Arrangement for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income to be implemented by the Taiwan Taxation Agency and the French Public Finance General Directorate (hereafter referred to as "the Arrangement").

ARTICLE 1
PERSONS COVERED

This Arrangement shall apply to persons who are residents of one or both of the territories referred to in paragraph 3 of Article 2.

ARTICLE 2
TAXES COVERED

1. This Arrangement shall apply to taxes on income imposed on behalf of each territory 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 all taxes imposed on total income or on elements of income, 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 Arrangement shall apply are in particular:

a) in the territory in which the taxation laws administered by the Taiwan Taxation Agency are applied:
   (i) the profit-seeking enterprise income tax;
   (ii) the individual consolidated income tax;
   (iii) the income basic tax;
   including the surcharges levied thereon, whether or not they are collected by withholding at source;

b) in the territory in which the taxation law administered by the French Public Finance General Directorate (Direction Générale des Finances Publiques) is applied:
   (i) the income tax ("l'impôt sur le revenu");
   (ii) the corporation tax ("l'impôt sur les sociétés");
   (iii) the contributions on corporation tax ("les contributions sur l'impôt sur les sociétés");

(iv) the tax on salaries (‘la taxe sur les salaires’)
including any withholding tax, prepayment or advance payment with respect to the aforesaid taxes;

4. The Arrangement shall apply also to any identical or substantially similar taxes which are imposed after the implementation of the Arrangement in addition to, or in place of, the existing taxes. The competent authorities of the territories shall notify each other of any significant changes that have been made in the taxation laws of the respective territories.

5. With respect to the territory in which the taxation laws administered by the Taiwan Taxation Agency are applied, nothing in the Arrangement affects the imposition of the Land Value Increment Tax.

ARTICLE 3
GENERAL DEFINITIONS

1. For the purposes of this Arrangement, unless the context otherwise requires:
   a) the term "territory" means the territory referred to in paragraph 3 a) or 3 b) of Article 2, as the context requires. The terms "other territory" and "territories" shall be construed accordingly. The territory referred to in paragraph 3 b) of Article 2 does not include the "Collectivités d'Outre-Mer";
   b) the term "person" includes an individual, a company and any other body of persons;
   c) the term "company" means any body corporate or any entity that is treated as a body corporate for tax purposes;
   d) the term "enterprise" applies to the carrying on of any business;
   e) the terms "enterprise of a territory" and "enterprise of the other territory" mean respectively an enterprise carried on by a resident of a territory and an enterprise carried on by a resident of the other territory;
   f) 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 territory, except when the ship or aircraft is operated solely between places in the other territory;
   g) the term "competent authority" means:
      (i) in the case of the territory in which the taxation laws administered by the Taiwan Taxation Agency are applied, the Minister of Finance or his authorized representative;
      (ii) in the case of the territory in which the taxation law administered by the French

Public Finance General Directorate (Direction Générale des Finances Publiques) is applied, the Minister in charge of the finance or his authorised representative;

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 Arrangement at any time by a territory, any term not defined therein shall, unless the context otherwise requires, have the meaning that it has at that time under the laws of that territory for the purposes of the taxes to which the Arrangement applies, any meaning under the applicable tax laws of that territory prevailing over a meaning given to the term under other laws of that territory.

ARTICLE 4
RESIDENT

1. For the purposes of this Arrangement, the term “resident of a territory” means any person who, under the laws of that territory, is liable to tax therein by reason of his domicile, residence, place of incorporation, place of management or any other criterion of a similar nature, and also includes the authority administering a territory and any political subdivision or territorial or local authority thereof and the public law entities in that territory or its political subdivisions or territorial or local authorities.

2. However, a person is not a resident of a territory for the purposes of this Arrangement if that person is liable to tax in that territory in respect only of income from sources in that territory.

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

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

b) if the territory 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 territory, he shall be deemed to be a resident only of the territory in which he has an habitual abode;

c) if he has an habitual abode in both territories or in neither of them, the competent authorities of the territories shall settle the question by mutual agreement.

4. Where by reason of the provisions of paragraph 1 a person other than an individual is a resident of both territories, the competent authorities of the territories shall endeavour to determine by mutual agreement the territory of which such person shall be deemed to be a resident for the purposes of the Arrangement, 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 this Arrangement except to the extent and in such manner as may be agreed upon by the competent authorities of the territories.

