration proceedings from either competent authority or the arbitration panel. The mutual agreement procedure under [the Convention], as well as the arbitration proceeding under [Part VI of the MLI], with respect to the case shall terminate if, at any time after a request for arbitration has been made and before the arbitration panel has delivered its decision to the competent authorities of the [Contracting States], a person that presented the case or one of that person's advisors materially breaches that agreement.}

3.18.7. Article 24 – Agreement on a Different Resolution

{Paragraph 2 of Article 24 (Agreement on a Different Resolution) of the MLI

2. Notwithstanding paragraph 4 of Article 19 [of the MLI], an arbitration decision pursuant to [Part VI of the MLI] shall not be binding on the [Contracting States] and shall not be implemented if the competent authorities of the [Contracting States] agree on a different resolution of all unresolved issues within three calendar months after the arbitration decision has been delivered to them.}

3.18.8. Article 25 – Costs of Arbitration Proceedings

Article 25(Costs of Arbitration Proceedings of the MLI

In an arbitration proceeding under *[Part VI of the MLI]*, the fees and expenses of the members of the arbitration panel, as well as any costs incurred in connection with the arbitration proceedings by the *[Contracting States]*, shall be borne by the *[Contracting States]* in a manner to be settled by mutual agreement between the competent authorities of the *[Contracting States]*. In the absence of such agreement, each *[Contracting State]* shall bear its own expenses and those of its appointed panel member. The cost of the chair of the arbitration panel and other expenses associated with the conduct of the arbitration proceedings shall be borne by the *[Contracting States]* in equal shares.

3.18.9. Article 26 – Compatibility

Paragraphs 2 and 3 of Article 26 (Compatibility) of the MLI

2. Any unresolved issue arising from a mutual agreement procedure case otherwise within the scope of the arbitration process provided for in *[Part VI of the MLI]* shall not be submitted to arbitration if the issue falls within the scope of a case with respect to which an arbitration panel or similar body has previously been set up in accordance with a bilateral or multilateral convention that provides for mandatory binding arbitration of unresolved issues arising from a mutual agreement procedure case.

3. *[Nothing]* in *[Part VI of the MLI]* shall affect the fulfilment of wider obligations with respect to the arbitration of unresolved issues arising in the context of a mutual agreement procedure resulting from other conventions to which the *[Contracting States]* are or will become parties.

3.18.10. Article 28 – Cases eligible to arbitration

Subparagraph a) of paragraph 2 of Article 28 of the MLI

Pursuant to Subparagraph a) of paragraph 2 of Article 28 of the MLI, {State A} formulates the following reservations with respect to the scope of cases that shall be eligible for arbitration under the provisions of Part VI of the MLI:

{List of the reservations formulated by State A}

Pursuant to Subparagraph a) of paragraph 2 of Article 28 of the MLI, {State B} formulates the following reservations with respect to the scope of cases that shall be eligible for arbitration under the provisions of Part VI of the MLI:

{List of the reservations formulated by State B}

3.19. Article 35 and Article 36 – Entry into Effect

3.19.1. Article 35(1) – General rules and choice to apply a shorter period with respect to other taxes levied

In accordance with paragraph 1 of Article 35 of the MLI, paragraph {x} of Article {x} of the MLI has effect with respect to this Convention:

- a) with respect to taxes withheld at source on amounts paid or credited to non-residents, where the event giving rise to such taxes occurs on or after {date}; and
- b) with respect to all other taxes levied by each Contracting State, for taxes levied with respect to taxable periods beginning on or after {date} {,which corresponds to the moment beginning on or after the expiration of the shorter period of {x} notified by the Contracting States}.

3.19.2. Article 35(2) – Choice to substitute “taxable period” for “calendar year”

Case when only one Contracting Jurisdiction has chosen to substitute “taxable period” for “calendar year”:

In accordance with paragraphs 1 and 2 of Article 35 of the MLI, paragraph {x} of Article {x} of the MLI has effect with respect to the application of this Convention by {State A}:

- a) with respect to taxes withheld at source on amounts paid or credited to non-residents, where the event giving rise to such taxes occurs on or after the first day of the next taxable period that begins {date}; and
- b) with respect to all other taxes levied by [Contracting State A], for taxes levied with respect to taxable periods beginning on or after {date} {,which corresponds to the moment beginning on or after the expiration of the shorter period of {x} notified by the Contracting States}.

and,

In accordance with paragraph 1 of Article 35 of the MLI, paragraph {x} of Article {x} of the MLI has effect with respect to the application of the Convention by {State B}:

- a) with respect to taxes withheld at source on amounts paid or credited to non-residents, where the event giving rise to such taxes occurs on or after {date}; and
- b) with respect to all other taxes levied by [Contracting State B], for taxes levied with respect to taxable periods beginning on or after {date} {,which corresponds to the moment beginning on or after the expiration of the shorter period of {x} notified by the Contracting States}.

Case when both Contracting Jurisdictions have chosen to substitute “taxable period” for “calendar year”:

In accordance with paragraphs 1 and 2 of Article 35 of the MLI, paragraph {x} of Article {x} of the MLI has effect with respect to the Convention :

- a) with respect to taxes withheld at source on amounts paid or credited to non-residents, where the event giving rise to such taxes occurs on or after the first day of the next taxable period that begins on {date}; and
- b) with respect to all other taxes levied by each Contracting State, for taxes levied with respect to taxable periods beginning on or after {date} {, which corresponds to the moment beginning on or after the expiration of the shorter period of {x} notified by the Contracting States}.

3.19.3. Article 35(3) – Choice to replace the reference to “taxable periods beginning on or after the expiration of a period”

Case when only one Contracting Jurisdiction has chosen to replace the reference to “taxable periods beginning on or after the expiration of a period” with a reference to “taxable periods beginning on or after 1 January of the next year beginning on or after the expiration of a period”:

In accordance with paragraphs 1 and 3 of Article 35 of the MLI, paragraph {x} of Article {x} of the MLI has effect with respect to the application of this Convention by {State A}:

- a) with respect to taxes withheld at source on amounts paid or credited to non-residents, where the event giving rise to such taxes occurs on or after {date}; and
- b) with respect to all other taxes levied by [Contracting State A], for taxes levied with respect to taxable periods beginning on or after {date};

and,

In accordance with paragraph 1 of Article 35 of the MLI, paragraph {x} of Article {x} of the MLI has effect with respect to the application of the Convention by {State B}:

- a) with respect to taxes withheld at source on amounts paid or credited to non-residents, where the event giving rise to such taxes occurs on or after {date}; and
- b) with respect to all other taxes levied by [Contracting State B], for taxes levied with respect to taxable periods beginning on or after {date}.

Case when both Contracting Jurisdictions have chosen to replace the reference to “taxable periods beginning on or after the expiration of a period” with a reference to “taxable periods beginning on or after 1 January of the next year beginning on or after the expiration of a period”:

In accordance with paragraphs 1 and 3 of Article 35 of the MLI, paragraph {x} of Article {x} of the MLI has effect with respect to the Convention:

- a) with respect to taxes withheld at source on amounts paid or credited to non-residents, where the event giving rise to such taxes occurs on or after {date}; and
- b) with respect to all other taxes levied by each Contracting State, for taxes levied with respect to taxable periods beginning on or after {date}.

3.19.4. Article 35(4) – Specific rule for the entry into effect of Article 16 on Mutual Agreement Procedure

In accordance with paragraph 4 of Article 35 of the MLI, Article 16 of the MLI has effect with respect to this Convention for a case presented to the competent authority of a Contracting State on or after {the later of the dates on which the MLI enters into force for each of the Contracting States}, except for cases that were not eligible to be presented as of that date under the Convention prior to its modification by the MLI, without regard to the taxable period to which the case relates.

3.19.5. Article 35(5) – Entry into effect resulting from an extension of the list of agreements notified

In accordance with paragraph 5 of Article 35 of the MLI, paragraph {x} of Article {x} of the MLI has effect with respect to this Convention:

- a) with respect to taxes withheld at source on amounts paid or credited to non-residents, where the event giving rise to such taxes occurs on or after {date}; and
- b) with respect to all other taxes levied by each Contracting State, for taxes levied with respect to taxable periods beginning on or after {date} {, which corresponds to the moment beginning on or after the expiration of the shorter period of {x} notified by the Contracting States}.

3.19.6. Article 35(7) – Completion of internal procedures

Cases when at least one of the Contracting Jurisdictions has made the reservation in paragraph 7 of Article 35:

In accordance with paragraphs 1 and 7 of Article 35 of the MLI, paragraph {x} of Article {x} of the MLI has effect with respect to this Convention:

- a) with respect to taxes withheld at source on amounts paid or credited to non-residents, where the event giving rise to such taxes occurs on or after {date} which corresponds

to 30 days after the date of receipt by the Secretary-General of the OECD of {Contracting State}'s notification that it has completed its internal procedures for the entry into effect of the provisions of the MLI with respect to the Convention; and

- b) with respect to all other taxes levied by each Contracting State, for taxes levied with respect to taxable periods beginning on or after {date} which corresponds to 30 days after the date of receipt by the Secretary-General of the OECD of {Contracting State X}'s notification that it has completed its internal procedures for the entry into effect of the provisions of the MLI with respect to the Convention.

3.19.7. Article 36 – Entry into effect of Part VI

Default rule in paragraph 1 of Article 36:

In accordance with paragraph 1 of Article 36 of the MLI, the provisions of Part VI (Arbitration) of the MLI has effect with respect to this Convention:

- a) with respect to cases presented to the competent authority of a Contracting State on or after {the later of the dates on which the MLI enters into force for each of the Contracting States}; and
- b) with respect to cases presented to the competent authority of a Contracting State prior to {the later of the dates on which the MLI enters into force for each of the Contracting States}, on the date when both Contracting States have notified the Secretary-General of the OECD that they have reached mutual agreement pursuant to paragraph 10 of Article 19 of the MLI (Mandatory Binding Arbitration), along with information regarding the date or dates on which such cases shall be considered to have been presented to the competent authority of a Contracting Jurisdiction (as described in subparagraph a) of paragraph 1 of Article 19 of the MLI (Mandatory Binding Arbitration)) according to the terms of that mutual agreement.

Cases when at least one of the Contracting Jurisdictions has made the reservation in paragraph 7 of Article 35:

In accordance with paragraph 7 of Article 35 and paragraph 1 of Article 36 of the MLI, the provisions of Part VI (Arbitration) of the MLI has effect with respect to the Convention:

- a) with respect to cases presented to the competent authority of a Contracting State on or after {date} which corresponds to 30 days after the date of receipt by the Secretary-General of the OECD of {Contracting State}'s notification that it has completed its internal procedures for the entry into effect of the provisions of the MLI with respect to the Convention;
- b) with respect to cases presented to the competent authority of a Contracting State prior to {date} which corresponds to the date when both Contracting States have notified the Secretary-General of the OECD that they have reached mutual agreement pursuant to paragraph 10 of Article 19 of the MLI (Mandatory Binding Arbitration), along with information regarding the date or dates on which such cases shall be considered to have

been presented to the competent authority of a Contracting Jurisdiction (as described in subparagraph a) of paragraph 1 of Article 19 of the MLI (Mandatory Binding Arbitration)) according to the terms of that mutual agreement.

Annex A. Example of the Synthesised Text of the 2014 OECD Model Tax Convention as modified by the Multilateral Instrument

This document has been prepared by the OECD Secretariat in performance of its role as Depository of the Multilateral Instrument. It does not necessarily represent the official views of governments.

This document provides the synthesised text of the MLI to the 2014 OECD Model Tax Convention (the Convention). The provisions of the MLI that are applicable with respect to the provisions of the Convention are included in boxes throughout the text of the Convention. Bracketed explanations are also inserted before provisions of the Convention that are directly replaced or modified by the MLI, specifying how the MLI modifies the provisions.

