

No. 4561

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**CEYLON  
and  
SWEDEN**

**Convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income. Signed at New Delhi, on 18 May 1957**

*Official text: English.*

*Registered by Ceylon on 11 November 1958.*

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**CEYLAN  
et  
SUÈDE**

**Convention tendant à éviter la double imposition et à prévenir l'évasion fiscale en matière d'impôts sur le revenu. Signée à New-Delhi, le 18 mai 1957**

*Texte officiel anglais.*

*Enregistrée par Ceylan le 11 novembre 1958.*

No. 4561. CONVENTION<sup>1</sup> BETWEEN THE GOVERNMENT OF CEYLON AND THE ROYAL GOVERNMENT OF SWEDEN FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME. SIGNED AT NEW DELHI, ON 18 MAY 1957

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The Government of Ceylon and the Royal Government of Sweden, desiring to conclude a Convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income, have agreed as follows :

*Article I*

(1) The taxes which are the subject of the present Convention are :

(a) In Sweden :

The State income tax (including coupon tax and sailors tax) and the municipal income tax (hereinafter referred to as "Swedish tax").

(b) In Ceylon :

The income tax, and the profits tax (hereinafter referred to as "Ceylon tax").

(2) The present Convention shall also apply to any other taxes of a substantially similar character imposed in Sweden or Ceylon subsequently to the date of signature of the present Convention.

*Article II*

(1) in the present Convention, unless the context otherwise requires :

(a) The term "one of the territories" and "the other territory" mean Sweden or Ceylon, as the context requires;

(b) The term "tax" means Swedish tax or Ceylon tax, as the context requires;

(c) The term "person" includes any body of persons, corporate or not corporate;

(d) The term "company" means any body corporate, wherever constituted;

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<sup>1</sup> Came into force on 21 February 1958, upon the exchange of the instruments of ratification at New Delhi, in accordance with article XVIII.

(e) The terms “resident of Sweden” and “resident of Ceylon” mean respectively any person who is resident in Sweden for the purposes of Swedish tax and not resident in Ceylon for the purposes of Ceylon tax, and any person who is resident in Ceylon for the purposes of Ceylon Tax and not resident in Sweden for the purposes of Swedish tax; a company shall be regarded as resident in Sweden if it is incorporated under the laws of Sweden or, if not thus incorporated, its business is managed and controlled in Sweden and as resident in Ceylon if it is incorporated under the laws of Ceylon or, if not thus incorporated, its business is managed or controlled in Ceylon;

(f) The terms “resident of one of the territories” and “resident of the other territory” mean a person who is a resident of Sweden or a person who is a resident of Ceylon, as the context requires;

(g) The terms “Swedish enterprise” and “Ceylon enterprise” mean respectively an industrial or commercial enterprise or undertaking carried on by a resident of Sweden and an industrial or commercial enterprise or undertaking carried on by a resident of Ceylon, and the terms “enterprise of one of the territories” and “enterprise of the other territory” mean a Swedish enterprise or a Ceylon enterprise, as the context requires;

(h) The term “industrial or commercial profits” includes, in particular, profits from the business of agriculture, mining, banking, insurance, life insurance or dealing in investments, and profits from rents or royalties in respect of cinematograph films, but does not include income in the form of dividends, interest, rents, royalties (other than rents or royalties in respect of cinematograph films), management charges, or remuneration for personal services;

(i) The term “permanent establishment” when used with respect to an enterprise of one of the territories means a branch, management, factory or other fixed place of business, and agricultural or farming estate, a mine, quarry or any other place of natural resources subject to exploitation. It does not include an agency unless the agent has, and habitually exercises a general authority to negotiate and conclude contracts on behalf of the enterprise or has a stock of merchandise from which he regularly fills orders on its behalf. In this connection—

(i) An enterprise of one of the territories shall not be deemed to have a permanent establishment in the other territory merely because it carries on business dealings in that other territory through a *bona fide* broker acting in the ordinary course of his business as such;

- (ii) The fact that an enterprise of one of the territories maintains in the other territory a fixed place of business exclusively for the purchase of goods or merchandise shall not of itself constitute that fixed place of business a permanent establishment of the enterprise;
- (iii) The fact that a company which is a resident of one of the territories has a subsidiary company which is a resident of the other territory or which carries on a trade or business in that other territory (whether through a permanent establishment or otherwise) shall not of itself constitute that subsidiary company a permanent establishment of its parent company.

