

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

This consolidated version of the Canada-France Income Tax Convention, as signed on May 2, 1975, and amended by the protocols signed on January 16, 1987, November 30, 1995, and on February 2, 2010, is provided for convenience of reference only and has no official sanction.

The Government of Canada and the Government of the French Republic,

Desiring to conclude a Convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and on capital,

Have agreed as follows:

Article 1 Personal Scope

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

Article 2 Taxes Covered

1. This Convention shall apply to taxes on income and on capital imposed on behalf of each Contracting State, 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 the case of Canada, the taxes imposed by the Government of Canada under the Income Tax Act (hereinafter referred to as “Canadian tax”);
 - (b) in the case of France, the income tax, the corporation tax, the tax on wages and salaries (regulated by the provisions of the Convention applicable, as the case may be, to business profits or to income from independent personal services, the solidarity tax on net wealth, and any withholding tax, prepayment or advance payment with respect to the aforesaid taxes, (hereinafter referred to as “French tax”).
4. Notwithstanding the preceding provisions of this Article, the existing taxes to which the Convention shall apply also include, in the case of France, the inheritance tax, but only for the application of Articles 4, 23, 25 and 26.

5. The Convention shall apply also to any identical or substantially similar taxes which 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 important changes which have been made in their respective taxation laws.

Article 3 General Definitions

1. In this Convention:

(a) the terms “a Contracting State” and “the other Contracting State” mean, as the context requires, Canada or France;

(b) the term “person” includes an individual, a company or any other body of persons, and in the case of Canada, a partnership, an estate and a trust;

(c) the term “company” means any body corporate or any other entity which is treated as a body corporate for tax purposes; in French, the term “société” also means a “corporation” within the meaning of Canadian law;

(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 “competent authority” means:

(i) in the case of Canada, the Minister of National Revenue or his authorized representative;

(ii) in the case of France, the Minister in charge of the Budget or his authorized representative;

(f) the term “tax” means Canadian tax or French tax as the context requires;

(g) the term “national” means:

(i) any individual possessing the nationality of a Contracting State;

(ii) any legal person, partnership and association deriving its status as such from the law in force in a Contracting State.

2. As regards the application of the Convention by a Contracting State any term not defined therein shall, unless the context otherwise requires, have the meaning which it has under the law of that State concerning the taxes to which the Convention applies, any meaning under the 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:

(a) any person who, under the law 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 but the term does not include any person who is liable to tax in that State in respect only of income from sources in that State;

(b) that State, its provinces in the case of Canada, the local authorities of that State or of its provinces, and their agencies or instrumentalities;

(c) in the case of France, partnerships or other bodies of persons which have their place of effective management in France, and whose partners, shareholders or other members are personally liable to tax therein in respect of their share of the profits under domestic French law; but, with respect to the benefits granted by Canada under the Convention, such partnerships and bodies of persons shall not be treated as residents of France except insofar as their partners, shareholders or other members are liable to French tax on income in respect of which these benefits are granted;

(d) any other person constituted and established in that State and exempted from tax in that State, where the competent authorities agree that for the purposes of the Convention such person shall be deemed to be a resident of that State.

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 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 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 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 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. Where by reason of the provisions of paragraph 1 a person other than an individual is a resident of both Contracting States, the competent authorities of the Contracting States shall endeavour to settle the question by mutual agreement. In the absence of such agreement, such person shall not be considered to be a resident of either Contracting State for the purposes of enjoying benefits under the Convention.

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 the 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;

(e) a workshop; and

(f) a mine, an oil or gas well, a quarry or other place of extraction of natural resources, it being understood that a place of exploration of natural resources is also considered a permanent establishment if it constitutes a fixed place of business within the meaning of paragraph 1.

3. A building site or construction or installation project constitutes a permanent establishment only if it lasts more than twelve months.

4. 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;

(d) the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise or for 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.

5. 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 with 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.

6. 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.

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.

Article 6

Income from Immovable Property

1. Income from immovable property including income from agriculture or forestry may be taxed in the Contracting State in which such property is situated.

2. For the purposes of this Convention, the term “immovable property” has the meaning which it has under the law of the Contracting State in which the property in question is situated. It is understood that the term includes options and similar rights relating to such property. 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. In the case of France, the term “law of the Contracting State” shall mean French taxation laws.

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 and to profits from the alienation of such property.

4. The provisions of paragraphs 1 and 3 shall also apply to the income from immovable property of an enterprise and to income from immovable property used for the performance of professional services.

5. Where ownership of shares, interests or other rights in a company gives the owner the enjoyment of immovable property situated in a Contracting State and held by that company, the income that the owner derives from the direct use, letting or use in any other form of his right of enjoyment may be taxed in that State. The provisions of this paragraph shall apply notwithstanding the provisions of Articles 7 and 14.