Changes to the text of the provisions of the MLI have been made to conform the terminology used in the MLI to the terminology used in the Convention (such as “Covered Tax Agreement” and “Convention”, “Contracting Jurisdictions” and “Contracting States”) and to ease the comprehension of the provisions of the MLI. The changes made to the text of the MLI are identified in the MLI boxes in brackets and italics. The other suggestions provided in the *Guidance for the development of Synthesised texts* have also been followed in the development of the synthesised text.

The example of synthesised text was produced assuming that both Contracting Jurisdictions (State A and State B) have not made any reservation in their MLI positions, have opted-in for all optional provisions of the MLI and have both selected Option C under Article 5, and Option A under Article 13.

Table of Contents

General disclaimer on the Synthesised text document.....	65
Chapter I – SCOPE OF THE CONVENTION	67
ARTICLE 1 – PERSONS COVERED.....	67
ARTICLE 2 – TAXES COVERED	68
Chapter II – DEFINITIONS	68
ARTICLE 3 – GENERAL DEFINITIONS.....	68
ARTICLE 4 – RESIDENT.....	69
ARTICLE 5 – PERMANENT ESTABLISHMENT	70
Chapter III – TAXATION OF INCOME	75
ARTICLE 6 – INCOME FROM IMMOVABLE PROPERTY	75
ARTICLE 7 – BUSINESS PROFITS	75
ARTICLE 8 – SHIPPING, INLAND WATERWAYS TRANSPORT AND AIR TRANSPORT	76
ARTICLE 9 – ASSOCIATED ENTERPRISES	76
ARTICLE 10 – DIVIDENDS	77
ARTICLE 11 – INTEREST	78
ARTICLE 12 – ROYALTIES.....	79
ARTICLE 13 – CAPITAL GAINS	79
ARTICLE 15 – INCOME FROM EMPLOYMENT	80
ARTICLE 16 – DIRECTORS’ FEES	81
ARTICLE 17 – ENTERTAINERS AND SPORTSPERSONS.....	81
ARTICLE 18 – PENSIONS	81
ARTICLE 19 – GOVERNMENT SERVICE	81
ARTICLE – 20 STUDENTS.....	82
ARTICLE – 21 OTHER INCOME	82
Chapter IV – TAXATION OF CAPITAL	82
ARTICLE 22 – CAPITAL	82
Chapter V – METHODS FOR ELIMINATION OF DOUBLE TAXATION.....	82
ARTICLE 23A – EXEMPTION METHOD	82
Chapter VI – SPECIAL PROVISIONS.....	84
ARTICLE 24 – NON-DISCRIMINATION.....	84
ARTICLE 25 – MUTUAL AGREEMENT PROCEDURE.....	85
ARTICLE 26 – EXCHANGE OF INFORMATION	92
ARTICLE 27 – ASSISTANCE IN THE COLLECTION OF TAXES	92
ARTICLE 28 – MEMBERS OF DIPLOMATIC MISSIONS AND CONSULAR POSTS	94
ARTICLE 29 – TERRITORIAL EXTENSION	99
CHAPTER VII – FINAL PROVISIONS	99

**SYNTHESISED TEXT OF THE MLI AND THE
CONVENTION BETWEEN STATE A AND STATE B WITH
RESPECT TO TAXES ON INCOME AND ON CAPITAL**

General disclaimer on the Synthesised text document

This document presents the synthesised text for the application of the *Convention between State A and State B with respect to Taxes on Income and on Capital* signed on date (the “Convention”), as modified by the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting signed by State A on date and by State B on date (the “MLI”).

The document was prepared on the basis of the MLI position of State A submitted to the Depository upon ratification on date and of the MLI position of State B submitted to the Depository upon ratification on date. These MLI positions are subject to modifications as provided in the MLI. Modifications made to MLI positions could modify the effects of the MLI on this Convention.

The authentic legal texts of the Convention and the MLI take precedence and remain the legal texts applicable.

The provisions of the MLI that are applicable with respect to the provisions of the Convention are included in boxes throughout the text of this document in the context of the relevant provisions of the Convention. The boxes containing the provisions of the MLI have generally been inserted in accordance with the ordering of the provisions of the OECD Model Tax Convention.

Changes to the text of the provisions of the MLI have been made to conform the terminology used in the MLI to the terminology used in the Convention (such as “Covered Tax Agreement” and “Convention”, “Contracting Jurisdictions” and “Contracting States”), to ease the comprehension of the provisions of the MLI. The changes in terminology are intended to increase the readability of the document and are not intended to change the substance of the provisions of the MLI. Similarly, changes have been made to parts of provisions of the MLI that describe existing provisions of the Convention: descriptive language has been replaced by legal references of the existing provisions to ease the readability.

In all cases, references made to the provisions of the Convention or to the Convention must be understood as referring to the Convention as modified by the provisions of the MLI, provided such provisions of the MLI have taken effect.

References

The authentic legal texts of the MLI and the Convention can be found [hyperlinks].

The MLI position of State A submitted to the Depository upon ratification on date and of the MLI position of State B submitted to the Depository upon ratification on date can be found [on the MLI Depository \(OECD\) webpage](#).

Disclaimer on the entry into effect of the provisions of the MLI

Entry into Effect of the MLI Provisions

The provisions of the MLI applicable to this Convention do not take effect on the same dates as the original provisions of the Convention. Each of provisions of the MLI could take effect on different dates, depending on the types of taxes involved (taxes withheld at source or other taxes levied) and on the choices made by State A and State B in their MLI positions.

Dates of the deposit of instruments of ratification, acceptance or approval: date for State A and date for State B.

Entry into force of the MLI: date for State A and date for State B.

This document provides specific information on the dates on or after which each of the provisions of the MLI has effect with respect to the Convention throughout this document.

*The following paragraph 1 and paragraph 3 of Article 6 of the MLI are included in the preamble of this Convention:*¹

ARTICLE 6 OF THE MLI- PURPOSE OF A COVERED TAX AGREEMENT

Desiring to further develop their economic relationship and to enhance their co-operation in tax matters,

Intending to eliminate double taxation with respect to the taxes covered by [*this Convention*] without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through treaty-shopping arrangements aimed at obtaining reliefs provided in [*the Convention*] for the indirect benefit of residents of third jurisdictions),

Chapter I – SCOPE OF THE CONVENTION

ARTICLE 1 – PERSONS COVERED

This Convention shall apply to persons who are residents of one or both of the Contracting States.

*The following paragraph 1 of Article 3 of the MLI applies and supersedes the provisions of this Convention:*²

ARTICLE 3 OF THE MLI - TRANSPARENT ENTITIES

For the purposes of the Convention, income derived by or through an entity or arrangement that is treated as wholly or partly fiscally transparent under the tax law of either [*Contracting State*] shall be considered to be income of a resident of a [*Contracting State*] but only to the extent that the income is treated, for purposes of taxation by that [*Contracting State*], as the income of a resident of that [*Contracting State*].

¹ In accordance with paragraph 1 of Article 35 of the MLI, paragraph 1 of Article 6 of the MLI has effect with respect to this Convention:

- a) with respect to taxes withheld at source on amounts paid or credited to non-residents, where the event giving rise to such taxes occurs on or after *date*; and
- b) with respect to all other taxes levied by that Contracting Jurisdiction, for taxes levied with respect to taxable periods beginning on or after *date*.

² In accordance with paragraph 1 of Article 35 of the MLI, paragraph 1 of Article 3 of the MLI has effect with respect to this Convention:

- a) with respect to taxes withheld at source on amounts paid or credited to non-residents, where the event giving rise to such taxes occurs on or after *date*; and
- b) with respect to all other taxes levied by that Contracting Jurisdiction, for taxes levied with respect to taxable periods beginning on or after *date*.

*The following paragraph 1 of Article 11 of the MLI applies and supersedes the provisions of this Convention:*³

**ARTICLE 11 OF THE MLI- APPLICATION OF TAX AGREEMENTS TO
RESTRICT A PARTY'S RIGHT TO TAX ITS OWN RESIDENTS**

[The Convention] shall not affect the taxation by a [Contracting State] of its residents, except with respect to the benefits granted [under paragraph 3 of Article 7, paragraph 2 of Article 9, or Articles 19, 20, 23, 24, 25, 28, [...], [...] or [...]] of [the Convention].

ARTICLE 2 – TAXES COVERED

1. This Convention shall apply to taxes on income and on capital imposed on behalf of a Contracting State or of its political subdivisions or local authorities, irrespective of the manner in which they are levied.
2. There shall be regarded as taxes on income and on capital all taxes imposed on total income, on total capital, or on elements of income or of capital, including taxes on gains from the alienation of movable or immovable property, taxes on the total amounts of wages or salaries paid by enterprises, as well as taxes on capital appreciation.
3. The existing taxes to which the Convention shall apply are in particular:
 - a) (in State A):
 - b) (in State B):
4. The Convention shall apply also to any identical or substantially similar taxes that are imposed after the date of signature of the Convention in addition to, or in place of, the existing taxes. The competent authorities of the Contracting States shall notify each other of any significant changes that have been made in their taxation laws.

Chapter II – DEFINITIONS

ARTICLE 3 – GENERAL DEFINITIONS

1. For the purposes of this Convention, unless the context otherwise requires:
 - a) the term “person” includes an individual, a company and any other body of persons;
 - b) the term “company” means any body corporate or any entity that is treated as a body corporate for tax purposes;

³ In accordance with paragraph 1 of Article 35 of the MLI, paragraph 1 of Article 11 of the MLI has effect with respect to this Convention:

- a) with respect to taxes withheld at source on amounts paid or credited to non-residents, where the event giving rise to such taxes occurs on or after *date*; and
- b) with respect to all other taxes levied by that Contracting Jurisdiction, for taxes levied with respect to taxable periods beginning on or after *date*.

- c) the term “enterprise” applies to the carrying on of any business;
- d) the terms “enterprise of a Contracting State” and “enterprise of the other Contracting State” mean respectively an enterprise carried on by a resident of a Contracting State and an enterprise carried on by a resident of the other Contracting State;
- e) the term “international traffic” means any transport by a ship or aircraft operated by an enterprise that has its place of effective management in a Contracting State, except when the ship or aircraft is operated solely between places in the other Contracting State;
- f) the term “competent authority” means:
- (i) (in State A):
 - (ii) (in State B):
- g) the term “national”, in relation to a Contracting State, means:
- (i) any individual possessing the nationality or citizenship of that Contracting State; and
 - (ii) any legal person, partnership or association deriving its status as such from the laws in force in that Contracting State;
- h) the term “business” includes the performance of professional services and of other activities of an independent character.

2. As regards the application of the Convention at any time by a Contracting State, any term not defined therein shall, unless the context otherwise requires, have the meaning that it has at that time under the law of that State for the purposes of the taxes to which the Convention applies, any meaning under the applicable tax laws of that State prevailing over a meaning given to the term under other laws of that State.

ARTICLE 4 – RESIDENT

1. For the purposes of this Convention, the term “resident of a Contracting State” means any person who, under the laws of that State, is liable to tax therein by reason of his domicile, residence, place of management or any other criterion of a similar nature, and also includes that State and any political subdivision or local authority thereof. For the purposes of this Convention, the term “resident of a Contracting State” means any person who, under the laws of that State, is liable to tax therein by reason of his domicile, residence, place of management or any other criterion of a similar nature, and also includes that State and any political subdivision or local authority thereof. This term, however, does not include any person who is liable to tax in that State in respect only of income from sources in that State or capital situated therein.

2. Where by reason of the provisions of paragraph 1 an individual is a resident of both Contracting States, then his status shall be determined as follows:

- a) he shall be deemed to be a resident only of the State in which he has a permanent home available to him; if he has a permanent home available to him in both States, he shall be deemed to be a resident only of the State with which his personal and economic relations are closer (centre of vital interests);

- b) if the State in which he has his centre of vital interests cannot be determined, or if he has not a permanent home available to him in either State, he shall be deemed to be a resident only of the State in which he has an habitual abode;
- c) if he has an habitual abode in both States or in neither of them, he shall be deemed to be a resident only of the State of which he is a national;
- d) if he is a national of both States or of neither of them, the competent authorities of the Contracting States shall settle the question by mutual agreement.