5. The term “resident of a territory” shall include the following:

a) in the case of the territory referred to in paragraph 3 a) of Article 2, a sole-proprietorship or a partnership registered in the territory and of which the sole proprietor or all partners of which are personally liable to tax therein in respect of their part of the profits of the sole-proprietorship or partnership pursuant to the domestic laws of this territory;

b) in the case of the territory referred to in paragraph 3 b) of Article 2, any partnership or group of persons which has its place of effective management in this territory and of which all shareholders, associates or other members of which are personally liable to tax therein in respect of their part of the profits of those partnerships or groups of persons pursuant to the domestic laws of this territory.

ARTICLE 5
PERMANENT ESTABLISHMENT

1. For the purposes of this Arrangement, 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;
e) a workshop, and
f) a mine, an oil or gas well, a quarry or any other place of extraction of natural resources.

3. The term “permanent establishment” also encompasses:

a) a building site, a construction, assembly or installation project, but only if such site or project lasts more than six months;

b) the furnishing of services including consultancy or managerial services, by an enterprise of a territory through employees or other personnel engaged by the enterprise for such purpose, but only where activities of that nature continue (for the same or connected project) in the other territory for a period or periods exceeding in the aggregate 270 days within any fifteen-month period.

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 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 sub-paragraphs 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 l 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 territory an authority to conclude contracts in the name of the enterprise, that enterprise shall be deemed to have a permanent establishment in that territory 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.

6. An enterprise shall not be deemed to have a permanent establishment in a territory merely because it carries on business in that territory 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 territory controls or is controlled by a company which is a resident of the other territory, or which carries on business in that other territory (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 derived by a resident of a territory from immovable property (including income from agriculture or forestry) situated in the other territory may be taxed in that other territory.

2. The term "immovable property" shall have the meaning which it has under the laws of the territory 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 l shall apply to income derived from the direct use, letting, or use in any other form of immovable property.

4. The provisions of paragraphs l and 3 shall also apply to the income from immovable property of an enterprise.

5. Where shares or other rights in a company, trust or any other institution or entity give an entitlement to enjoy of immovable property situated in a territory and held by that company, trust, institution or entity, income derived from the direct use, letting or use in any other form of that right of enjoyment may be taxed in that territory notwithstanding the provisions of Article 7.

ARTICLE 7
BUSINESS PROFITS

1. The profits of an enterprise of a territory shall be taxable only in that territory unless the enterprise carries on business in the other territory through a permanent establishment situated therein. If the enterprise carries on business as aforesaid, the profits of the enterprise may be taxed in the other territory 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 territory carries on business in the other territory through a permanent establishment situated therein, there shall in each territory 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 determining the profits of a permanent establishment, there shall be allowed as deductions expenses which are incurred for the purposes of the permanent establishment, including executive and general administrative expenses so incurred, whether in the territory in which the permanent establishment is situated or elsewhere.

4. Insofar as it has been customary in a territory to determine the profits to be attributed to a permanent establishment on the basis of an apportionment of the total profits of the enterprise to its various parts, nothing in paragraph 2 shall preclude that territory from determining the profits to be taxed by such an apportionment as may be customary; the method of apportionment adopted shall, however, be such that the result shall be in accordance with the principles contained in this Article.

5. 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.

6. 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.

7. Where profits include items of income which are dealt with separately in other Articles of this Arrangement, then the provisions of those Articles shall not be affected by the provisions of this Article.

8. In respect of this Article:

a) where an enterprise of a territory sells goods or merchandise or carries on business in the other territory through a permanent establishment situated therein, the profits of that permanent establishment shall not be determined on the basis of the total amount received by the enterprise but only on the basis of the amount which is attributable to the actual activity of the permanent establishment for such sales or business;
b) in the case of contracts, in particular for the survey, supply, installation or construction of industrial, commercial or scientific equipment or premises, or of public works, where the enterprise has a permanent establishment, the profits attributable to such permanent establishment shall not be determined on the basis of the total amount of the contract, but only on the basis of that part of the contract which is effectively carried out by the permanent establishment in the territory where it is situated. The profits related to the part of the contract which is carried out in the territory of which the enterprise is a resident shall be taxable only in that territory.

ARTICLE 8
SHIPPING AND AIR TRANSPORT

1. Profits from the operation of ships or aircraft in international traffic shall be taxable only in the territory in which the place of effective management of the enterprise is situated.