Article 7

Business Profits

1. The 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 or has carried on business as aforesaid, the profits of the enterprise may be taxed in the other State but only so much of them as is attributable to that permanent establishment.
2. Subject to the provisions of paragraph 3, where an enterprise of a Contracting State carries on business in the other Contracting State through a permanent establishment situated therein, there shall in each Contracting State be attributed to that permanent establishment the profits which it might be expected to make if it were a distinct and separate enterprise engaged in the same or similar activities under the same or similar conditions and dealing wholly independently with the enterprise of which it is a permanent establishment.
3. In the determination of the profits of a permanent establishment, there shall be allowed those deductible expenses which are incurred for the purposes of the permanent establishment including executive and general administrative expenses, whether incurred in the State in which the permanent establishment is situated or elsewhere.
4. No profits shall be attributed to a permanent establishment by reason of the mere purchase by that permanent establishment of goods or merchandise for the enterprise.
5. For the purposes of the preceding paragraphs, the profits to be attributed to the permanent establishment shall be determined by the same method year by year unless there is good and sufficient reason to the contrary.
6. 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 and Air Transport

1. Profits derived by an enterprise of a Contracting State from the operation of ships or aircraft in international traffic shall be taxable only in that State.
2. Notwithstanding the provisions of paragraph 1 of this Article and of Article 7, profits derived from the operation of ships or aircraft used principally to transport passengers or goods exclusively between places in a Contracting State may be taxed in that State.
3. The provisions of paragraphs 1 and 2 shall also apply to profits referred to in those paragraphs derived by an enterprise of a Contracting State from its participation in a pool, a joint business or in an international operating agency.

4. For the purposes of this Convention, profits derived by an enterprise of a Contracting State from the operation of ships or aircraft in international traffic include profits from:

- (a) the rental of ships or aircraft operated in international traffic;
- (b) the use, maintenance or rental of containers (including trailers and related equipment for the transport of containers) used in international traffic; and
- (c) the rental of ships, aircraft or containers (including trailers and related equipment for the transport of containers) provided that such profits are incidental to profits referred to in paragraph 1, 4(a) or 4(b).

5. Notwithstanding the provisions of paragraph 3 of Article 2, air transport enterprises of Canada whose aircraft embark or debark passengers or goods in French territory shall not be subject to the professional tax in France as long as air transport enterprises of France are not subject to a similar tax in Canada.

Article 9

Associated Enterprises

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.

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, such dividends may also be taxed in the Contracting State of which the company paying the dividends is a resident and according to the laws of that State, but if the recipient is the beneficial owner of the dividends the tax so charged shall not exceed:

- (a) 5 per cent of the gross amount of the dividends if the beneficial owner is a company liable to corporation tax which:

(i) controls directly or indirectly at least 10 per cent of the voting power in the company paying the dividends where that company is a resident of Canada;

(ii) holds directly or indirectly at least 10 per cent of the capital of the company paying the dividends where that company is a resident of France;

(b) notwithstanding the provisions of paragraph (a), 10 per cent of the gross amount of the dividends if they are paid by a non-resident owned investment corporation that is a resident of Canada to a company that is a resident of France and that controls directly or indirectly at least 10 per cent of the voting power in the company paying the dividends;

(c) 15 per cent of the gross amount of the dividends in all other cases.

The provisions of this paragraph shall not affect the taxation of the company in respect of the profits out of which the dividends are paid.

3. (a) A resident of Canada who is the beneficial owner of dividends received from a company which is a resident of France, which dividends, if received by a resident of France would entitle such resident to a tax credit (“avoir fiscal”), shall be entitled to a payment from the French Treasury of an amount equal to such tax credit (“avoir fiscal”), subject to the deduction from such payment of the tax provided for in subparagraph (c) of paragraph 2.

(b) The provisions of subparagraph (a) shall apply only to a resident of Canada who is:

(i) an individual; or

(ii) a company other than a company that holds directly or indirectly at least 10 per cent of the capital of the company resident in France paying the dividends.

(c) The provisions of paragraph (a) shall not apply if the beneficial owner of the dividends is not liable to Canadian tax on the dividends and the payment of the French Treasury. However, the competent authorities of the Contracting States may agree to also apply the provisions of subparagraph (a) to any organisation referred to in subparagraph (a) of paragraph 7 of Article 29, but only with respect to that part of the dividends which corresponds to the rights owned in such organisations by residents of Canada and provided that, if so requested by the competent authorities, that part of the dividends is taxed in the hands of such residents.

(d) The provisions of subparagraph (a) shall not apply if the beneficial owner of the dividend does not, when asked by the French tax administration, justify that he is the owner of the interest giving rise to the payment of the dividends and that the holding of that interest does not have as its main objective, or as one of its main objectives, to allow another person, whether a resident of a Contracting State or not, to take advantage of the provisions of subparagraph (a).

(e) The gross amount of the payment from the French Treasury referred to in subparagraph (a) shall be treated as a dividend for the application of this Convention.

4. A resident of Canada who receives dividends paid by a company which is a resident of France shall, unless it is eligible to receive a payment from the French Treasury referred to in subparagraph (a) of paragraph 3, be entitled to the refund of the prepayment to the extent that the prepayment has effectively been paid by the company with respect to the dividends. The gross amount of the prepayment refunded shall be deemed to be a dividend for the purposes of the Convention. It may be taxed in France in accordance with the provisions of paragraph 2.

5. 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 which is subjected to the taxation treatment of distributions or to same taxation treatment as income from shares by the laws of the Contracting State of which the company making the distribution is a resident.

6. The provisions of paragraphs 1, 2, 3 and 4 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, or performs in that other State independent personal services from a fixed base situated therein, and the holding in respect of which the dividends are paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14, as the case may be, shall apply.

7. 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 or a fixed base situated in that other State, nor subject the company's undistributed profits to a tax on undistributed profits, even if the dividends paid or the undistributed profits consist wholly or partly of profits or income arising in such other State.