3. **[REPLACED by paragraph 1 of Article 4 of the MLI]** [Where by reason of the provisions of paragraph 1 a person other than an individual is a resident of both Contracting States, then it shall be deemed to be a resident only of the State in which its place of effective management is situated.]

The following paragraph 1 of Article 4 of the MLI replaces paragraph 3 of Article 4 of this Convention:⁴

ARTICLE 4 OF THE MLI – DUAL RESIDENT ENTITIES

Where by reason of the provisions of [*the Convention*] a person other than an individual is a resident of both [*Contracting States*], the competent authorities of the [*Contracting States*] shall endeavour to determine by mutual agreement the [*Contracting State*] of which such person shall be deemed to be a resident for the purposes of [*the Convention*], having regard to its place of effective management, the place where it is incorporated or otherwise constituted and any other relevant factors. In the absence of such agreement, such person shall not be entitled to any relief or exemption from tax provided by [*the Convention*] except to the extent and in such manner as may be agreed upon by the competent authorities of the [*Contracting States*].

ARTICLE 5 – PERMANENT ESTABLISHMENT

1. For the purposes of this Convention, the term “permanent establishment” means a fixed place of business through which the business of an enterprise is wholly or partly carried on.
2. The term “permanent establishment” includes especially:
 - a) a place of management;
 - b) a branch;
 - c) an office;
 - d) a factory;

⁴ In accordance with paragraph 1 of Article 35 of the MLI, paragraph 1 of Article 4 of the MLI has effect with respect to this Convention:

- a) with respect to taxes withheld at source on amounts paid or credited to non-residents, where the event giving rise to such taxes occurs on or after *date*; and
- b) with respect to all other taxes levied by that Contracting Jurisdiction, for taxes levied with respect to taxable periods beginning on or after *date*.

- e) a workshop, and
- f) a mine, an oil or gas well, a quarry or any other place of extraction of natural resources.

3. **[MODIFIED by paragraph 1 of Article 14 of the MLI]** [A building site or construction or installation project constitutes a permanent establishment only if it lasts more than twelve months.]

The following paragraph 1 of Article 14 of the MLI applies and supersedes paragraph 3 of Article 5 of this Convention.⁵

ARTICLE 14 OF THE MLI – SPLITTING-UP OF CONTRACTS

For the sole purpose of determining whether the [*twelve month period*] referred to [*in paragraph 3 of Article 5 of the Convention*] has been exceeded:

- a) where an enterprise of a [*Contracting State*] carries on activities in the other [*Contracting State*] at a place that constitutes [*a building site, construction or installation project*] and these activities are carried on during one or more periods of time that, in the aggregate, exceed 30 days without exceeding [*twelve months*]; and
- b) where connected activities are carried on in that other [*Contracting State*] at the same [*building site or construction or installation project*] during different periods of time, each exceeding 30 days, by one or more enterprises closely related to the first-mentioned enterprise,

these different periods of time shall be added to the aggregate period of time during which the first-mentioned enterprise has carried on activities at that [*building site or construction or installation*].

4. **[MODIFIED by paragraph 2 of Article 13 of the MLI]** [Notwithstanding the preceding provisions of this Article, the term “permanent establishment” shall be deemed not to include:

- a) the use of facilities solely for the purpose of storage, display or delivery of goods or merchandise belonging to the enterprise;
- b) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage, display or delivery;
- c) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise;

⁵ In accordance with paragraph 1 of Article 35 of the MLI, paragraph 1 of Article 14 of the MLI has effect with respect to this Convention:

- a) with respect to taxes withheld at source on amounts paid or credited to non-residents, where the event giving rise to such taxes occurs on or after *date*; and
- b) with respect to all other taxes levied by that Contracting Jurisdiction, for taxes levied with respect to taxable periods beginning on or after *date*.

- d) the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise or of collecting information, for the enterprise;
- e) the maintenance of a fixed place of business solely for the purpose of carrying on, for the enterprise, any other activity of a preparatory or auxiliary character;
- f) the maintenance of a fixed place of business solely for any combination of activities mentioned in subparagraphs a) to e), provided that the overall activity of the fixed place of business resulting from this combination is of a preparatory or auxiliary character.]

*The following paragraph 2 of Article 13 of the MLI replaces paragraph 4 of Article 5 of this Convention:*⁶

ARTICLE 13 OF THE MLI – ARTIFICIAL AVOIDANCE OF PERMANENT
ESTABLISHMENT STATUS THROUGH THE SPECIFIC ACTIVITY
EXEMPTIONS (*Option A*)

Notwithstanding [*Article 5 of the Convention*], the term “permanent establishment” shall be deemed not to include:

- a) the activities specifically listed in [*paragraph 4 of Article 5 of the Convention*] as activities deemed not to constitute a permanent establishment, whether or not that exception from permanent establishment status is contingent on the activity being of a preparatory or auxiliary character;
- b) the maintenance of a fixed place of business solely for the purpose of carrying on, for the enterprise, any activity not described in subparagraph a);
- c) the maintenance of a fixed place of business solely for any combination of activities mentioned in subparagraphs a) and b),

provided that such activity or, in the case of subparagraph c), the overall activity of the fixed place of business, is of a preparatory or auxiliary character.

*The following paragraph 4 of Article 13 of the MLI applies to paragraph 2 of Article 13 of the MLI and provisions of this Convention as modified by the MLI:*⁷

[*Article 5 of the Convention, as modified by paragraph 2 of Article 13 of the MLI*] shall not apply to a fixed place of business that is used or maintained by an enterprise if the same enterprise or a closely

⁶ In accordance with paragraph 1 of Article 35 of the MLI, paragraph 2 of Article 13 of the MLI has effect with respect to this Convention:

- a) with respect to taxes withheld at source on amounts paid or credited to non-residents, where the event giving rise to such taxes occurs on or after *date*; and
- b) with respect to all other taxes levied by that Contracting Jurisdiction, for taxes levied with respect to taxable periods beginning on or after *date*.

⁷ In accordance with paragraph 1 of Article 35 of the MLI, paragraph 4 of Article 13 of the MLI has effect with respect to this Convention:

- a) with respect to taxes withheld at source on amounts paid or credited to non-residents, where the event giving rise to such taxes occurs on or after *date*; and
- b) with respect to all other taxes levied by that Contracting Jurisdiction, for taxes levied with respect to taxable periods beginning on or after *date*.

related enterprise carries on business activities at the same place or at another place in the same [*Contracting State*] and:

- a) that place or other place constitutes a permanent establishment for the enterprise or the closely related enterprise under the provisions of [*Article 5 of the Convention*]; or
- b) the overall activity resulting from the combination of the activities carried on by the two enterprises at the same place, or by the same enterprise or closely related enterprises at the two places, is not of a preparatory or auxiliary character,

provided that the business activities carried on by the two enterprises at the same place, or by the same enterprise or closely related enterprises at the two places, constitute complementary functions that are part of a cohesive business operation.

5. **[REPLACED by paragraph 1 of Article 12 of the MLI]** [Notwithstanding the provisions of paragraphs 1 and 2, where a person — other than an agent of an independent status to whom paragraph 6 applies — is acting on behalf of an enterprise and has, and habitually exercises, in a Contracting State an authority to conclude contracts in the name of the enterprise, that enterprise shall be deemed to have a permanent establishment in that State in respect of any activities which that person undertakes for the enterprise, unless the activities of such person are limited to those mentioned in paragraph 4 which, if exercised through a fixed place of business, would not make this fixed place of business a permanent establishment under the provisions of that paragraph.]

*The following paragraph 1 of Article 12 of the MLI replaces paragraph 5 of Article 5 of this Convention:*⁸

ARTICLE 12 OF THE MLI – ARTIFICIAL AVOIDANCE OF PERMANENT
ESTABLISHMENT STATUS THROUGH COMMISSIONNAIRE
ARRANGEMENTS AND SIMILAR STRATEGIES

Notwithstanding [*Article 5 of the Convention*], but subject to [*paragraph 2 of Article 12 of the MLI*], where a person is acting in a [*Contracting State*] on behalf of an enterprise and, in doing so, habitually concludes contracts, or habitually plays the principal role leading to the conclusion of contracts that are routinely concluded without material modification by the enterprise, and these contracts are:

- a) in the name of the enterprise; or
- b) for the transfer of the ownership of, or for the granting of the right to use, property owned by that enterprise or that the enterprise has the right to use; or
- c) for the provision of services by that enterprise,

that enterprise shall be deemed to have a permanent establishment in that [*Contracting State*] in respect of any activities which that person undertakes for the enterprise unless these activities, if they were

⁸ In accordance with paragraph 1 of Article 35 of the MLI, paragraph 1 of Article 12 of the MLI has effect with respect to this Convention:

- a) with respect to taxes withheld at source on amounts paid or credited to non-residents, where the event giving rise to such taxes occurs on or after *date*; and
- b) with respect to all other taxes levied by that Contracting Jurisdiction, for taxes levied with respect to taxable periods beginning on or after *date*.

exercised by the enterprise through a fixed place of business of that enterprise situated in that [Contracting State], would not cause that fixed place of business to be deemed to constitute a permanent establishment under the definition of permanent establishment included in the provisions of [Article 5 of the Convention].

6. **[REPLACED by paragraph 2 of Article 12 of the MLI]** [An enterprise shall not be deemed to have a permanent establishment in a Contracting State merely because it carries on business in that State through a broker, general commission agent or any other agent of an independent status, provided that such persons are acting in the ordinary course of their business.]

*The following paragraph 2 of Article 12 of the MLI replaces paragraph 6 of Article 5 of this Convention:*⁹

ARTICLE 12 OF THE MLI – ARTIFICIAL AVOIDANCE OF PERMANENT
ESTABLISHMENT STATUS THROUGH COMMISSIONNAIRE
ARRANGEMENTS AND SIMILAR STRATEGIES

[Paragraph 1 of Article 12 of the MLI] shall not apply where the person acting in a [Contracting State] on behalf of an enterprise of the other [Contracting State] carries on business in the first-mentioned [Contracting State] as an independent agent and acts for the enterprise in the ordinary course of that business. Where, however, a person acts exclusively or almost exclusively on behalf of one or more enterprises to which it is closely related, that person shall not be considered to be an independent agent within the meaning of this paragraph with respect to any such enterprise.

7. The fact that a company which is a resident of a Contracting State controls or is controlled by a company which is a resident of the other Contracting State, or which carries on business in that other State (whether through a permanent establishment or otherwise), shall not of itself constitute either company a permanent establishment of the other.

*The following paragraph 1 of Article 15 of the MLI applies to this Convention:*¹⁰

ARTICLE 15 OF THE MLI – DEFINITION OF A PERSON CLOSELY RELATED
TO AN ENTERPRISE

For the purposes of [Article 5 of the Convention], a person is closely related to an enterprise if, based on all the relevant facts and circumstances, one has control of the other or both are under the control of the same persons or enterprises. In any case, a person shall be considered to be closely related to an enterprise if one possesses directly or indirectly more than 50 per cent of the beneficial interest in the other (or, in the case of a company, more than 50 per cent of the aggregate vote and value of the

⁹ In accordance with paragraph 1 of Article 35 of the MLI, paragraph 2 of Article 12 of the MLI has effect with respect to this Convention:

- a) with respect to taxes withheld at source on amounts paid or credited to non-residents, where the event giving rise to such taxes occurs on or after *date*; and
- b) with respect to all other taxes levied by that Contracting Jurisdiction, for taxes levied with respect to taxable periods beginning on or after *date*.