2. If the place of effective management of a shipping enterprise is aboard a ship, then it shall be deemed to be situated in the territory of which the operator of the ship is a resident.

3. For the purposes of this Article, profits from the operation of ships or aircraft in international traffic include:

a) profits from the rental on a full (time or voyage) basis or a bareboat basis of ships or aircraft;
b) profits from the use, maintenance or rental of containers (including trailers and related equipment for the transport of containers) used for the transport of goods or merchandise;

c) currency adjustment, bunker surcharge, port congestion surcharge, overlength and overweight surcharge, trans-shipment surcharge, terminal handling charge, demurrage and detention charges, container handling fee and any other/similar surcharge or additional as they may occur;

where such rental or such use, maintenance, rental or charge, as the case may be, is incidental to the operation of ships or aircraft in international traffic.

4. The provisions of paragraphs l shall also apply to profits from the participation in a pool, a joint business or an international operating agency, but only to so much of the profits so derived as is attributable to the participation in proportion to its share in the joint operation.

ARTICLE 9
ASSOCIATED ENTERPRISES

1. Where

a) an enterprise of a territory participates directly or indirectly in the management, control or capital of an enterprise of the other territory, or

b) the same persons participate directly or indirectly in the management, control or capital of an enterprise of a territory and an enterprise of the other territory,

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

ARTICLE 10
DIVIDENDS

1. Dividends paid by a company which is a resident of a territory to a resident of the other territory may be taxed in that other territory.

2. a) Dividends mentioned in paragraph 1 may also be taxed in the territory of which the company paying the dividends is a resident and according to the laws of that territory, but if the beneficial owner of the dividends is a resident of the other territory, the tax so charged shall not exceed 10 per cent of the gross amount of the dividends.

b) 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 treated as a distribution by the taxation laws of the territory 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 territory, carries on business in the other territory 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 territory derives profits or income from the other territory, that other territory 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 territory or insofar as the holding in respect of which the dividends are paid is effectively connected with a permanent establishment situated in that other territory, 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 territory.

6. If the territory referred to in sub-paragraph 3 a) of Article 2 exempts dividends from tax or limits its taxation at source on dividends to a rate lower than the rate provided for

in this Arrangement, pursuant to a convention, an agreement or a protocol signed after 30th September 2009 with a member state of the OECD, the same exemption or lower rate shall automatically apply under this Arrangement, as if it had been specified in this Arrangement, provided that the beneficial owner of the dividends meets the same conditions for the exemption or the reduced rate as those required in the above mentioned convention, agreement or protocol.

ARTICLE 11
INTEREST

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

2. However, such interest may also be taxed in the territory in which it arises and according to the laws in force in that territory, but if the beneficial owner of the interest is a resident of the other territory, the tax so charged shall not exceed 10 per cent of the gross amount of the interest.

3. Notwithstanding paragraph 2, interest arising in a territory shall be exempt from tax in that territory if it is paid:

a) to the authority administering the other territory or a local authority or the Central Bank or a public law entity thereof in relation to any loan, debt-claim or credit granted by any such bodies;

b) in respect of a loan granted, guaranteed or insured or a credit extended, guaranteed or insured by an approved instrumentality of the other territory which aims at promoting export, or under a scheme organised by an authority administering a territory or a subdivision thereof or by a local authority in order to promote the export;

c) on loans made between banks as long as the beneficial owner is a bank and a resident of the other territory.

4. 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. However, the term "interest" shall not include for the purpose of this Article penalty charges for late payment and interest on commercial

debt-claims resulting from deferred payments for equipment, good, merchandise or services; in these cases, the provisions of Article 7 shall apply.

5. The provisions of paragraphs 1, 2 and 3 shall not apply if the beneficial owner of the interest, being a resident of a territory, carries on business in the other territory 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.

6. Interest shall be deemed to arise in a territory when the payer is a resident of that territory. Where, however, the person paying the interest, whether he is a resident of a territory or not, has in a territory 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 territory in which the permanent establishment is situated.

7. 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 territory, due regard being had to the other provisions of this Arrangement.

ARTICLE 12
ROYALTIES

1. Royalties arising in a territory and paid to a resident of the other territory may be taxed in that other territory.

2. However, such royalties may also be taxed in the territory in which they arise and according to the laws of that territory, but if the recipient is the beneficial owner of the royalties the tax so charged shall not exceed 10 per cent of the gross amount of the royalties.