8. Nothing in the Convention shall prevent a Contracting State from imposing on the earnings attributable to a permanent establishment, situated in that State, of a company which is a resident of the other Contracting State a tax in addition to the tax allowable under the other provisions of the Convention, provided that any additional tax so imposed shall not exceed 5 per cent* of the amount of such earnings. This additional tax shall also apply to profits or gains derived from the alienation of immovable property situated in a Contracting State by a company which is a resident of the other Contracting State, whether or not that company has a permanent establishment in the first-mentioned State. For the purpose of this provision, the term “earnings” means the profits or gains after deducting therefrom the taxes, other than the additional tax referred to herein, imposed on such profits or gains by the first-mentioned 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, such interest may also be taxed in the Contracting State in which it arises and according to the laws of that State, but if the recipient is the beneficial owner of the interest the tax so charged shall not exceed 10 per cent of the gross amount of the interest.

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

(a) is a penalty charge for late payment;

(b) is paid by the central bank of a Contracting State to the central bank of the other Contracting State; or

(c) is paid with respect to indebtedness resulting from the sale or furnishing on credit by a resident of the other Contracting State of any equipment, merchandise or services, except where the sale or furnishing is made between associated enterprises within the meaning of subparagraphs (a) or (b) of Article 9 or where the payer and the recipient of the interest are associated enterprises within the meaning of the same subparagraphs.

4. Notwithstanding the provisions of paragraph 2,

(a) interest arising in a Contracting State and paid to a resident of the other Contracting State who is the beneficial owner thereof in respect of a bond, debenture, or similar obligation of a Contracting State or of a political subdivision or local authority thereof, shall be taxable only in that other State;

(b) interest arising in France and paid to a resident of Canada shall be taxable only in Canada if it is paid in respect of a loan made or guaranteed, or of a credit granted or guaranteed, by the Export Development Corporation;

(c) interest arising in Canada and paid to a resident of France shall be taxable only in France if it is related to a loan or a debt granted, guaranteed or assisted by any institution of that State acting within the framework of the public aid to external trade.

5. The term "interest" as used in this Article means income from debt-claims of every kind, whether or not secured by mortgage, and whether or not carrying a right to participate in the debtor's profits, and in particular, income from government securities and income from bonds or debentures, including premiums and prizes attaching to such securities, bonds or debentures, as well as income assimilated to income from money lent by the taxation law of the State in which the income arises. However, the term "interest" does not include income dealt with in Article 10.

6. The provisions of paragraphs 2, 3 and 4 shall not apply if the recipient of the interest, being a resident of a Contracting State, carries on in the other Contracting State in which the interest arises a trade or business through a permanent establishment situated therein, or performs in that other State professional services from a fixed base situated therein, and the debt-claim in respect of which the interest is paid is effectively connected with such permanent establishment or fixed base. In such a case, the provisions of Article 7 or Article 14, as the case may be, shall apply.

7. Interest shall be deemed to arise in a Contracting State when the payer is that State itself, a political subdivision, a local authority or 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 or fixed base in connection with which the indebtedness on which the interest is paid was incurred, and that interest is borne by such permanent establishment or fixed base, then such interest shall be deemed to arise in the Contracting State in which the permanent establishment or fixed base is situated.

8. Where, owing to a special relationship between the payer and the recipient or between both of them and some other person, the amount of the interest paid, 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 recipient in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In that case, the excess part of the payments shall remain taxable according to the law 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 paid to a resident of the other Contracting State may be taxed in that other State.

2. However, such royalties may be taxed in the Contracting State in which they arise, and according to the law of that State; but if the royalties are taxable in the other Contracting State, the tax so charged shall not exceed 10 per cent of the gross amount of the royalties.

3. Notwithstanding the provisions of paragraph 2:

(a) royalties arising in a Contracting State and paid to a resident of the other Contracting State who is the beneficial owner of the royalties, shall be taxable only in that other State if they are:

(i) copyright royalties and other like payments in respect of the production or reproduction of any literary, dramatic, musical or artistic work (but not including royalties in respect of motion picture films nor royalties in respect of works on film or videotape or other means of reproduction for use in connection with television broadcasting), or

(ii) royalties for the use of, or the right to use, computer software, or

(iii) royalties for the use of, or the right to use, any patent or for information concerning industrial, commercial or scientific experience (but not including any such information provided in connection with a rental or franchise agreement);

(b) royalties arising in a Contracting State and paid to the government of the other Contracting State or to an organisation of that other State approved by the competent authorities of the Contracting States, shall be taxable only in that other State.

4. Notwithstanding the provisions of paragraph 2, royalties in respect of cultural motion picture films arising in a Contracting State and paid to a resident of the other Contracting State who is subject to tax therein in respect thereof shall be taxable only in that other State.

This provision shall apply to royalties

(a) paid to a resident of France in respect of French films which meet the requirements of Article 13 of Decree 59-1512 dated December 30, 1959 and which are included in the list of films referred to in Article 2 of Decree 71-46 dated January 6, 1971 which is used by the Art and Experimental Motion Picture Theatre Classification Board (Commission de classement des théâtres cinématographiques d'art et d'essai) provided for in Article 4 of Decree 71-46;

(b) paid to a resident of Canada in respect of films wholly or principally directed and produced in Canada and which are included in the list of films prepared by the Canadian Committee of selection that the Bureau of Film Festivals is authorized to convene under Order-in-Council PC 1975-2883 dated December 11, 1975.

5. 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 motion picture films, any patent, trademark, design or model, plan, secret formula or process, or for the use of, or the right to use, industrial, commercial or scientific equipment, or for information concerning industrial, commercial or scientific experience.