¹⁰ In accordance with paragraph 1 of Article 35 of the MLI, paragraph 1 of Article 15 of the MLI has effect with respect to this Convention:

- a) with respect to taxes withheld at source on amounts paid or credited to non-residents, where the event giving rise to such taxes occurs on or after *date*; and
- b) with respect to all other taxes levied by that Contracting Jurisdiction, for taxes levied with respect to taxable periods beginning on or after *date*.

company's shares or of the beneficial equity interest in the company) or if another person possesses directly or indirectly more than 50 per cent of the beneficial interest (or, in the case of a company, more than 50 per cent of the aggregate vote and value of the company's shares or of the beneficial equity interest in the company) in the person and the enterprise.

Chapter III – TAXATION OF INCOME

ARTICLE 6 – INCOME FROM IMMOVABLE PROPERTY

1. Income derived by a resident of a Contracting State from immovable property (including income from agriculture or forestry) situated in the other Contracting State may be taxed in that other State.
2. The term “immovable property” shall have the meaning which it has under the law of the Contracting State in which the property in question is situated. The term shall in any case include property accessory to immovable property, livestock and equipment used in agriculture and forestry, rights to which the provisions of general law respecting landed property apply, usufruct of immovable property and rights to variable or fixed payments as consideration for the working of, or the right to work, mineral deposits, sources and other natural resources; ships, boats and aircraft shall not be regarded as immovable property.
3. The provisions of paragraph 1 shall apply to income derived from the direct use, letting, or use in any other form of immovable property.
4. The provisions of paragraphs 1 and 3 shall also apply to the income from immovable property of an enterprise.

ARTICLE 7 – BUSINESS PROFITS

1. Profits of an enterprise of a Contracting State shall be taxable only in that State unless the enterprise carries on business in the other Contracting State through a permanent establishment situated therein. If the enterprise carries on business as aforesaid, the profits that are attributable to the permanent establishment in accordance with the provisions of paragraph 2 may be taxed in that other State.
2. For the purposes of this Article and Article 23, the profits that are attributable in each Contracting State to the permanent establishment referred to in paragraph 1 are the profits it might be expected to make, in particular in its dealings with other parts of the enterprise, if it were a separate and independent enterprise engaged in the same or similar activities under the same or similar conditions, taking into account the functions performed, assets used and risks assumed by the enterprise through the permanent establishment and through the other parts of the enterprise.
3. Where, in accordance with paragraph 2, a Contracting State adjusts the profits that are attributable to a permanent establishment of an enterprise of one of the Contracting States and taxes accordingly profits of the enterprise that have been charged to tax in the other State, the other State shall, to the extent necessary to eliminate double taxation on these profits, make an appropriate adjustment to the amount of the tax charged on those profits. In determining such adjustment, the competent authorities of the Contracting States shall if necessary consult each other.
4. Where profits include items of income which are dealt with separately in other Articles of this

Convention, then the provisions of those Articles shall not be affected by the provisions of this Article.

***ARTICLE 8 – SHIPPING, INLAND WATERWAYS TRANSPORT AND AIR
TRANSPORT***

1. Profits from the operation of ships or aircraft in international traffic shall be taxable only in the Contracting State in which the place of effective management of the enterprise is situated.
2. Profits from the operation of boats engaged in inland waterways transport shall be taxable only in the Contracting State in which the place of effective management of the enterprise is situated.
3. If the place of effective management of a shipping enterprise or of an inland waterways transport enterprise is aboard a ship or boat, then it shall be deemed to be situated in the Contracting State in which the home harbour of the ship or boat is situated, or, if there is no such home harbour, in the Contracting State of which the operator of the ship or boat is a resident.
4. The provisions of paragraph 1 shall also apply to profits from the participation in a pool, a joint business or an international operating agency.

ARTICLE 9 – ASSOCIATED ENTERPRISES

1. Where:
 - a) an enterprise of a Contracting State participates directly or indirectly in the management, control or capital of an enterprise of the other Contracting State, or
 - b) the same persons participate directly or indirectly in the management, control or capital of an enterprise of a Contracting State and an enterprise of the other Contracting State,

and in either case conditions are made or imposed between the two enterprises in their commercial or financial relations which differ from those which would be made between independent enterprises, then any profits which would, but for those conditions, have accrued to one of the enterprises, but, by reason of those conditions, have not so accrued, may be included in the profits of that enterprise and taxed accordingly.

2. **[REPLACED by paragraph 1 of Article 17 of the MLI]** [Where a Contracting State includes in the profits of an enterprise of that State — and taxes accordingly — profits on which an enterprise of the other Contracting State has been charged to tax in that other State and the profits so included are profits which would have accrued to the enterprise of the first- mentioned State if the conditions made between the two enterprises had been those which would have been made between independent enterprises, then that other State shall make an appropriate adjustment to the amount of the tax charged therein on those profits. In determining such adjustment, due regard shall be had to the other provisions of this Convention and the competent authorities of the Contracting States shall if necessary consult each other.]

The following paragraph 1 of Article 17 of the MLI replaces paragraph 2 of Article 9 of this Convention.¹¹

ARTICLE 17 OF THE MLI – CORRESPONDING ADJUSTMENTS

Where a [Contracting State] includes in the profits of an enterprise of that [Contracting State] — and taxes accordingly — profits on which an enterprise of the other [Contracting State] has been charged to tax in that other [Contracting State] and the profits so included are profits which would have accrued to the enterprise of the first-mentioned [Contracting State] if the conditions made between the two enterprises had been those which would have been made between independent enterprises, then that other [Contracting State] shall make an appropriate adjustment to the amount of the tax charged therein on those profits. In determining such adjustment, due regard shall be had to the other provisions of [this Convention] and the competent authorities of the [Contracting States] shall if necessary consult each other.

ARTICLE 10 – DIVIDENDS

1. Dividends paid by a company which is a resident of a Contracting State to a resident of the other Contracting State may be taxed in that other State.
2. However, dividends paid by a company which is a resident of a Contracting State may also be taxed in that State according to the laws of that State, but if the beneficial owner of the dividends is a resident of the other Contracting State, the tax so charged shall not exceed:
 - a) **[MODIFIED by paragraph 1 of Article 8 of the MLI]** [5 per cent of the gross amount of the dividends if the beneficial owner is a company (other than a partnership) which holds directly at least 25 per cent of the capital of the company paying the dividends;]

The following paragraph 1 of Article 8 of the MLI applies to subparagraph a) of paragraph 2 of Article 10 of this Convention.¹²

ARTICLE 8 OF THE MLI – DIVIDEND TRANSFER TRANSACTIONS

[Subparagraph a paragraph 2 of Article 10 of this Convention] shall apply only if the ownership conditions described in those provisions are met throughout a 365 day period that includes the day of the payment of the dividends (for the purpose of computing that period, no account shall be taken of changes of ownership that would directly result from a corporate reorganisation, such as a merger or divisive reorganisation, of the company that holds the shares or that pays the dividends).

¹¹ In accordance with paragraph 1 of Article 35 of the MLI, paragraph 1 of Article 17 of the MLI has effect with respect to this Convention:

- a) with respect to taxes withheld at source on amounts paid or credited to non-residents, where the event giving rise to such taxes occurs on or after *date*; and
- b) with respect to all other taxes levied by that Contracting Jurisdiction, for taxes levied with respect to taxable periods beginning on or after *date*.

¹² In accordance with paragraph 1 of Article 35 of the MLI, paragraph 1 of Article 8 of the MLI has effect with respect to this Convention:

- a) with respect to taxes withheld at source on amounts paid or credited to non-residents, where the event giving rise to such taxes occurs on or after *date*; and
- b) with respect to all other taxes levied by that Contracting Jurisdiction, for taxes levied with respect to taxable periods beginning on or after *date*.

- b) 15 per cent of the gross amount of the dividends in all other cases.

The competent authorities of the Contracting States shall by mutual agreement settle the mode of application of these limitations. This paragraph shall not affect the taxation of the company in respect of the profits out of which the dividends are paid.

3. The term “dividends” as used in this Article means income from shares, “jouissance” shares or “jouissance” rights, mining shares, founders’ shares or other rights, not being debt-claims, participating in profits, as well as income from other corporate rights which is subjected to the same taxation treatment as income from shares by the laws of the State of which the company making the distribution is a resident.

4. The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the dividends, being a resident of a Contracting State, carries on business in the other Contracting State of which the company paying the dividends is a resident through a permanent establishment situated therein and the holding in respect of which the dividends are paid is effectively connected with such permanent establishment. In such case the provisions of Article 7 shall apply.

5. Where a company which is a resident of a Contracting State derives profits or income from the other Contracting State, that other State may not impose any tax on the dividends paid by the company, except insofar as such dividends are paid to a resident of that other State or insofar as the holding in respect of which the dividends are paid is effectively connected with a permanent establishment situated in that other State, nor subject the company’s undistributed profits to a tax on the company’s undistributed profits, even if the dividends paid or the undistributed profits consist wholly or partly of profits or income arising in such other State.

ARTICLE 11 – INTEREST

1. Interest arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State.

2. However, interest arising in a Contracting State may also be taxed in that State according to the laws of that State, but if the beneficial owner of the interest is a resident of the other Contracting State, the tax so charged shall not exceed 10 per cent of the gross amount of the interest. The competent authorities of the Contracting States shall by mutual agreement settle the mode of application of this limitation.

3. 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. Penalty charges for late payment shall not be regarded as interest for the purpose of this Article.

4. The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the interest, being a resident of a Contracting State, carries on business in the other Contracting State in which the interest arises through a permanent establishment situated therein and the debt-claim in respect of which the interest is paid is effectively connected with such permanent establishment. In such case the provisions of Article 7 shall apply.

5. Interest shall be deemed to arise in a Contracting State when the payer is a resident of that State. Where, however, the person paying the interest, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment in connection with which the indebtedness

on which the interest is paid was incurred, and such interest is borne by such permanent establishment, then such interest shall be deemed to arise in the State in which the permanent establishment is situated.

6. Where by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the interest, having regard to the debt-claim for which it is paid, exceeds the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case, the excess part of the payments shall remain taxable according to the laws of each Contracting State, due regard being had to the other provisions of this Convention.

ARTICLE 12 – ROYALTIES

1. Royalties arising in a Contracting State and beneficially owned by a resident of the other Contracting State shall be taxable only in that other State.

2. The term “royalties” as used in this Article means payments of any kind received as a consideration for the use of, or the right to use, any copyright of literary, artistic or scientific work including cinematograph films, any patent, trade mark, design or model, plan, secret formula or process, or for information concerning industrial, commercial or scientific experience.

3. The provisions of paragraph 1 shall not apply if the beneficial owner of the royalties, being a resident of a Contracting State, carries on business in the other Contracting State in which the royalties arise through a permanent establishment situated therein and the right or property in respect of which the royalties are paid is effectively connected with such permanent establishment. In such case the provisions of Article 7 shall apply.

4. Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the royalties, having regard to the use, right or information for which they are paid, exceeds the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case, the excess part of the payments shall remain taxable according to the laws of each Contracting State, due regard being had to the other provisions of this Convention.

ARTICLE 13 – CAPITAL GAINS

1. Gains derived by a resident of a Contracting State from the alienation of immovable property referred to in Article 6 and situated in the other Contracting State may be taxed in that other State.

2. Gains from the alienation of movable property forming part of the business property of a permanent establishment which an enterprise of a Contracting State has in the other Contracting State, including such gains from the alienation of such a permanent establishment (alone or with the whole enterprise), may be taxed in that other State.

3. Gains from the alienation of ships or aircraft operated in international traffic, boats engaged in inland waterways transport or movable property pertaining to the operation of such ships, aircraft or boats, shall be taxable only in the Contracting State in which the place of effective management of the enterprise is situated.

4. **[REPLACED by paragraph 4 of Article 9 of the MLI]** [Gains derived by a resident of a Contracting State from the alienation of shares deriving more than 50 per cent of their value directly or indirectly from immovable property situated in the other Contracting State may be taxed in that other State.]