3. 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 and films or tapes for television or radio broadcasting, any patent, trade mark, design or model, plan, secret formula or process, or for information concerning industrial, commercial or scientific experience.

4. The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the royalties, being a resident of a territory, carries on business in the other territory 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.

5. Royalties shall be deemed to arise in a territory when the payer is a resident of that territory. Where, however, the person paying the royalties, whether he is a resident of a territory or not, has in a territory a permanent establishment in connection with which the liability to pay the royalties was incurred, and such royalties are borne by such permanent establishment**,** then such royalties shall be deemed to arise in the territory 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 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 territory, due regard being had to the other provisions of this Arrangement.

7. Payments received as a consideration for technical services, including studies or surveys of a scientific, geological or technical nature, or for engineering contracts including blue prints related thereto, or for consultant or supervisory services shall be deemed not to be payments received as a consideration for information concerning industrial, commercial or scientific experience. Such payments would be dealt with as commercial income in accordance with Article 7.

8. Payments received as a consideration for the right to distribute software do not represent a royalty as long as they do not include the right to reproduce this software. Such payments would be dealt with as commercial income in accordance with Article 7.

9. If the territory referred to in sub-paragraph 3 a) of Article 2 exempts royalties from tax or limits its taxation at source on royalties to a rate lower than the rate provided for in this Arrangement, pursuant to a convention, an agreement or a protocol signed after 30th September 2009 with a member state of the OECD, the same exemption or lower rate shall automatically apply under this Arrangement, as if it had been specified in this Arrangement, provided that the beneficial owner of the royalties meets the same conditions for the exemption or the reduced rate as those required in the above mentioned convention, agreement or protocol.

ARTICLE 13
CAPITAL GAINS

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

   b) Gains from the alienation of shares or other rights in a company, a trust or any other institution or entity the assets or property of which consist for more than 50 per cent of their value of, or derive more than 50 per cent of their value, directly or indirectly through the interposition of one or more other companies, trusts, institutions or entities, from immovable property referred to in Article 6 and situated in a territory or of rights connected with such immovable property may be taxed in that territory. For the purposes of this provision, immovable property pertaining to business carried on personally by such company shall not be taken into account.

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

3. Gains from the alienation of property forming part of the business property of an enterprise and consisting 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 the territory in which the place of effective management of the enterprise is situated.

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 territory of which the alienator is a resident.

ARTICLE 14

INCOME FROM EMPLOYMENT

1. Subject to the provisions of Articles 15, 17 and 18, salaries, wages and other similar remuneration derived by a resident of a territory in respect of an employment shall be taxable only in that territory unless the employment is exercised in the other territory. If the employment is so exercised, such remuneration as is derived therefrom may be taxed in that other territory.

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

a) the recipient is present in the other territory 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 territory, and
c) the remuneration is not borne by a permanent establishment which the employer has in the other territory.

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 may be taxed in the territory in which the place of effective management of the enterprise is situated.

ARTICLE 15
DIRECTOR’S FEES

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

ARTICLE 16
ARTISTES AND ATHLETES

1. a) Notwithstanding the provisions of Articles 7 and 14, income derived by a resident of a territory as an entertainer, such as a theatre, motion picture, radio or television artiste, or a musician, or as an athlete or a model, from his personal activities as such exercised in the other territory, may be taxed in that other territory.

   b) Notwithstanding, the provisions of Articles 7, 12, 14 and 21, when an entertainer, an athlete or a model, being a resident of a territory, receive income from a resident of the other territory for performances that have a connection with this professional standing, such income may be taxed in that other territory.

2. Where income in respect of personal activities exercised by an entertainer, an athlete or a model in his capacity as such accrues not to the entertainer or athlete or model himself but to another person, that income may, notwithstanding the provisions of Articles 7, 12, 14 and 21, be taxed in the territory from which it derives.

3. Notwithstanding the provisions of paragraph 1, income derived by a resident of a territory as an entertainer or an athlete or a model from his personal activities as such exercised in the other territory shall be taxable only in the first-mentioned territory if those activities in the other territory are supported mainly by public funds of one or both of the authorities administering a territory, or its political subdivisions or local or territorial authorities, or of their public law entities.