(2) Where under this Convention any income is exempt from tax in one of the territories if (with or without other conditions) it is subject to tax in the other territory, and that income is subject to tax in that other territory by reference to the amount thereof which is remitted to or received in that other territory, the exemption to be allowed under this Convention in the first-mentioned territory shall apply only to the amount so remitted or received.

(3) In the application of the provisions of the present Convention by one of the Contracting Governments any term not otherwise defined shall, unless the context otherwise requires, have the meaning which it has under the laws in force in the territory of that Contracting Government relating to the taxes which are the subject of the present Convention.

### *Article III*

(1) The industrial or commercial profits of a Swedish enterprise shall not be subject to Ceylon tax unless the enterprise carries on a trade or business in Ceylon through a permanent establishment situated therein. If it carries on a trade or business as aforesaid, tax may be imposed on those profits by Ceylon but only on so much of them as is attributable to that permanent establishment; provided that nothing in this paragraph shall affect the taxation of income from the business of insurance under the provisions of the law of Ceylon at the date of signature of this Convention.

(2) The industrial or commercial profits of a Ceylon enterprise shall not be subject to Swedish tax unless the enterprise carries on a trade or business in Sweden through a permanent establishment situated therein. If it carries on a trade or business as aforesaid, tax may be imposed on those profits by Sweden, but only on so much of them as is attributable to that permanent establishment; provided that nothing in this paragraph shall affect the taxation of income from the business of insurance under the provisions of the law of Sweden at the date of signature of this Convention.

(3) Where an enterprise of one of the territories carries on a trade or business in the other territory through a permanent establishment situated therein, there shall be attributed to that permanent establishment the industrial or commercial profits which it might be expected to derive in that other territory if it were an independent enterprise engaged in the same or similar activities under the same or similar conditions and dealing at arm's length with the enterprise of which it is a permanent establishment.

Provided that nothing in this paragraph shall affect the computation of the profits derived by a Swedish enterprise from the production of tea or other agricultural product in Ceylon in accordance with the provisions of the law of Ceylon at the date of signature of this Convention.

(4) No portion of any profits arising to an enterprise of one of the territories shall be attributed to a permanent establishment situated in the other territory by reason of the mere purchase of goods or merchandise within that other territory by the enterprise.

#### *Article IV*

Where

- (a) an enterprise of one of the territories 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 one of the territories 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.

#### *Article V*

(1) When a resident of Sweden, operating ships or aircraft, derives profits from Ceylon through such operations carried on in Ceylon, such profits shall be subject to tax in Sweden as well as in Ceylon; but the tax so charged in Ceylon shall be reduced by an amount equal to 50 per cent. of the tax so charged, and the reduced amount of Ceylon tax payable on the profits shall be allowed as a credit against any Swedish tax charged on income accrued to or received by the resident of Sweden during the year in which such reduced Ceylon tax was paid.

(2) When a resident of Ceylon, operating ships or aircraft, derives profits from Sweden through such operations carried on in Sweden, such profits shall be subject to tax in Ceylon as well as in Sweden; but the tax so charged in Sweden shall be reduced by an amount equal to 50 per cent. of the tax so charged, and the reduced amount of Swedish tax payable on the profits shall be allowed as a credit against any Ceylon tax charged in respect of such income.

#### *Article VI*

(1) Dividends paid by a company which is a resident of Ceylon to a resident of Sweden shall be exempt from all Ceylon Tax other than the Ceylon Income Tax on the company; and when the resident of Sweden is a company shall be exempt from all Ceylon Tax other than the Ceylon Tax on the company and the additional rate of tax chargeable under section 20 (7) of the Ceylon Income Tax Ordinance on companies whose shares are not movable property situated in Ceylon for the purposes of the law relating to Estate Duty; but this last mentioned additional rate of tax shall not, in the case of companies which are residents of Sweden, exceed 6 per cent.

When the resident of Sweden is an individual, no refund of Ceylon Tax deducted at source from such dividend will be allowed.