*The following paragraph 4 of Article 9 of the MLI replaces paragraph 4 of Article 13 of this Convention:*¹³

ARTICLE 9 OF THE MLI – CAPITAL GAINS FROM ALIENATION OF SHARES OR INTERESTS OF ENTITIES DERIVING THEIR VALUE PRINCIPALLY FROM IMMOVABLE PROPERTY

For purposes of [*this Convention*], gains derived by a resident of a [*Contracting State*] from the alienation of shares or comparable interests, such as interests in a partnership or trust, may be taxed in the other [*Contracting State*] if, at any time during the 365 days preceding the alienation, these shares or comparable interests derived more than 50 per cent of their value directly or indirectly from immovable property situated in that other [*Contracting State*].

5. Gains from the alienation of any property, other than that referred to in paragraphs 1, 2, 3 and 4, shall be taxable only in the Contracting State of which the alienator is a resident.

ARTICLE 15 – INCOME FROM EMPLOYMENT

1. Subject to the provisions of Articles 16, 18 and 19, salaries, wages and other similar remuneration derived by a resident of a Contracting State in respect of an employment shall be taxable only in that State unless the employment is exercised in the other Contracting State. If the employment is so exercised, such remuneration as is derived therefrom may be taxed in that other State.

2. Notwithstanding the provisions of paragraph 1, remuneration derived by a resident of a Contracting State in respect of an employment exercised in the other Contracting State shall be taxable only in the first-mentioned State if:

- a) the recipient is present in the other State for a period or periods not exceeding in the aggregate 183 days in any twelve month period commencing or ending in the fiscal year concerned, and
- b) the remuneration is paid by, or on behalf of, an employer who is not a resident of the other State, and
- c) the remuneration is not borne by a permanent establishment which the employer has in the other State.

3. Notwithstanding the preceding provisions of this Article, remuneration derived in respect of an employment exercised aboard a ship or aircraft operated in international traffic, or aboard a boat engaged in inland waterways transport, may be taxed in the Contracting State in which the place of effective management of the enterprise is situated.

¹³ In accordance with paragraph 1 of Article 35 of the MLI, paragraph 4 of Article 9 of the MLI has effect with respect to this Convention:

- a) with respect to taxes withheld at source on amounts paid or credited to non-residents, where the event giving rise to such taxes occurs on or after *date*; and
- b) with respect to all other taxes levied by that Contracting Jurisdiction, for taxes levied with respect to taxable periods beginning on or after *date*.

ARTICLE 16 – DIRECTORS’ FEES

Directors’ fees and other similar payments derived by a resident of a Contracting State in his capacity as a member of the board of directors of a company which is a resident of the other Contracting State may be taxed in that other State.

ARTICLE 17 – ENTERTAINERS AND SPORTSPERSONS

1. Notwithstanding the provisions of Article 15, income derived by a resident of a Contracting State as an entertainer, such as a theatre, motion picture, radio or television artiste, or a musician, or as a sportsperson, from that resident’s personal activities as such exercised in the other Contracting State, may be taxed in that other State.
2. Where income in respect of personal activities exercised by an entertainer or a sportsperson acting as such accrues not to the entertainer or sportsperson but to another person, that income may, notwithstanding the provisions of Article 15, be taxed in the Contracting State in which the activities of the entertainer or sportsperson are exercised.

ARTICLE 18 – PENSIONS

Subject to the provisions of paragraph 2 of Article 19, pensions and other similar remuneration paid to a resident of a Contracting State in consideration of past employment shall be taxable only in that State.

ARTICLE 19 – GOVERNMENT SERVICE

1.
 - a) Salaries, wages and other similar remuneration paid by a Contracting State or a political subdivision or a local authority thereof to an individual in respect of services rendered to that State or subdivision or authority shall be taxable only in that State.
 - b) However, such salaries, wages and other similar remuneration shall be taxable only in the other Contracting State if the services are rendered in that State and the individual is a resident of that State who:
 - (i) is a national of that State; or
 - (ii) did not become a resident of that State solely for the purpose of rendering the services.
2.
 - a) Notwithstanding the provisions of paragraph 1, pensions and other similar remuneration paid by, or out of funds created by, a Contracting State or a political subdivision or a local authority thereof to an individual in respect of services rendered to that State or subdivision or authority shall be taxable only in that State.
 - b) However, such pensions and other similar remuneration shall be taxable only in the other Contracting State if the individual is a resident of, and a national of, that State.
3. The provisions of Articles 15, 16, 17, and 18 shall apply to salaries, wages, pensions, and other similar remuneration in respect of services rendered in connection with a business carried on by a Contracting State or a political subdivision or a local authority thereof.

ARTICLE – 20 STUDENTS

Payments which a student or business apprentice who is or was immediately before visiting a Contracting State a resident of the other Contracting State and who is present in the first-mentioned State solely for the purpose of his education or training receives for the purpose of his maintenance, education or training shall not be taxed in that State, provided that such payments arise from sources outside that State.

ARTICLE – 21 OTHER INCOME

1. Items of income of a resident of a Contracting State, wherever arising, not dealt with in the foregoing Articles of this Convention shall be taxable only in that State.
2. The provisions of paragraph 1 shall not apply to income, other than income from immovable property as defined in paragraph 2 of Article 6, if the recipient of such income, being a resident of a Contracting State, carries on business in the other Contracting State through a permanent establishment situated therein and the right or property in respect of which the income is paid is effectively connected with such permanent establishment. In such case the provisions of Article 7 shall apply.

Chapter IV – TAXATION OF CAPITAL

ARTICLE 22 – CAPITAL

1. Capital represented by immovable property referred to in Article 6, owned by a resident of a Contracting State and situated in the other Contracting State, may be taxed in that other State.
2. Capital represented by movable property forming part of the business property of a permanent establishment which an enterprise of a Contracting State has in the other Contracting State may be taxed in that other State.
3. Capital represented by ships and aircraft operated in international traffic and by boats engaged in inland waterways transport, and by movable property pertaining to the operation of such ships, aircraft and boats, shall be taxable only in the Contracting State in which the place of effective management of the enterprise is situated.
4. All other elements of capital of a resident of a Contracting State shall be taxable only in that State.

Chapter V – METHODS FOR ELIMINATION OF DOUBLE TAXATION

ARTICLE 23A – EXEMPTION METHOD

1. **[REPLACED by paragraph 6 of Article 5 of the MLI]** [Where a resident of a Contracting State derives income or owns capital which, in accordance with the provisions of this Convention, may be taxed in the other Contracting State, the first-mentioned State shall, subject to the provisions of paragraphs 2 and 3, exempt such income or capital from tax.]
2. **[REPLACED by paragraph 6 of Article 5 of the MLI]** [Where a resident of a Contracting State derives items of income which, in accordance with the provisions of Articles 10 and 11, may be taxed in the other Contracting State, the first-mentioned State shall allow as a deduction from the tax on the income of that resident an amount equal to the tax paid in that other State. Such deduction shall not, however,

exceed that part of the tax, as computed before the deduction is given, which is attributable to such items of income derived from that other State.]

3. **[REPLACED by paragraph 6 of Article 5 of the MLI]** [Where in accordance with any provision of the Convention income derived or capital owned by a resident of a Contracting State is exempt from tax in that State, such State may nevertheless, in calculating the amount of tax on the remaining income or capital of such resident, take into account the exempted income or capital.]

4. **[REPLACED by paragraph 6 of Article 5 of the MLI]** [The provisions of paragraph 1 shall not apply to income derived or capital owned by a resident of a Contracting State where the other Contracting State applies the provisions of this Convention to exempt such income or capital from tax or applies the provisions of paragraph 2 of Article 10 or 11 to such income.]

The following paragraph 6 of Article 5 of the MLI replaces Article 23 of this Convention with respect to the residents of State A and State B:¹⁴

ARTICLE 5 OF THE MLI – APPLICATION OF METHODS FOR
ELIMINATION OF DOUBLE TAXATION
(Option C)

Where a resident of a [Contracting State] derives income which may be taxed in the other [Contracting State] in accordance with the provisions of [the Convention] (except to the extent that these provisions allow taxation by that other [Contracting State] solely because the income is also income derived by a resident of that other [Contracting State]), the first-mentioned [Contracting State] shall allow

- i) as a deduction from the tax on the income of that resident, an amount equal to the income tax paid in that other [Contracting State] ;
- ii) as a deduction from the tax on the capital of that resident, an amount equal to the capital tax paid in that other [Contracting State].

Such deduction shall not, however, exceed that part of the income tax, as computed before the deduction is given, which is attributable to the income which may be taxed in that other [Contracting State].

Where in accordance with any provision of [the Convention] income derived by a resident of a [Contracting State] is exempt from tax in that [Contracting State], such [Contracting State] may nevertheless, in calculating the amount of tax on the remaining income of such resident, take into account the exempted income.

¹⁴ In accordance with paragraph 1 of Article 35 of the MLI, paragraph 6 of Article 5 of the MLI has effect with respect to this Convention:

- a) with respect to taxes withheld at source on amounts paid or credited to non-residents, where the event giving rise to such taxes occurs on or after *date*; and
- b) with respect to all other taxes levied by that Contracting Jurisdiction, for taxes levied with respect to taxable periods beginning on or after *date*.

*The following paragraph 2 of Article 3 of the MLI applies and supersedes the provisions of this Convention:*¹⁵

ARTICLE 3 OF THE MLI – TRANSPARENT ENTITIES

[Article 23A of the Convention] shall not apply to the extent that [the] provisions [of the Convention] allow taxation by that other [Contracting State] solely because the income is also income derived by a resident of that other [Contracting State].

Chapter VI – SPECIAL PROVISIONS

ARTICLE 24 – NON-DISCRIMINATION

1. Nationals of a Contracting State shall not be subjected in the other Contracting State to any taxation or any requirement connected therewith, which is other or more burdensome than the taxation and connected requirements to which nationals of that other State in the same circumstances, in particular with respect to residence, are or may be subjected. This provision shall, notwithstanding the provisions of Article 1, also apply to persons who are not residents of one or both of the Contracting States.
2. Stateless persons who are residents of a Contracting State shall not be subjected in either Contracting State to any taxation or any requirement connected therewith, which is other or more burdensome than the taxation and connected requirements to which nationals of the State concerned in the same circumstances, in particular with respect to residence, are or may be subjected.
3. The taxation on a permanent establishment which an enterprise of a Contracting State has in the other Contracting State shall not be less favourably levied in that other State than the taxation levied on enterprises of that other State carrying on the same activities. This provision shall not be construed as obliging a Contracting State to grant to residents of the other Contracting State any personal allowances, reliefs and reductions for taxation purposes on account of civil status or family responsibilities which it grants to its own residents.
4. Except where the provisions of paragraph 1 of Article 9, paragraph 6 of Article 11, or paragraph 4 of Article 12, apply, interest, royalties and other disbursements paid by an enterprise of a Contracting State to a resident of the other Contracting State shall, for the purpose of determining the taxable profits of such enterprise, be deductible under the same conditions as if they had been paid to a resident of the first-mentioned State. Similarly, any debts of an enterprise of a Contracting State to a resident of the other Contracting State shall, for the purpose of determining the taxable capital of such enterprise, be deductible under the same conditions as if they had been contracted to a resident of the first-mentioned State.
5. Enterprises of a Contracting State, the capital of which is wholly or partly owned or controlled,

¹⁵ In accordance with paragraph 1 of Article 35 of the MLI, paragraph 2 of Article 3 of the MLI has effect with respect to this Convention:

- a) with respect to taxes withheld at source on amounts paid or credited to non-residents, where the event giving rise to such taxes occurs on or after *date*; and
- b) with respect to all other taxes levied by that Contracting Jurisdiction, for taxes levied with respect to taxable periods beginning on or after *date*.

directly or indirectly, by one or more residents of the other Contracting State, shall not be subjected in the first-mentioned State to any taxation or any requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which other similar enterprises of the first- mentioned State are or may be subjected.

6. The provisions of this Article shall, notwithstanding the provisions of Article 2, apply to taxes of every kind and description.