4. Notwithstanding the provisions of paragraph 2, where income in respect of personal activities exercised by a resident of a territory, who is an entertainer or an athlete or a model, in his capacity as such in the other territory accrues not to the entertainer or athlete or model himself but to another person, whether a resident of a territory or not, that income, notwithstanding the provisions of Articles 7 and 14, shall be taxable only in the first-mentioned territory, where in respect of such activities, that other person is supported mainly by public funds of one or both of the authorities administering a territory, or its political subdivisions or local or territorial authorities or of their public law entities.

ARTICLE 17
PENSIONS

1. Subject to the provisions of paragraph 2 of article 18, pensions and other similar remuneration paid to a resident of a territory in consideration of past employment shall be taxable only in that territory.

2. Notwithstanding the provisions of paragraph 1, pensions paid and other payments made under a public scheme which is part of the social security system of a territory or its political subdivision or local or territorial authority hereof may be taxable in that territory.

ARTICLE 18
PUBLIC SERVICE

1. a) Salaries, wages and other similar remuneration, other than a pension, paid by an authority administering a territory or a political subdivision or a local or territorial authority thereof, or by one of their public law entities of either to an individual in respect of services rendered to that administering authority or subdivision or local authority or entity shall be taxable only in that territory.

   b) However, such salaries, wages and other similar remuneration shall be taxable only in the other territory if the services are rendered in that territory and the individual is a resident of that territory who is a citizen or national of that territory without being also a citizen or national of the first-mentioned territory.

2. a) Any pension and other similar remuneration paid by, or out of funds created by, an authority administering a territory or a political subdivision or a local or territorial authority thereof or by one of their public law entities of either to an individual in respect of services rendered to that administering authority or subdivision or local or territorial authority or public law entity shall be taxable only in that territory.

   b) However, such pension and other similar remuneration shall be taxable only in the other territory if the individual is a resident of and a citizen or national of that territory without being also a citizen or national of the first-mentioned territory.

3. The provisions of Articles 14, 15, 16 and 17 shall apply to salaries, wages pensions, and other similar remuneration in respect of services rendered in connection with an industrial or commercial activity carried on by an authority administering a territory or a

political subdivision or a local or territorial authority thereof, or by one of their public law entities.

ARTICLE 19
STUDENTS

Payments which a student or business apprentice who is or was immediately before visiting a territory a resident of the other territory and who is present in the first-mentioned territory 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 territory, provided that such payments arise from sources outside that territory.

ARTICLE 20
PROFESSORS AND RESEARCHERS

1. Subject to the provisions of Article 18, and notwithstanding the provisions of Article 14, a resident of a territory who, at the invitation of a university, college, or other educational institution, situated in the other territory and recognized by the authority administering that other territory, is present in the other territory solely for the purpose of teaching, or engaging in research, or both, at the educational institution, shall be exempt from tax in the other territory for his remuneration for such teaching or research. This provision shall apply for a period not exceeding 24 months from the date of the first arrival of the teacher or researcher in the other territory for the purpose of teaching or engaging in research.

2. The provisions of paragraph 1 shall not apply to any remuneration for research if such research is undertaken not in the public interest but for the private benefit of a specific person or persons.

ARTICLE 21
OTHER INCOME

1. Items of income beneficially owned by a resident of a territory, wherever arising, not dealt with in the foregoing Articles of this Arrangement shall be taxable only in that territory.

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 beneficial owner of such income, being a resident of a territory, carries on business in the other territory 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.

3. Where, by reason of a special relationship between the person referred to in paragraph 1 and some other person, or between both of them and some third person, the amount of the income referred to in paragraph 1 exceeds the amount (if any) which would have been agreed upon between them in the absence of such a relationship, the provisions of this Article shall apply only to the last mentioned amount. In such a case, the excess part of the income shall remain taxable according to the laws of each territory, due regard being had to the other provisions of this Arrangement.

ARTICLE 22
ELIMINATION OF DOUBLE TAXATION

1. In the case of the territory referred to in paragraph 3 a) of Article 2 of this Arrangement, double taxation shall be avoided as follows:

Where a resident of that territory derives income from the other territory, the amount of tax on that income paid in the other territory (but excluding, in the case of a dividend, tax paid in respect of the profits out of which the dividend is paid) and in accordance with the provisions of this Arrangement, shall be credited against the tax levied in the first mentioned territory imposed on that resident. The amount of credit, however, shall not exceed the amount of the tax in the first mentioned territory on that income computed in accordance with its taxation laws and regulations.