6. The provisions of paragraphs 2, 3 and 4 shall not apply if the recipient of the royalties, being a resident of a Contracting State, carries on in the other Contracting State in which the royalties arise a trade or business through a permanent establishment situated therein, or performs in that other State professional services from a fixed base situated therein, and the right or property in respect of which the royalties are paid is effectively connected with such permanent establishment or fixed base. In such a case, the provisions of Article 7 or Article 14, as the case may be, shall apply.

7. Royalties shall be deemed to arise in a Contracting State when the payer is that State itself, a political subdivision, a local authority or a resident of that State. Where, however, the person paying the royalties, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment or fixed base in connection with which the obligation to pay the royalties was incurred, and those royalties are borne by that permanent establishment or fixed base, then such royalties

shall be deemed to arise in the Contracting State in which the permanent establishment or fixed base is situated.

8. Where, owing to a special relationship between the payer and the recipient or between both of them and some other person, the amount of the royalties paid, 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 recipient in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In that 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. (a) Gains from the alienation of immovable property may be taxed in the Contracting State in which such property is situated.

(b) Gains from the alienation of shares or other rights in a company the assets of which consist principally of immovable property situated in a Contracting State may be taxed in that State.

(c) Gains from the alienation of an interest in a partnership or a trust the assets of which consist principally of immovable property situated in a Contracting State may be taxed in that State.

(d) For the purposes of subparagraphs (b) and (c), and for the purposes of paragraph 2 of Article 22, the term “immovable property situated in a Contracting State” includes immovable property situated in that State which is referred to in Article 6, and the shares or other rights the value of which is derived, directly or indirectly, principally from immovable property situated in that State, and an interest in a partnership or trust, the value of which is derived, directly or indirectly, principally from immovable property situated in that State; but it does not include property, other than rental property, through which the business of the company, partnership or trust is carried on.

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 or of movable property pertaining to a fixed base available to a resident of a Contracting State in the other Contracting State for the purpose of performing independent personal services, including such gains from the alienation of such a permanent establishment (alone or with the whole enterprise) or of such fixed base may be taxed in that other State.

3. Gains derived by an enterprise of a Contracting State from the alienation of ships or aircraft operated by that enterprise in international traffic or movable property pertaining to the operation of such ships or aircraft, shall be taxable only in that State.

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

5. The provisions of paragraph 4 shall not prevent a Contracting State from taxing, according to its law, gains derived by an individual who is a resident of the other Contracting State from the alienation of any property, if the alienator:

(a) is a national of the first-mentioned State or has been a resident of that State for ten years or more prior to the date of the alienation of the property, and

(b) has been a resident of that first-mentioned State at any time within the five year period immediately preceding the date of the alienation.

Article 14 **Professional Services**

1. Income derived by a resident of a Contracting State in respect of professional services or other independent activities of a similar character shall be taxable only in that State unless he has a fixed base regularly available to him in the other Contracting State for the purpose of performing his activities. If he has such a fixed base, the income may be taxed in the other Contracting State but only so much of it as is attributable to that fixed base.

2. The term “professional services” includes independent scientific, literary, artistic, educational or teaching activities as well as the independent activities of physicians, lawyers, engineers, architects, dentists and accountants.

Article 15 **Dependent Personal Services**

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; 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 or a fixed base 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 by an enterprise of a Contracting State may be taxed in that State.

Article 16

Directors' Fees

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

Article 17

Artistes and Sportsmen

1. Notwithstanding the provisions of Articles 14 and 15, income derived by a resident of a Contracting State as an entertainer, such as theatre, motion picture, radio or television artiste, or a musician, or as a sportsman, from his personal activities as such exercised in the other Contracting State, may be taxed in that other State.

2. When income in respect of personal activities exercised by an entertainer or a sportsman in his capacity as such accrues not to the entertainer or sportsman himself but to another person, that income may, notwithstanding the provisions of Articles 7, 14 and 15, be taxed in the Contracting State in which the activities of the entertainer or sportsman are exercised.

3. The provisions of paragraphs 1 and 2 shall not apply to income in respect of activities exercised by a resident of a Contracting State as an entertainer or a sportsman in the other Contracting State if the visit to that other State is principally supported, directly or indirectly, by public funds of the first-mentioned State, its provinces in the case of Canada, its local authorities, or their agencies or instrumentalities thereof. In such case, the income shall be taxable only in the first-mentioned State.

Article 18

Pensions and Annuities

1. Periodic or non-periodic pensions and other similar allowances arising in a Contracting State and paid in respect of past employment to a resident of the other Contracting State shall be taxable only in the Contracting State in which they arise.

2. War pensions and allowances (including pensions and allowances paid to war veterans or paid as a consequence of damages or injuries suffered as a consequence of a war) arising in a Contracting State and paid to a resident of the other Contracting State shall, notwithstanding the provisions of paragraph 23, be exempt from tax in that other State to the extent that they would be exempt from tax if received by a resident of the first-mentioned State.

3. Annuities arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in the State in which they arise. The term "annuities"

means stated sums payable periodically at stated times, during life or during a specified or ascertainable period of time, under an obligation to make the payments in return for adequate and full consideration in money or money's worth.

4. Alimony and other similar payments arising in a Contracting State and paid to a resident of the other Contracting State who is subject to tax therein in respect thereof, shall be taxable only in that other State.

Article 19

Government Service

1. Salaries, wages and other similar remuneration, other than a pension, paid by a Contracting State or a province in the case of Canada or a local authority or an instrumentality thereof to an individual who is a national of that State in respect of services rendered to that State, province, authority or agency or instrumentality, shall be taxable only in that State.