ARTICLE 25 – MUTUAL AGREEMENT PROCEDURE

1. **[The first sentence of paragraph 1 of Article 25 of this Convention is REPLACED by paragraph 1 of Article 16 of the MLI]** [Where a person considers that the actions of one or both of the Contracting States result or will result for him in taxation not in accordance with the provisions of this Convention, he may, irrespective of the remedies provided by the domestic law of those States, present his case to the competent authority of the Contracting State of which he is a resident or, if his case comes under paragraph 1 of Article 24, to that of the Contracting State of which he is a national.] The case must be presented within three years from the first notification of the action resulting in taxation not in accordance with the provisions of the Convention.

The following paragraph 1 of Article 16 of the MLI replaces the first sentence of paragraph 1 of Article 25 of this Convention.¹⁶

ARTICLE 16 OF THE MLI - MUTUAL AGREEMENT PROCEDURE

Where a person considers that the actions of one or both of the [*Contracting States*] result or will result for that person in taxation not in accordance with the provisions of [*this Convention*], that person may, irrespective of the remedies provided by the domestic law of those [*Contracting States*], present the case to the competent authority of either [*Contracting State*].

2. The competent authority shall endeavour, if the objection appears to it to be justified and if it is not itself able to arrive at a satisfactory solution, to resolve the case by mutual agreement with the competent authority of the other Contracting State, with a view to the avoidance of taxation which is not in accordance with the Convention. Any agreement reached shall be implemented notwithstanding any time limits in the domestic law of the Contracting States.

3. The competent authorities of the Contracting States shall endeavour to resolve by mutual agreement any difficulties or doubts arising as to the interpretation or application of the Convention. They may also consult together for the elimination of double taxation in cases not provided for in the Convention.

4. The competent authorities of the Contracting States may communicate with each other directly, including through a joint commission consisting of themselves or their representatives, for the purpose of reaching an agreement in the sense of the preceding paragraphs.

5. **[REPLACED by Part VI of the MLI]** [Where,

¹⁶ In accordance with paragraph 4 of Article 35 of the MLI, Article 16 of the MLI has effect with respect to this Convention for a case presented to the competent authority of a Contracting Jurisdiction on or after date, except for cases that were not eligible to be presented as of that date under the Convention prior to its modification by the MLI, without regard to the taxable period to which the case relates.

- a) under paragraph 1, a person has presented a case to the competent authority of a Contracting State on the basis that the actions of one or both of the Contracting States have resulted for that person in taxation not in accordance with the provisions of this Convention, and
- b) the competent authorities are unable to reach an agreement to resolve that case pursuant to paragraph 2 within two years from the presentation of the case to the competent authority of the other Contracting State,

any unresolved issues arising from the case shall be submitted to arbitration if the person so requests. These unresolved issues shall not, however, be submitted to arbitration if a decision on these issues has already been rendered by a court or administrative tribunal of either State. Unless a person directly affected by the case does not accept the mutual agreement that implements the arbitration decision, that decision shall be binding on both Contracting States and shall be implemented notwithstanding any time limits in the domestic laws of these States. The competent authorities of the Contracting States shall by mutual agreement settle the mode of application of this paragraph.]

The following Part VI of the MLI replaces paragraph 5 of Article 25 of this Convention:¹⁷

PART VI OF THE MLI – ARBITRATION

Article 19 (Mandatory Binding Arbitration) of the MLI

1. Where:

- a) under [paragraph 1 of Article 25 of this Convention], a person has presented a case to the competent authority of a [Contracting State] on the basis that the actions of one or both of the [Contracting States] have resulted for that person in taxation not in accordance with the provisions of [the Convention]; and
- b) the competent authorities are unable to reach an agreement to resolve that case pursuant to [paragraph 2 of Article 25 of the Convention], within a period of two years beginning on the start date referred to in paragraph 8 or 9 [of Article 19 of the MLI], as the case may be (unless, prior to the expiration of that period the competent authorities of the [Contracting States] have agreed to a different time period with respect to that case and have notified the person who presented the case of such agreement),

any unresolved issues arising from the case shall, if the person so requests in writing, be submitted to arbitration in the manner described in this Part, according to any rules or procedures agreed upon by the competent authorities of the [Contracting States] pursuant to the provisions [of paragraph 10 of Article 19 of the MLI].

2. Where a competent authority has suspended the mutual agreement procedure referred to in paragraph 1 [of Article 19 of the MLI] because a case with respect to one or more of the same issues is pending before court or administrative tribunal, the period provided in subparagraph b) of paragraph 1

¹⁷ In accordance with paragraph 1 of Article 36 of the MLI, the provisions of Part VI (Arbitration) of the MLI has effect with respect to this Convention with respect to cases presented to the competent authority of a Contracting Jurisdiction on or after date.

[*of Article 19 of the MLI*] will stop running until either a final decision has been rendered by the court or administrative tribunal or the case has been suspended or withdrawn. In addition, where a person who presented a case and a competent authority have agreed to suspend the mutual agreement procedure, the period provided in subparagraph b) of paragraph 1 [*of Article 19 of the MLI*] will stop running until the suspension has been lifted.

3. Where both competent authorities agree that a person directly affected by the case has failed to provide in a timely manner any additional material information requested by either competent authority after the start of the period provided in subparagraph b) of paragraph 1 [*of Article 19 of the MLI*], the period provided in subparagraph b) of paragraph 1 [*of Article 19 of the MLI*] shall be extended for an amount of time equal to the period beginning on the date by which the information was requested and ending on the date on which that information was provided.

4. a) The arbitration decision with respect to the issues submitted to arbitration shall be implemented through the mutual agreement concerning the case referred to in paragraph 1 [*of Article 19 of the MLI*]. The arbitration decision shall be final.

b) The arbitration decision shall be binding on both [*Contracting States*] except in the following cases:

i) if a person directly affected by the case does not accept the mutual agreement that implements the arbitration decision. In such a case, the case shall not be eligible for any further consideration by the competent authorities. The mutual agreement that implements the arbitration decision on the case shall be considered not to be accepted by a person directly affected by the case if any person directly affected by the case does not, within 60 days after the date on which notification of the mutual agreement is sent to the person, withdraw all issues resolved in the mutual agreement implementing the arbitration decision from consideration by any court or administrative tribunal or otherwise terminate any pending court or administrative proceedings with respect to such issues in a manner consistent with that mutual agreement.

ii) if a final decision of the courts of one of the [*Contracting States*] holds that the arbitration decision is invalid. In such a case, the request for arbitration under paragraph 1 [*of Article 19 of the MLI*] shall be considered not to have been made, and the arbitration process shall be considered not to have taken place (except for the purposes of Articles 21 (Confidentiality of Arbitration Proceedings) and 25 (Costs of Arbitration Proceedings) [*of the MLI*]). In such a case, a new request for arbitration may be made unless the competent authorities agree that such a new request should not be permitted.

iii) if a person directly affected by the case pursues litigation on the issues which were resolved in the mutual agreement implementing the arbitration decision in any court or administrative tribunal.

5. The competent authority that received the initial request for a mutual agreement procedure as described in subparagraph a) of paragraph 1 [*of Article 19 of the MLI*] shall, within two calendar months of receiving the request:

a) send a notification to the person who presented the case that it has received the request; and

- b) send a notification of that request, along with a copy of the request, to the competent authority of the other [*Contracting State*].

6. Within three calendar months after a competent authority receives the request for a mutual agreement procedure (or a copy thereof from the competent authority of the other [*Contracting State*]) it shall either:

- a) notify the person who has presented the case and the other competent authority that it has received the information necessary to undertake substantive consideration of the case; or
- b) request additional information from that person for that purpose.

7. Where pursuant to subparagraph b) of paragraph 6 [*of Article 19 of the MLI*], one or both of the competent authorities have requested from the person who presented the case additional information necessary to undertake substantive consideration of the case, the competent authority that requested the additional information shall, within three calendar months of receiving the additional information from that person, notify that person and the other competent authority either:

- a) that it has received the requested information; or
- b) that some of the requested information is still missing.

8. Where neither competent authority has requested additional information pursuant to subparagraph b) of paragraph 6 [*of Article 19 of the MLI*], the start date referred to in paragraph 1 [*of Article 19 of the MLI*] shall be the earlier of:

- a) the date on which both competent authorities have notified the person who presented the case pursuant to subparagraph a) of paragraph 6 [*of Article 19 of the MLI*]; and
- b) the date that is three calendar months after the notification to the competent authority of the other [*Contracting State*] pursuant to subparagraph b) of paragraph 5 [*of Article 19 of the MLI*].

9. Where additional information has been requested pursuant to subparagraph b) of paragraph 6 [*of Article 19 of the MLI*], the start date referred to in paragraph 1 [*of Article 19 of the MLI*] shall be the earlier of:

- a) the latest date on which the competent authorities that requested additional information have notified the person who presented the case and the other competent authority pursuant to subparagraph a) of paragraph 7 [*of Article 19 of the MLI*]; and
- b) the date that is three calendar months after both competent authorities have received all information requested by either competent authority from the person who presented the case.

If, however, one or both of the competent authorities send the notification referred to in subparagraph b) of paragraph 7 [*of Article 19 of the MLI*], such notification shall be treated as a request for additional information under subparagraph b) of paragraph 6 [*of Article 19 of the MLI*].

10. The competent authorities of the [*Contracting States*] shall by mutual agreement pursuant to [*Article 25 of the MLI*] settle the mode of application of the provisions contained in this Part, including

the minimum information necessary for each competent authority to undertake substantive consideration of the case. Such an agreement shall be concluded before the date on which unresolved issues in a case are first eligible to be submitted to arbitration and may be modified from time to time thereafter.

Article 20 (Appointment of Arbitrators) of the MLI

1. Except to the extent that the competent authorities of the [*Contracting States*] mutually agree on different rules, paragraphs 2 through 4 [*of Article 20 of the MLI*] shall apply for the purposes of this Part.
2. The following rules shall govern the appointment of the members of an arbitration panel:
 - a) The arbitration panel shall consist of three individual members with expertise or experience in international tax matters.
 - b) Each competent authority shall appoint one panel member within 60 days of the date of the request for arbitration under paragraph 1 of Article 19 [*of the MLI*]. The two panel members so appointed shall, within 60 days of the latter of their appointments, appoint a third member who shall serve as Chair of the arbitration panel. The Chair shall not be a national or resident of either [*Contracting State*].
 - c) Each member appointed to the arbitration panel must be impartial and independent of the competent authorities, tax administrations, and ministries of finance of the [*Contracting States*] and of all persons directly affected by the case (as well as their advisors) at the time of accepting an appointment, maintain his or her impartiality and independence throughout the proceedings, and avoid any conduct for a reasonable period of time thereafter which may damage the appearance of impartiality and independence of the arbitrators with respect to the proceedings.
3. In the event that the competent authority of a [*Contracting State*] fails to appoint a member of the arbitration panel in the manner and within the time periods specified in paragraph 2 [*of Article 20 of the MLI*] or agreed to by the competent authorities of the [*Contracting States*], a member shall be appointed on behalf of that competent authority by the highest ranking official of the Centre for Tax Policy and Administration of the Organisation for Economic Co-operation and Development that is not a national of either [*Contracting State*].
4. If the two initial members of the arbitration panel fail to appoint the Chair in the manner and within the time periods specified in paragraph 2 [*of Article 20 of the MLI*] or agreed to by the competent authorities of the [*Contracting States*], the Chair shall be appointed by the highest ranking official of the Centre for Tax Policy and Administration of the Organisation for Economic Co-operation and Development that is not a national of either [*Contracting State*].

Article 21 (Confidentiality of Arbitration Proceedings) of the MLI

1. Solely for the purposes of the application of the provisions of this Part and of the provisions of [*the Convention*] and of the domestic laws of the [*Contracting States*] related to the exchange of information, confidentiality, and administrative assistance, members of the arbitration panel and a maximum of three staff per member (and prospective arbitrators solely to the extent necessary to verify their ability to fulfil the requirements of arbitrators) shall be considered to be persons or authorities to whom information may be disclosed. Information received by the arbitration panel or prospective arbitrators and information that the competent authorities receive from the arbitration panel shall be

considered information that is exchanged under the provisions of [*the Convention*] related to the exchange of information and administrative assistance.