2. In the case of the territory referred to in paragraph 3 b) of Article 2, double taxation shall be avoided as follows:

a) notwithstanding any other provision of this Arrangement, income which may be taxed or shall be taxable only in the territory in which the taxation laws administered by the Taiwan Taxation Agency are applied in accordance with the provisions of the Arrangement shall be taken into account for the computation of the tax levied in the first mentioned territory where such income is not exempted from corporation tax according to the domestic law of the first mentioned territory.

In that case, the tax shall not be deductible from such income, but the resident of the first mentioned territory shall, subject to the conditions and limits provided for in sub-paragraphs (i) and (ii), be entitled to a tax credit against tax levied in the first mentioned territory. Such tax credit shall be equal:

(i) in the case of income other than that mentioned in sub-paragraph (ii), to the amount of tax levied in the first mentioned territory and attributable to such income provided that the resident of the first mentioned is subject to tax in respect of such income;

(ii) in the case of income subject to the corporation tax referred to in Article 7 and paragraph 2 of Article 13 and in the case of income referred to in Article 10, paragraph 1 of Article 13, paragraph 3 of Article 14, Article 15, paragraphs 1 and 2 of Article 16 and Article 20 to the amount of tax paid in the territory in which the taxation laws administered by the Taiwan Taxation Agency are applied in accordance with the provisions of those Articles ; however, such tax credit shall not exceed the amount of tax levied in the first mentioned territory and attributable to such income.

b) (i) It is understood that the term "amount of tax levied in the first mentioned territory and attributable to such income" as used in sub-paragraph a) means:

- where the tax on such income is computed by applying a proportional rate, the amount of the net income concerned multiplied by the rate which actually applies to that income;
- where the tax on such income is computed by applying a progressive scale, the amount of the net income concerned multiplied by the rate resulting from the ratio of the tax actually payable on the total net income taxable in accordance with the laws of the first mentioned territory to the amount of that total net income.

(ii) It is understood that the term "amount of tax paid in the territory in which the taxation laws administered by the Taiwan Taxation Agency are applied" as used in sub-paragraph a) means the amount of tax effectively and definitively borne in respect of the items of income concerned, in accordance with the provisions of the Arrangement, by a resident of the first mentioned territory who is taxed on those items of income according to the laws of the first mentioned territory.

ARTICLE 23
NON-DISCRIMINATION

1. Individuals who are citizens or nationals of a territory shall not be subjected in the other territory to any taxation or any requirement connected therewith, which is other or more burdensome than the taxation and connected requirements to which citizens or nationals of that other territory 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 territories.

2. The taxation on a permanent establishment which an enterprise of a territory has in the other territory shall not be less favorably levied in that other territory than the taxation levied on enterprises of that other territory carrying on the same activities. This provision shall not be construed as obliging a territory to grant to residents of the other territory any personal allowances, reliefs and reductions for taxation purposes on account of civil status or family responsibilities which it grants to its own residents.

3. Except where the provisions of paragraph 1 of Article 9, paragraph 7 of Article 11, or paragraph 6 of Article 12, apply, interest, royalties and other disbursements paid by an enterprise of a territory to a resident of the other territory 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 territory.

4. Enterprises of a territory, the capital of which is wholly or partly owned or controlled, directly or indirectly, by one or more residents of the other territory, shall not be subjected in the first-mentioned territory 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 territory are or may be subjected.

ARTICLE 24
MUTUAL AGREEMENT PROCEDURE

1. Where a person considers that the actions of one or both of the territories result or will result for him in taxation not in accordance with the provisions of this Arrangement, he may, irrespective of the remedies provided by the domestic laws of those territories, present his case to the competent authority of the territory of which he is a resident or, if

his case comes under paragraph 1 of Article 23, to that of the territory of which he is a national. The case must be presented within 3 years from the first notification of the action resulting in taxation not in accordance with the provisions of the Arrangement.

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 territory, with a view to the avoidance of taxation not in accordance with the Arrangement. Any agreement reached shall be implemented notwithstanding any time limits in the domestic law of the territories.

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

4. The competent authorities of the territories 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.

ARTICLE 25
EXCHANGE OF INFORMATION

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

2. Any information received under paragraph 1 by a territory shall be treated as secret in the same manner as information obtained under the domestic laws of that territory 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.

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

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

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 territory;

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 territory in accordance with this Article, the other territory shall use its information gathering measures to obtain the requested information, even though that other territory 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 territory 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 territory 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 it relates to ownership interests in a person.