2. The provisions of paragraph 1 shall not apply to salaries, wages and other similar remuneration paid in respect of services rendered in connection with a trade or business carried on by a Contracting State, a province in the case of Canada, a local authority, or by one of their agencies or instrumentalities.

Article 20

Students, Apprentices and Business Trainees

Payments which a student, apprentice or business trainee who is, or was immediately before visiting one of the Contracting States, a resident of the other Contracting State and who is present in the first-mentioned Contracting 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 first-mentioned State, provided that such payments are made to him from sources outside that State.

Article 21

Income Not Expressly Mentioned

1. Subject to the provisions of paragraph 2 of this Article, items of income of a resident of a Contracting State which are not expressly mentioned in the foregoing Articles of this Convention shall be taxable only in that State.

2. However, if such income is derived by a resident of a Contracting State from sources in the other Contracting State, it may also be taxed in the State in which it arises, and according to the law of that State. However, in the case of income from an estate or trust, the tax so charged shall, provided that the income is taxable in the Contracting State in which the recipient resides, not exceed 15 per cent of the gross amount of the income.

3. For the purposes of this Article, a trust does not include an arrangement whereby the contributions made to the trust are deductible for the purposes of taxation in a Contracting State.

Article 22

Capital

1. Capital represented by immovable property 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 shares or other rights in a company the assets of which consist principally of immovable property situated in the Contracting State and referred to in subparagraph (d) of paragraph 1 of Article 13, may be taxed in that State.

3. 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 or by movable property pertaining to a fixed base available to a resident of a Contracting State in the other Contracting State for the purpose of performing independent personal services, may be taxed in that other State.

4. Capital represented by shares or other rights (other than shares or other rights referred to in paragraph 2) forming part of a substantial interest in a company which is a resident of a Contracting State may be taxed in that State. A substantial interest is considered to exist when an individual holds, alone or with related persons, directly or indirectly, shares or other rights the total of which gives right to at least 25 per cent of the profits of the company.

5. Capital of an enterprise of a Contracting State represented by ships and aircraft operated by that enterprise in international traffic or by movable property pertaining to their operation, or by containers referred to in paragraph 4 of Article 8, shall be taxable only in that State.

6. All other elements of capital of a resident of a Contracting State shall be taxable only in that State.

7. Notwithstanding the preceding provisions of this Article, for the purposes of taxation with respect to the solidarity tax on net wealth referred to in subparagraph (b) of paragraph 3 of Article 2 of an individual who is a resident of France and who is a national of Canada but not a national of France, the assets situated outside of France that such person owns on the first of January of each of the five years following the calendar year in which he becomes a resident of France shall be excluded from the base of assessment of the taxes relating to each of those five years. If such an individual loses the status of resident of France for a period of at least three years and then again becomes a resident of France, the assets situated outside of France that such a person owns on the first of January of each of the five years following the calendar year in which again he becomes a resident of France shall be excluded from the base of assessment of the taxes relating to each of those five years.

Article 23

Elimination of Double Taxation

1. In the case of Canada, double taxation shall be avoided as follows:

(a) Subject to the existing provisions of the law of Canada regarding the deduction from tax payable in Canada of tax paid in a territory outside Canada and to any subsequent modification of those provisions (which shall not affect the principle hereof), and unless a greater deduction or relief is provided under the law of Canada, French tax payable under the law of France and in accordance with this Convention on profits, income or gains arising in France shall be deducted from any Canadian tax payable in respect of such profits, income or gains;

(b) Subject to the existing provisions of the law of Canada regarding the determination of the exempt surplus of a foreign affiliate and to any subsequent modification of those provisions (which shall not affect the principle hereof) for the purpose of computing Canadian tax, a company resident in Canada shall be allowed to deduct in computing its taxable income any dividend received by it out of the exempt surplus of a foreign affiliate resident in France.

For the purpose of computing the exempt surplus of a foreign affiliate resident in France, profits derived from a permanent establishment of that company situated in an Overseas Territory of the French Republic shall be deemed to be derived from France.

(c) In determining the amount of tax payable in Canada for a taxation year by an individual who died in that year and, at the time was a resident of Canada, the amount of any inheritance tax payable in France, after deduction of the credit provided for in paragraph 2(c)(ii), in respect of property situated in France which form part of the estate of that person shall be allowed as a deduction from the amount of any tax otherwise payable in Canada, taking into account the deduction that is provided for under subparagraph (a) for tax payable in France, on income, profits or gains of the individual arising in France in that year.

(d) For the purposes of this paragraph, income or gains of a resident of Canada which may be taxed in France in accordance with the Convention shall be deemed to arise from sources in France.

(e) Where in accordance with any provision of the Convention income derived or capital owned by a resident of Canada is exempt from tax in Canada, Canada may nevertheless, in calculating the amount of tax on other income or capital, take into account the exempted income or capital.

2. In the case of France, double taxation shall be avoided as follows:

(a) income arising in Canada and taxable or taxable only in Canada in accordance with the provisions of the Convention shall be taken into account in calculating the French tax when the recipient is a resident of France and the income is not exempt from the corporation tax under French law. In such case, the Canadian tax shall not be

deductible from such income, but the recipient shall be entitled to a tax credit deductible from the French tax. This tax credit is equal:

(i) for income not referred to in (ii), to the amount of French tax corresponding to such income;

(ii) for income referred to in Articles 10, 11 and 12, in paragraphs 1 and 5 of Article 13, in paragraph 3 of Article 15, in Article 16, in paragraphs 1 and 2 of Article 17, in paragraph 3 of Article 18 and in Article 21, to the amount of tax paid in Canada in accordance with the provisions of those Articles; however, it may not exceed the amount of French tax corresponding to such income. It is understood that the term “amount of tax paid in Canada” means the amount of Canadian tax effectively and finally paid in respect of such income, in accordance with the Convention, by the resident of France receiving such income.