2. The competent authorities of the [*Contracting States*] shall ensure that members of the arbitration panel and their staff agree in writing, prior to their acting in an arbitration proceeding, to treat any information relating to the arbitration proceeding consistently with the confidentiality and nondisclosure obligations described in the provisions of [*the Convention*] related to exchange of information and administrative assistance and under the applicable laws of the [*Contracting States*].

Article 22 (Resolution of a Case Prior to the Conclusion of the Arbitration) of the MLI

For the purposes of this Part and the provisions of [*the Convention*] that provide for resolution of cases through mutual agreement, the mutual agreement procedure, as well as the arbitration proceeding, with respect to a case shall terminate if, at any time after a request for arbitration has been made and before the arbitration panel has delivered its decision to the competent authorities of the [*Contracting States*]:

- a) the competent authorities of the [*Contracting States*] reach a mutual agreement to resolve the case; or
- b) the person who presented the case withdraws the request for arbitration or the request for a mutual agreement procedure.

Article 23 (Type of Arbitration Process) of the MLI

1. Except to the extent that the competent authorities of the [*Contracting States*] mutually agree on different rules, the following rules shall apply with respect to an arbitration proceeding pursuant to this Part:

- a) After a case is submitted to arbitration, the competent authority of each [*Contracting State*] shall submit to the arbitration panel, by a date set by agreement, a proposed resolution which addresses all unresolved issue(s) in the case (taking into account all agreements previously reached in that case between the competent authorities of the [*Contracting States*]). The proposed resolution shall be limited to a disposition of specific monetary amounts (for example, of income or expense) or, where specified, the maximum rate of tax charged pursuant to [*the Convention*], for each adjustment or similar issue in the case. In a case in which the competent authorities of the [*Contracting States*] have been unable to reach agreement on an issue regarding the conditions for application of a provision of [*the Convention*] (hereinafter referred to as a “threshold question”), such as whether an individual is a resident or whether a permanent establishment exists, the competent authorities may submit alternative proposed resolutions with respect to issues the determination of which is contingent on resolution of such threshold questions.
- b) The competent authority of each [*Contracting State*] may also submit a supporting position paper for consideration by the arbitration panel. Each competent authority that submits a proposed resolution or supporting position paper shall provide a copy to the other competent authority by the date on which the proposed resolution and supporting position paper were due. Each competent authority may also submit to the arbitration panel, by a date set by agreement, a reply submission with respect to the proposed resolution and supporting position paper submitted by the other competent authority. A copy of any reply

submission shall be provided to the other competent authority by the date on which the reply submission was due.

- c) The arbitration panel shall select as its decision one of the proposed resolutions for the case submitted by the competent authorities with respect to each issue and any threshold questions, and shall not include a rationale or any other explanation of the decision. The arbitration decision will be adopted by a simple majority of the panel members. The arbitration panel shall deliver its decision in writing to the competent authorities of the [Contracting States]. The arbitration decision shall have no precedential value.

5. Prior to the beginning of arbitration proceedings, the competent authorities of the [Contracting States] shall ensure that each person that presented the case and their advisors agree in writing not to disclose to any other person any information received during the course of the arbitration proceedings from either competent authority or the arbitration panel. The mutual agreement procedure under [the Convention], as well as the arbitration proceeding under this Part, with respect to the case shall terminate if, at any time after a request for arbitration has been made and before the arbitration panel has delivered its decision to the competent authorities of the [Contracting States], a person that presented the case or one of that person's advisors materially breaches that agreement.

Paragraph 2 of Article 24 (Agreement on a Different Resolution) of the MLI

2. Notwithstanding paragraph 4 of Article 19 [of the MLI], an arbitration decision pursuant to this Part shall not be binding on the [Contracting States] and shall not be implemented if the competent authorities of the [Contracting States] agree on a different resolution of all unresolved issues within three calendar months after the arbitration decision has been delivered to them.

Article 25 (Costs of Arbitration Proceedings) of the MLI

In an arbitration proceeding under this Part, the fees and expenses of the members of the arbitration panel, as well as any costs incurred in connection with the arbitration proceedings by the [Contracting States], shall be borne by the [Contracting States] in a manner to be settled by mutual agreement between the competent authorities of the [Contracting States]. In the absence of such agreement, each [Contracting State] shall bear its own expenses and those of its appointed panel member. The cost of the chair of the arbitration panel and other expenses associated with the conduct of the arbitration proceedings shall be borne by the [Contracting States] in equal shares.

Paragraphs 2 and 3 of Article 26 (Compatibility) of the MLI

2. Any unresolved issue arising from a mutual agreement procedure case otherwise within the scope of the arbitration process provided for in this Part shall not be submitted to arbitration if the issue falls within the scope of a case with respect to which an arbitration panel or similar body has previously been set up in accordance with a bilateral or multilateral convention that provides for mandatory binding arbitration of unresolved issues arising from a mutual agreement procedure case.

3. [Nothing] in this Part shall affect the fulfilment of wider obligations with respect to the arbitration of unresolved issues arising in the context of a mutual agreement procedure resulting from other conventions to which the [Contracting States] are or will become parties.

ARTICLE 26 – EXCHANGE OF INFORMATION

1. The competent authorities of the Contracting States shall exchange such information as is foreseeably relevant for carrying out the provisions of this Convention or to the administration or enforcement of the domestic laws concerning taxes of every kind and description imposed on behalf of the Contracting States, or of their political subdivisions or local authorities, insofar as the taxation thereunder is not contrary to the Convention. The exchange of information is not restricted by Articles 1 and 2.

2. Any information received under paragraph 1 by a Contracting State shall be treated as secret in the same manner as information obtained under the domestic laws of that State and shall be disclosed only to persons or authorities (including courts and administrative bodies) concerned with the assessment or collection of, the enforcement or prosecution in respect of, the determination of appeals in relation to the taxes referred to in paragraph 1, or the oversight of the above. Such persons or authorities shall use the information only for such purposes. They may disclose the information in public court proceedings or in judicial decisions. Notwithstanding the foregoing, information received by a Contracting State may be used for other purposes when such information may be used for such other purposes under the laws of both States and the competent authority of the supplying State authorises such use.

3. In no case shall the provisions of paragraphs 1 and 2 be construed so as to impose on a Contracting State the obligation:

a) to carry out administrative measures at variance with the laws and administrative practice of that or of the other Contracting State;

b) to supply information which is not obtainable under the laws or in the normal course of the administration of that or of the other Contracting State;

c) to supply information which would disclose any trade, business, industrial, commercial or professional secret or trade process, or information the disclosure of which would be contrary to public policy (*ordre public*).

4. If information is requested by a Contracting State in accordance with this Article, the other Contracting State shall use its information gathering measures to obtain the requested information, even though that other State may not need such information for its own tax purposes. The obligation contained in the preceding sentence is subject to the limitations of paragraph 3 but in no case shall such limitations be construed to permit a Contracting State to decline to supply information solely because it has no domestic interest in such information.

5. In no case shall the provisions of paragraph 3 be construed to permit a Contracting State to decline to supply information solely because the information is held by a bank, other financial institution, nominee or person acting in an agency or a fiduciary capacity or because it relates to ownership interests in a person.

ARTICLE 27 – ASSISTANCE IN THE COLLECTION OF TAXES

1. The Contracting States shall lend assistance to each other in the collection of revenue claims. This assistance is not restricted by Articles 1 and 2. The competent authorities of the Contracting States may by mutual agreement settle the mode of application of this Article.

2. The term “revenue claim” as used in this Article means an amount owed in respect of taxes of every kind and description imposed on behalf of the Contracting States, or of their political subdivisions or local authorities, insofar as the taxation thereunder is not contrary to this Convention or any other instrument to which the Contracting States are parties, as well as interest, administrative penalties and costs of collection or conservancy related to such amount.

3. When a revenue claim of a Contracting State is enforceable under the laws of that State and is owed by a person who, at that time, cannot, under the laws of that State, prevent its collection, that revenue claim shall, at the request of the competent authority of that State, be accepted for purposes of collection by the competent authority of the other Contracting State. That revenue claim shall be collected by that other State in accordance with the provisions of its laws applicable to the enforcement and collection of its own taxes as if the revenue claim were a revenue claim of that other State.

4. When a revenue claim of a Contracting State is a claim in respect of which that State may, under its law, take measures of conservancy with a view to ensure its collection, that revenue claim shall, at the request of the competent authority of that State, be accepted for purposes of taking measures of conservancy by the competent authority of the other Contracting State. That other State shall take measures of conservancy in respect of that revenue claim in accordance with the provisions of its laws as if the revenue claim were a revenue claim of that other State even if, at the time when such measures are applied, the revenue claim is not enforceable in the first- mentioned State or is owed by a person who has a right to prevent its collection.

5. Notwithstanding the provisions of paragraphs 3 and 4, a revenue claim accepted by a Contracting State for purposes of paragraph 3 or 4 shall not, in that State, be subject to the time limits or accorded any priority applicable to a revenue claim under the laws of that State by reason of its nature as such. In addition, a revenue claim accepted by a Contracting State for the purposes of paragraph 3 or 4 shall not, in that State, have any priority applicable to that revenue claim under the laws of the other Contracting State.

6. Proceedings with respect to the existence, validity or the amount of a revenue claim of a Contracting State shall not be brought before the courts or administrative bodies of the other Contracting State.

7. Where, at any time after a request has been made by a Contracting State under paragraph 3 or 4 and before the other Contracting State has collected and remitted the relevant revenue claim to the first- mentioned State, the relevant revenue claim ceases to be

a) in the case of a request under paragraph 3, a revenue claim of the first- mentioned State that is enforceable under the laws of that State and is owed by a person who, at that time, cannot, under the laws of that State, prevent its collection, or

b) in the case of a request under paragraph 4, a revenue claim of the first- mentioned State in respect of which that State may, under its laws, take measures of conservancy with a view to ensure its collection

the competent authority of the first-mentioned State shall promptly notify the competent authority of the other State of that fact and, at the option of the other State, the first-mentioned State shall either suspend or withdraw its request.

8. In no case shall the provisions of this Article be construed so as to impose on a Contracting State the obligation:

- a) to carry out administrative measures at variance with the laws and administrative practice of that or of the other Contracting State;
- b) to carry out measures which would be contrary to public policy (*ordre public*);
- c) to provide assistance if the other Contracting State has not pursued all reasonable measures of collection or conservancy, as the case may be, available under its laws or administrative practice;
- d) to provide assistance in those cases where the administrative burden for that State is clearly disproportionate to the benefit to be derived by the other Contracting State.

ARTICLE 28 – MEMBERS OF DIPLOMATIC MISSIONS AND CONSULAR POSTS

Nothing in this Convention shall affect the fiscal privileges of members of diplomatic missions or consular posts under the general rules of international law or under the provisions of special agreements.

*The following paragraphs 8 through 13 of Article 7 of the MLI apply and supersede the provisions of this Convention:*¹⁸

ARTICLE 7 OF THE MLI – PREVENTION OF TREATY ABUSE (Simplified Limitation on Benefits Provision)

Paragraph 8 of Article 7 of the MLI

Except as otherwise provided in the Simplified Limitation on Benefits Provision, a resident of a [Contracting State] shall not be entitled to a benefit that would otherwise be accorded by [this Convention], other than a benefit under [paragraph [3] of Article [4], paragraph [2] of Article [9] or Article [25] of this Convention], unless such resident is a “qualified person”, as defined in paragraph 9 [of Article 7 of the MLI] at the time that the benefit would be accorded.