ARTICLE 26

ASSISTANCE IN THE COLLECTION OF TAXES

1. Each of the territories shall endeavor to collect, as if it were its own tax, any tax referred to in Article 2, which has been imposed by the other territory and the collection of which is necessary to ensure that any exemption or reduction of tax granted under this Arrangement by that other territory shall not be enjoyed by persons not entitled to such benefits.

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

a) to carry out administrative measures at variance with the laws and administrative practice of that or of the other territory;
b) to carry out measures which would be contrary to public policy (ordre public);
c) to provide assistance if the other territory 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 territory is clearly disproportionate to the benefits to be derived by the other territory.

ARTICLE 27

LIMITATION OF BENEFITS

1. Notwithstanding the provisions of any other Article of the Arrangement, a resident of a territory shall not receive the benefit of any reduction in or exemption from tax provided for in the Arrangement by the other territory if the conduct of operations by such resident or a person connected with such resident had for main purpose or one of main purposes to obtain the benefits of the Arrangement.

For the purpose of this paragraph, a person shall be connected to another person if one possesses at least 50 percent of the beneficial interest in the other, or another person possesses, directly or indirectly, at least 50 percent of the beneficial interest in each person. In any case, a person shall be considered to be connected to another person if, based on all relevant facts and circumstances, one has control of the other or both are under the control of the same person or persons.

2. Notwithstanding the provisions of any other Article of the Arrangement, the benefit of the Arrangement can be denied on an element of income where:

a) the recipient is not the beneficial owner of such income, and
b) the operation allows the beneficial owner to support a tax burden on the element of income lower than the one he would have supported if he had directly perceived such element of income.

3. A resident of a territory that is not entitled to the benefits of the Arrangement under the provisions of the preceding paragraph of this Article shall, nevertheless, be granted the benefits of the Arrangement if the competent authority of the other territory determines, upon such person's request:

a) that the conduct of its operations did not have as one of its principal purposes the obtaining of benefits under the Arrangement; or

b) that it would not be appropriate, having regard to the purpose of this Article, to deny the benefits of the Arrangement to such person.

The competent authority of the other territory shall consult with the competent authority of the first-mentioned territory before denying the benefits of the Arrangement under this paragraph.

ARTICLE 28
IMPLEMENTATION

1. The Arrangement shall be implemented the 1st January of the year following the completion of the procedures required by the laws of both territories.

2. The provisions of this Arrangement shall have effect:

a) in respect of taxes on income withheld at source, for amounts taxable in or after the calendar year in which the Arrangement is implemented;

b) in respect of taxes on income which are not withheld at source, for income relating, as the case may be, to the calendar year or accounting period beginning in or after the calendar year in which the Arrangement is implemented;

c) in respect of the other taxes, for taxation the taxable event of which occurs in or after the calendar year in which the Arrangement is implemented.

ARTICLE 29
TERMINATION

1. The Arrangement shall be applicable indefinitely as far it is implemented in each territory.

2. The competent authorities of the territories may communicate with each other for the purpose of the termination of this Arrangement. In that event, the information of termination to the other party on or before 30th June in any calendar year shall be given.

3. The Arrangement shall cease to be effective:

a) in respect of taxes on income withheld at source, for amounts taxable after the calendar year in which the notice of termination is given ;

b) in respect of taxes on income which are not withheld at source, for income relating, as the case may be, to any calendar year or accounting period beginning after the calendar year in which the notice of termination is given ;

c) in respect of the other taxes, for taxation the taxable event of which will occur after the calendar year in which the notice of termination is given.

ARTICLE 30
MISCELLANEOUS RULES

1. In respect of Articles 10 and 11, an investment company or fund, which is situated in a territory where it is not subject to a tax mentioned in sub-paragraphs a) or b) of paragraph 3 of Article 2, and receives dividends or interest arising in the other territory can ask for the aggregate amount of the tax reductions or exemptions provided by the Arrangement in the proportion of such income which corresponds to the rights in the company or fund held by residents of the first-mentioned territory and which is taxable in the hands of those residents.

2. Paragraph 2 of Article 4 does not aim at denying the benefits of the Arrangement to individuals who reside in the territory referred to in paragraph 3-a) of Article 2 for 183 days or more in a taxable year or who are ordinary residing in this territory where they maintain a domicile.