(b) A resident of France who owns taxable capital in Canada in accordance with the provisions of paragraphs 1, 2, 3 or 4 of Article 22 may also be taxed in France in respect of such capital. The French tax is calculated subject to a deduction of a tax credit equal to the amount of Canadian tax on such capital. This tax credit shall not exceed that amount of the French tax which is attributable to such capital.

(c) Notwithstanding any other provision of the Convention:

(i) where a deceased person was at the time of his death a resident of France, France shall apply the inheritance tax to all of the property taxable in accordance with its domestic legislation and shall allow as a deduction from that tax an amount equal to the Canadian tax paid on the gains which, at the time of death and under the provisions of the Convention, were taxable in Canada; such deduction shall not, however, exceed that share of the French inheritance tax, as computed before the deduction is given, attributable to the property in respect of which the deduction shall be allowed;

(ii) where a deceased person was at the time of his death a resident of Canada, France shall apply the inheritance tax to all of the property taxable in accordance with its domestic legislation and shall allow as a deduction from that tax an amount equal to the Canadian tax paid on the gains which, at the time of death and under the provisions of paragraph 4 of Article 13, were taxable only in Canada, and that are not referred to in paragraph 5 of the same Article; such deduction shall not, however, exceed the lesser of the two following shares:

(aa) the share of the inheritance tax, as calculated before the deduction is given, attributable to the property from the alienation of which are derived the gains referred to above and in respect of which the deduction shall be allowed; and

(bb) the share of the Canadian tax attributable to such property, as calculated before the deduction provided for in paragraph 1(c).

(d) It is understood that the term “amount of French tax corresponding to such income” used in subparagraph (a) means:

(i) where the tax payable in respect of such income is calculated by applying a proportional rate, the product of the taxable amount of such net income multiplied by the rate which is applied to such net income;

(ii) where the tax payable in respect of such income is calculated by applying a progressive scale, the product of the taxable amount of such net income multiplied by the rate resulting from the ratio between the tax actually payable in respect of the total net income taxable under the laws of France and the amount of such total net income.

This interpretation applies by analogy to the term “that amount of the French tax which is attributable to such capital” used in subparagraph (b) as well as to the terms “share of the French inheritance tax, as calculated before the deduction is given, attributable to the property in respect of which the deduction shall be allowed” and “share of the Canadian tax attributable to such property” used in subparagraph (c).

3. The provisions of the Convention, and in particular those of this Article, shall not prevent the application of the domestic legislation of a Contracting State:

(a) which authorizes enterprises of that State to determine their taxable profits on the basis of a consolidation which may include the results of subsidiaries which are resident in the other Contracting State, or permanent establishments situated in that other State; or

(b) in accordance with which the first-mentioned State determines the taxable profits of enterprises of that first-mentioned State by deducting the losses of subsidiaries which are resident in the other Contracting State or of permanent establishments situated in that other State, and by including the profits of these subsidiaries or of these permanent establishments up to the amount of the losses deducted.

Article 24

Non-Discrimination

1. Individuals who are nationals of a Contracting State shall not be subject 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 individuals who are nationals of that other State in the same circumstances are or may be subjected, notably with respect to the residence. This provision shall apply to individuals whether or not they are residents of one of the Contracting States.

2. 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.

3. Nothing in this Article shall 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. In this Article, the term “taxation” means the taxes which are the subject of this Convention.

Article 25

Mutual Agreement Procedure

1. Where a resident of a Contracting State considers that the actions of one or both of the Contracting States result or will result for him in taxation not in accordance with this Convention, he may, notwithstanding the remedies provided by the national laws of those States, present his case to the competent authority of the Contracting State of which he is a resident. The case must be submitted within two years from the first notification of the action which gives rise to taxation not in accordance with the Convention.

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 an appropriate 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 not in accordance with the Convention.

3. The competent authorities of the Contracting States shall endeavour to resolve by mutual agreement any difficulties arising as to the application of the Convention. In particular, the competent authorities of the Contracting States may consult together to endeavour to agree:

(a) to the same attribution of profits to a resident of a Contracting State and its permanent establishment situated in the other Contracting State;

(b) to the same allocation of income between a resident of a Contracting State and any associated person provided for in Article 9.

4. The competent authorities of the Contracting States may communicate with each other directly for the purpose of reaching an agreement in the sense of the preceding paragraphs. When it seems advisable in order to reach agreement to have an oral exchange of opinions, such exchange may take place through a Commission consisting of representatives of the competent authorities of the Contracting States.

If any question, difficulty or doubt arising as to the interpretation or application of the Convention cannot be resolved or dealt with by the competent authorities as a result of the application of the provisions of paragraphs 1, 2 or 3, these questions, difficulties or doubts may, if the competent authorities agree, be submitted to an arbitration commission. The decisions of the commission shall have the force of law. The composition of the commission and the arbitration procedures shall be determined, after consultation between the competent authorities, through an exchange of diplomatic notes between the Contracting States. The provisions of this paragraph shall take effect from the date agreed to in the exchange of diplomatic notes.