Paragraph 9 of Article 7 of the MLI

A resident of a [Contracting State] shall be a qualified person at a time when a benefit would otherwise be accorded by [the Convention] if, at that time, the resident is:

- a) an individual;
- b) that [Contracting State], or a political subdivision or local authority thereof, or an agency or instrumentality of any such [Contracting State], political subdivision or local authority;
- c) a company or other entity, if the principal class of its shares is regularly traded on one or more recognised stock exchanges;

¹⁸ In accordance with paragraph 1 of Article 35 of the MLI, paragraphs 8 to 13 of Article 7 of the MLI have effect with respect to this Convention:

- a) with respect to taxes withheld at source on amounts paid or credited to non-residents, where the event giving rise to such taxes occurs on or after *date*; and
- b) with respect to all other taxes levied by that Contracting Jurisdiction, for taxes levied with respect to taxable periods beginning on or after *date*.

- d) a person, other than an individual, that:
 - i) is a non-profit organisation of a type that is agreed to by the [*Contracting States*] through an exchange of diplomatic notes; or
 - ii) is an entity or arrangement established in that [*Contracting State*] that is treated as a separate person under the taxation laws of that [*Contracting State*] and:
 - A) that is established and operated exclusively or almost exclusively to administer or provide retirement benefits and ancillary or incidental benefits to individuals and that is regulated as such by that [*Contracting State*] or one of its political subdivisions or local authorities; or
 - B) that is established and operated exclusively or almost exclusively to invest funds for the benefit of entities or arrangements referred to in subdivision A);
- e) a person other than an individual, if, on at least half the days of a twelve-month period that includes the time when the benefit would otherwise be accorded, persons who are residents of that [*Contracting State*] and that are entitled to benefits of the Convention under subparagraphs a) to d) own, directly or indirectly, at least 50 per cent of the shares of the person.

Paragraph 10 of Article 7 of the MLI

- a) A resident of a [*Contracting State*] will be entitled to benefits of [*the Convention*] with respect to an item of income derived from the other [*Contracting State*], regardless of whether the resident is a qualified person, if the resident is engaged in the active conduct of a business in the first-mentioned [*Contracting State*], and the income derived from the other [*Contracting State*] emanates from, or is incidental to, that business. For purposes of the Simplified Limitation on Benefits Provision, the term “active conduct of a business” shall not include the following activities or any combination thereof:
 - i) operating as a holding company;
 - ii) providing overall supervision or administration of a group of companies;
 - iii) providing group financing (including cash pooling); or
 - iv) making or managing investments, unless these activities are carried on by a bank, insurance company or registered securities dealer in the ordinary course of its business as such.
- b) If a resident of a [*Contracting State*] derives an item of income from a business activity conducted by that resident in the other [*Contracting State*], or derives an item of income arising in the other [*Contracting State*] from a connected person, the conditions described in subparagraph a) shall be considered to be satisfied with respect to such item only if the business activity carried on by the resident in the first-mentioned [*Contracting State*] to which the item is related is substantial in relation to the same activity or a complementary business activity carried on by the resident or such connected person in the other [*Contracting State*]. Whether a business activity is substantial for the purposes of this subparagraph shall be determined based on all the facts and circumstances.

- c) For purposes of applying this paragraph, activities conducted by connected persons with respect to a resident of a [*Contracting State*] shall be deemed to be conducted by such resident.

Paragraph 11 of Article 7 of the MLI

A resident of a [*Contracting State*] that is not a qualified person shall also be entitled to a benefit that would otherwise be accorded by [*the Convention*] with respect to an item of income if, on at least half of the days of any twelve-month period that includes the time when the benefit would otherwise be accorded, persons that are equivalent beneficiaries own, directly or indirectly, at least 75 per cent of the beneficial interests of the resident.

Paragraph 12 of Article 7 of the MLI

If a resident of a [*Contracting State*] is neither a qualified person pursuant to the provisions of paragraph 9 [*of Article 7 of the MLI*], nor entitled to benefits under paragraph 10 or 11 [*of Article 7 of the MLI*], the competent authority of the other [*Contracting State*] may, nevertheless, grant the benefits of [*the Convention*], or benefits with respect to a specific item of income, taking into account the object and purpose of [*the Convention*], but only if such resident demonstrates to the satisfaction of such competent authority that neither its establishment, acquisition or maintenance, nor the conduct of its operations, had as one of its principal purposes the obtaining of benefits under [*the Convention*]. Before either granting or denying a request made under this paragraph by a resident of a [*Contracting State*], the competent authority of the other [*Contracting State*] to which the request has been made shall consult with the competent authority of the first-mentioned [*Contracting State*].

Paragraph 13 of Article 7 of the MLI

For the purposes of the Simplified Limitation on Benefits Provision:

- a) the term “recognised stock exchange” means:
- i) any stock exchange established and regulated as such under the laws of either [*Contracting State*]; and
 - ii) any other stock exchange agreed upon by the competent authorities of the [*Contracting States*];
- b) the term “principal class of shares” means the class or classes of shares of a company which represents the majority of the aggregate vote and value of the company or the class or classes of beneficial interests of an entity which represents in the aggregate a majority of the aggregate vote and value of the entity;
- c) the term “equivalent beneficiary” means any person who would be entitled to benefits with respect to an item of income accorded by a [*Contracting State*] under the domestic law of that [*Contracting State*], [*the Convention*] or any other international instrument which are equivalent to, or more favourable than, benefits to be accorded to that item of income under [*the Convention*]; for the purposes of determining whether a person is an equivalent beneficiary with respect to dividends, the person shall be deemed to hold the same capital of the company paying the dividends as such capital the company claiming the benefit with respect to the dividends holds;

- d) with respect to entities that are not companies, the term “shares” means interests that are comparable to shares;
- e) two persons shall be “connected persons” if one owns, directly or indirectly, at least 50 per cent of the beneficial interest in the other (or, in the case of a company, at least 50 per cent of the aggregate vote and value of the company's shares) or another person owns, directly or indirectly, at least 50 per cent of the beneficial interest (or, in the case of a company, at least 50 per cent of the aggregate vote and value of the company's shares) in each person; in any case, a person shall be connected to another if, based on all the relevant facts and circumstances, one has control of the other or both are under the control of the same person or persons.

*The following paragraphs 1 to 3 of Article 10 of the MLI apply and supersede the provisions of this Convention:*¹⁹

ARTICLE 10 OF THE MLI – ANTI-ABUSE RULE FOR PERMANENT
ESTABLISHMENT SITUATED IN THIRD JURISDICTIONS

Paragraph 1 of Article 10 of the MLI

Where:

- a) an enterprise of a [*Contracting State*] derives income from the other [*Contracting State*] and the first-mentioned [*Contracting State*] treats such income as attributable to a permanent establishment of the enterprise situated in a third jurisdiction; and
- b) the profits attributable to that permanent establishment are exempt from tax in the first-mentioned [*Contracting State*],

the benefits of [*the Convention*] shall not apply to any item of income on which the tax in the third jurisdiction is less than 60 per cent of the tax that would be imposed in the first-mentioned [*Contracting State*] on that item of income if that permanent establishment were situated in the first-mentioned [*Contracting State*]. In such a case, any income to which the provisions of this paragraph apply shall remain taxable according to the domestic law of the other [*Contracting State*], notwithstanding any other provisions of [*the Convention*].

Paragraph 2 of Article 10 of the MLI

Paragraph 1 [*of Article 10 of the MLI*] shall not apply if the income derived from the other [*Contracting State*] described in paragraph 1 [*of Article 10 of the MLI*] is derived in connection with or is incidental to the active conduct of a business carried on through the permanent establishment (other than the

¹⁹ In accordance with paragraph 1 of Article 35 of the MLI, paragraphs 1 to 3 of Article 10 of the MLI have effect with respect to this Convention:

- a) with respect to taxes withheld at source on amounts paid or credited to non-residents, where the event giving rise to such taxes occurs on or after *date*; and
- b) with respect to all other taxes levied by that Contracting Jurisdiction, for taxes levied with respect to taxable periods beginning on or after *date*.

business of making, managing or simply holding investments for the enterprise's own account, unless these activities are banking, insurance or securities activities carried on by a bank, insurance enterprise or registered securities dealer, respectively).

Paragraph 3 of Article 10 of the MLI

If benefits under [*the Convention*] are denied pursuant to paragraph 1 [*of Article 10 of the MLI*] with respect to an item of income derived by a resident of a [*Contracting State*], the competent authority of the other [*Contracting State*] may, nevertheless, grant these benefits with respect to that item of income if, in response to a request by such resident, such competent authority determines that granting such benefits is justified in light of the reasons such resident did not satisfy the requirements of paragraphs 1 and 2 [*of Article 10 of the MLI*]. The competent authority of the [*Contracting State*] to which a request has been made under the preceding sentence by a resident of the other [*Contracting State*] shall consult with the competent authority of that other [*Contracting State*] before either granting or denying the request.

*The following paragraph 1 of Article 7 of the MLI applies and supersedes the provisions of this Convention:*²⁰

ARTICLE 7 OF THE MLI – PREVENTION OF TREATY ABUSE
(*Principal purposes test provision*)

Notwithstanding any provisions of [*the Convention*], a benefit under [*the Convention*] shall not be granted in respect of an item of income if it is reasonable to conclude, having regard to all relevant facts and circumstances, that obtaining that benefit was one of the principal purposes of any arrangement or transaction that resulted directly or indirectly in that benefit, unless it is established that granting that benefit in these circumstances would be in accordance with the object and purpose of the relevant provisions of [*the Convention*].

*The following paragraph 4 of Article 7 of the MLI applies to paragraph 1 of Article 7 of the MLI:*²¹

Where a benefit under [*the Convention*] is denied to a person under [*paragraph 1 of Article 7 of the MLI*], the competent authority of the [*Contracting State*] that would otherwise have granted this benefit shall nevertheless treat that person as being entitled to this benefit, or to different benefits with respect to a specific item of income, if such competent authority, upon request from that person and after consideration of the relevant facts and circumstances, determines that such benefits would have been granted to that person in the absence of the transaction or arrangement referred to in [*paragraph 1 of*

²⁰ In accordance with paragraph 1 of Article 35 of the MLI, paragraph 1 of Article 7 of the MLI has effect with respect to this Convention:

- a) with respect to taxes withheld at source on amounts paid or credited to non-residents, where the event giving rise to such taxes occurs on or after *date*; and
- b) with respect to all other taxes levied by that Contracting Jurisdiction, for taxes levied with respect to taxable periods beginning on or after *date*.

²¹ In accordance with paragraph 1 of Article 35 of the MLI, paragraph 4 of Article 7 of the MLI has effect with respect to this Convention :

- a) with respect to taxes withheld at source on amounts paid or credited to non-residents, where the event giving rise to such taxes occurs on or after *date*; and
- b) with respect to all other taxes levied by that Contracting Jurisdiction, for taxes levied with respect to taxable periods beginning on or after *date*.

Article 7 of the MLI. The competent authority of the [*Contracting State*] to which a request has been made under this paragraph by a resident of the other [*Contracting State*] shall consult with the competent authority of that other [*Contracting State*] before rejecting the request.

ARTICLE 29 – TERRITORIAL EXTENSION

1. This Convention may be extended, either in its entirety or with any necessary modifications [to any part of the territory of (State A) or of (State B) which is specifically excluded from the application of the Convention or], to any State or territory for whose international relations (State A) or (State B) is responsible, which imposes taxes substantially similar in character to those to which the Convention applies. Any such extension shall take effect from such date and subject to such modifications and conditions, including conditions as to termination, as may be specified and agreed between the Contracting States in notes to be exchanged through diplomatic channels or in any other manner in accordance with their constitutional procedures.
2. Unless otherwise agreed by both Contracting States, the termination of the Convention by one of them under Article 30 shall also terminate, in the manner provided for in that Article, the application of the Convention [to any part of the territory of (State A) or of (State B) or] to any State or territory to which it has been extended under this Article.

CHAPTER VII – FINAL PROVISIONS

[...]

Guidance for the development of synthesised texts

Multilateral Convention to Implement Tax Treaty
Measures to Prevent BEPS

BEPS ACTION 15



www.oecd.org/tax/beps/
<http://oe.cd/mli>