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, 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 the prosecution in respect of, the determination of appeals in relation to taxes, 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.

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 the administrative practice of that or of the other Contracting State;

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

c) to supply information that 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 the 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 fiduciary capacity or because the information relates to ownership interests in a person.

Article 27
Diplomatic and Consular Officials

1. Nothing in this Convention shall affect the fiscal privileges of members of diplomatic or consular missions under the general rules of international law or under the provisions of special agreements.
2. Notwithstanding Article 4 of this Convention, an individual who is a member of a diplomatic, consular or permanent mission of a Contracting State which is situated in the other Contracting State or in a third State shall be deemed for the purposes of this Convention to be a resident of the sending State if he is liable in the sending State to the same obligations in relation to tax on his total world income as are residents of that sending State.
3. This Convention shall not apply to International Organizations, to organs or officials thereof and to persons who are members of a diplomatic, consular or permanent mission of a third State, being present in a Contracting State and who are not liable in either State to the same obligations in relation to tax on their total world income as are residents thereof.

Article 28
Territorial Scope

1. This Convention shall apply, with respect to France, to the European and Overseas Departments (Guadeloupe, Guyane, Martinique and Réunion) of the French Republic, to the Territorial Authority of Saint-Pierre-et-Miquelon as well as to New Caledonia.
2. This Convention may be extended, either in its entirety or with any necessary modifications, to any other Overseas Territory of the French Republic 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.
3. Unless otherwise agreed by both Contracting States, the termination of the Convention by one of the Contracting States under Article 31 shall terminate, in the manner provided for in that Article, the application of the Convention to any territory to which it has been extended under this Article.

Article 29
Miscellaneous Rules

1. The provisions of this Convention shall not prevent:
 - (a) Canada from imposing a tax on amounts included in the income of a resident of Canada with respect to a partnership, trust, or controlled foreign affiliate, in which he has an interest;

(b) France from applying the provisions of Articles 209 B and 212 of the “Code générale des impôts” or other identical or substantially similar provisions which would amend or replace them.

2. An individual who is a resident of a Contracting State and maintains one or several abodes in the territory of the other Contracting State shall not be subject in that other State to an income tax according to an imputed income based on the rental value of that or those abodes.

3. The competent authorities of the Contracting States may settle the mode of application of the Convention. In particular, they may prescribe the formalities that must be followed by a resident of a Contracting State to obtain, in the other Contracting State, the exemptions or reductions of tax or other tax benefits provided for by the Convention. Such formalities may include the filing of a form certifying residency, indicating in particular the nature and the amount or value of the income or of the capital in question, certified by the tax authorities of the first-mentioned State.

4. Although a permanent establishment in a Contracting State of an enterprise of the other Contracting State cannot be deemed to be a resident of the first-mentioned Contracting State within the meaning of Article 4, it is understood that a permanent establishment situated in Canada of a bank or financial and credit institution whose head office is in France may, with respect to interest arising in France, benefit from the tax exemptions or reductions provided for in paragraphs 2, 3 and 4 of Article 11 and, where appropriate, from the tax credit referred to in Article 23, when the debt-claim in respect of which such interest is paid is connected with such permanent establishment and relates to its normal activity.

5. Contributions in a year in respect of services rendered in that year paid by, or on behalf of, an individual who is a resident of one of the Contracting States or who is temporarily present in that State, to a pension plan that is recognized for tax purposes in the other Contracting State shall, during a period not exceeding in the aggregate sixty months, be treated in the same way for tax purposes in the first-mentioned State as a contribution paid to a pension plan that is recognized for tax purposes in the first-mentioned State, provided that:

(a) such individual was regularly contributing to the pension plan (or to another pension plan for which that plan has been substituted) over a period ending immediately before he became a resident of or temporarily present in the first-mentioned State; and

(b) the competent authority of the first-mentioned State agrees that the pension plan corresponds generally to a pension plan recognized for tax purposes by that State.

For the purposes of this paragraph, the term “pension plan” includes especially a pension plan created under a public social security system.

6. For the purposes of paragraph 212(1)(b) of the Canadian Income Tax Act, it is understood that a French bank directly owned by the French government is deemed to deal at arm's length with any other enterprise owned or controlled by the French

government other than one controlled by the bank. The competent authorities of the Contracting States may, by mutual agreement, extend the application of this provision to other French enterprises directly owned by the French government and to other provisions of the Canadian Income Tax Act where appropriate.

7. (a) A mutual fund in securities constituted and established in a Contracting State, not subject to tax in that State, and which receives dividends paid by a company which is a resident of the other Contracting State or interest arising in that other State, may claim as a whole the benefit of the reductions or exemptions of taxes provided for under the Convention for the fraction of the income which corresponds to the rights held in that organisation by residents of the first-mentioned State and which is taxable in the hands of those residents.

(b) Notwithstanding the provisions of Article 10, dividends paid by a company which is a resident of a Contracting State to an organisation that was constituted and is established in the other Contracting State and is operated exclusively to administer or provide benefits under one or more pension or retirement plans, shall be exempt from tax in the first-mentioned State provided that:

(i) the organisation is the beneficial owner of the dividends and is generally exempt from tax in the other State; and

(ii) the organisation does not own directly or indirectly more than 5 per cent of the capital nor more than 5 per cent of the voting stock of the company paying the dividends; and

(iii) the principal class of shares of the company paying the dividends is regularly traded on a stock exchange situated in the first-mentioned State.

(c) Notwithstanding the provisions of Article 11, interest arising in a Contracting State and paid to an organisation that was constituted and is established in the other Contracting State and is operated exclusively to administer or provide benefits under one or more pension or retirement plans, shall be exempt from tax in the first-mentioned State provided that:

(i) the organisation is the beneficial owner of the interest and is generally exempt from tax in the other State; and

(ii) the interest is not derived from the carrying on [of] a trade or a business by the organisation or from an associated person within the meaning of subparagraph (a) or (b) of Article 9.

8. Where an enterprise of a Contracting State that is exempt from tax in that State on the profits of its permanent establishments which are not situated in that State derives income from the other Contracting State, and that income is attributable to a permanent establishment which that enterprise has in a third jurisdiction, the tax benefits that would otherwise apply under the other provisions of the Convention will not apply to any item of income on which the combined tax in the first-mentioned State and in the third jurisdiction is less than 60 per cent of the tax that would be

imposed in the first-mentioned State if the income were earned or received in that State by the enterprise and were not attributable to the permanent establishment in the third jurisdiction. Any dividends, interest, or royalties to which the provisions of this paragraph apply shall be subject to tax in the other State at a rate not exceeding 15 per cent of the gross amount thereof. Any other income to which the provisions of this paragraph apply shall be subject to tax under the provisions of the domestic law of the other State, notwithstanding any other provision of the Convention. The preceding provisions of this paragraph shall not apply:

(a) if the income derived from the other State is in connection with or incidental to the active conduct of a trade or business carried on by the permanent establishment in the third jurisdiction (other than the business of making or managing investments unless these activities are banking or insurance activities carried on by a bank or insurance company);

(b) if, when France is the first-mentioned State, France taxes the profits of such permanent establishment according to the provisions of Articles 209 B or 209 quinquies of the French "Code général des impôts", as they may be amended without changing the general principle hereof; or

(c) when France is the first-mentioned State, to income taxed by Canada according to Section 91 of the Income Tax Act, as it may be amended without changing the general principle hereof.

9. Subject to reciprocity, the exemptions from tax and other tax benefits provided for by French laws for the benefit of the French State, its local authorities or their agencies or instrumentalities whose activities are not the carrying on of a trade or business, shall apply in the same conditions respectively to:

(a) the Canadian State, its provinces, or organisations whose activities are not the carrying on of a trade or business, created within the framework of an agreement concluded or approved by the Contracting States;

(b) Canadian local authorities;

(c) agencies or instrumentalities of the Canadian State, its provinces or its local authorities, whose activities are identical or substantially similar to those of the French instrumentalities considered.

The provisions of this paragraph shall also apply, subject to reciprocity, to French taxes other than those referred to in Article 2, except for taxes owed in respect of services rendered.

10. France and the provinces of Canada may conclude arrangements concerning any fiscal legislation within provincial jurisdiction insofar as those arrangements are not inconsistent with the provisions of this Convention.

Article 30

Entry into Force

1. Each of the Contracting States shall notify to the other the completion of the procedure required by its laws for the bringing into force of this Convention. This Convention shall enter into force on the date of the later of these notifications and shall thereupon have effect:

(a) in Canada:

(i) in respect of tax withheld at the source on amounts paid or credited to non-residents on or after the first day of January in the calendar year in which the Convention enters into force, and

(ii) in respect of other taxes, in the case of companies, for any financial year beginning on or after the first day of January in the calendar year in which the Convention enters into force, and in other cases, for any taxation year beginning on or after the first day of January of the said year;

(b) in France:

(i) for the withholding tax and the prepayment (précompte) relating to any amounts payable on or after the first day of January in the calendar year in which the Convention enters into force;

(ii) in respect of the corporation tax, for any financial year beginning on or after the first day of January in the calendar year in which the Convention enters into force; and

(iii) in respect of the income tax, for any taxation year beginning on or after the first day of January in the calendar year in which the Convention enters into force.

2. The agreement between Canada and France for the avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income signed at Paris on March 16, 1951 is terminated. Its provisions shall cease to have effect from the date on which the corresponding provisions of this Convention take effect in accordance with the provisions of paragraph 1.

Article 31

Termination

This Convention shall continue in effect indefinitely but either Contracting State may, on or before June 30 in any calendar year after the year 1977, give notice of termination to the other Contracting State and, in such event, the Convention shall cease to have effect:

(a) In Canada:

(i) in respect of tax withheld at the source on amounts paid or credited to non-residents on or after the first day of January in the calendar year next following that in which the notice is given, and

(ii) in respect of other taxes, in the case of companies, for any financial year beginning on or after the first day of January in the calendar year next following that in which the notice is given, and in other cases, for any taxation year beginning on or after the first day of January in the said year;

(b) In France:

(i) for the withholding tax and the prepayment (précompte) relating to any amounts payable on or after the first day of January in the calendar year next following that in which the notice is given,

(ii) in respect of the corporation tax, for any financial year beginning on or after the first day of January in the calendar year next following that in which the notice is given, and

(iii) in respect of the income tax, for any taxation year beginning on or after the first day of January in the calendar year next following that in which the notice is given.

IN WITNESS WHEREOF the undersigned, duly authorized thereto, have signed this Convention.

DONE in duplicate at Paris, this second day of May 1975 in the English and French languages, each version being equally authentic.

FOR THE GOVERNMENT OF THE FRENCH REPUBLIC:

Jean-Pierre Fourcade

FOR THE GOVERNMENT OF CANADA:

John N. Turner