(2) Swedish Coupon Tax charged on dividends paid by a company which is a resident of Sweden to a resident of Ceylon shall not exceed 5 per cent.

(3) Where a company which is a resident of one of the territories derives profits or income from sources within the other territory, there shall not be imposed in that other territory any form of taxation on dividends paid by the company to persons not resident in that other territory, or any form of taxation chargeable in connection with or in lieu of the taxation of dividends, or any tax in the nature of an undistributed profits tax on undistributed profits of the company, whether or not those dividends or undistributed profits represent, in whole or in part, profits or income so derived.

#### *Article VII*

A resident of one of the territories who does not carry on a trade or business in the other territory through a permanent establishment situated therein shall be exempt from tax in that other territory on gains from the sale, transfer or exchange of capital assets (including the sale, transfer or exchange of patent rights).

#### *Article VIII*

Any royalty or other amount which is payable as consideration for the use of, or for the privilege of using any copyright or cinematograph films and which

is derived from sources within one of the territories by a resident of the other territory who is subject to tax in that other territory in respect thereof and does not carry on a trade or business in the first mentioned territory through a permanent establishment situated therein, shall be exempt from tax in that first mentioned territory.

#### *Article IX*

(1) Remuneration, including pensions, paid by one of the Contracting Governments to any individual for services rendered to that Contracting Government in the discharge of governmental functions shall be exempt from tax in the territory of the other Contracting Government, if the individual is not resident in that territory or (where the remuneration is not a pension) is resident in that territory solely for the purposes of rendering those services.

(2) The provisions of this Article shall not apply to payments in respect of services rendered in connection with any trade or business carried on by either of the Contracting Governments for purposes of profit.

#### *Article X*

(1) An individual who is a resident of Sweden shall be exempt from Ceylon tax on profits or remuneration in respect of personal (including professional) services performed within Ceylon in any year of assessment, if

- (a) he is present within Ceylon for a period or periods not exceeding in the aggregate 183 days during that year, and
- (b) the services are performed for or on behalf of a resident of Sweden, and
- (c) the profits or remuneration are subject to Swedish tax.

(2) An individual who is a resident of Ceylon shall be exempt from Swedish tax on profits or remuneration in respect of personal (including professional) services performed within Sweden in any year of assessment, if

- (a) he is present within Sweden for a period or periods not exceeding in the aggregate 183 days during that year, and
- (b) the services are performed for or on behalf of a resident of Ceylon, and
- (c) the profits or remuneration are subject to Ceylon tax.

(3) The provisions of this Article shall not apply to the profits or remuneration of public entertainers such as theatre, motion picture, radio or television artistes, musicians and professional athletes.

*Article XI*

(1) Any pension (other than a pension to which Article IX applies) or annuity derived from sources within one of the territories by an individual who is a resident of the other territory and subject to tax in that other territory in respect thereof shall be exempt from tax in the first mentioned territory.

(2) The term "annuity" means a stated sum 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.

*Article XII*

A professor or teacher from one of the territories, who receives remuneration for teaching, during a period of residence not exceeding two years, at a university or other establishment for higher education in the other territory, shall be exempt from tax in that other territory in respect of that remuneration.

*Article XIII*

(1) A student or business apprentice from one of the territories who is receiving full-time education or training in the other territory shall be exempt from tax in that other territory on payments made to him by persons in the first-mentioned territory for the purposes of this maintenance, education or training.

(2) A student at a university or other establishment for higher education in one of the territories as well as a business apprentice from one of the territories who for a period or periods not exceeding in the aggregate 100 days in the year of assessment is employed in the other territory in order to gain a practical experience required for his education or training shall be exempt from tax in that other territory on remuneration in respect of the employment unless the remuneration exceeds 2,000 Swedish crowns or the equivalent in Ceylon rupees.

*Article XIV*

(1) Income from sources within Sweden which under the laws of Sweden and in accordance with this Convention is subject to tax in Sweden either directly or by deduction shall be exempt from Ceylon tax, in all cases when in the present Convention has not been otherwise prescribed.



(2) Income from sources within Ceylon which under the laws of Ceylon and in accordance with this Convention is subject to tax in Ceylon either directly or by deduction shall be exempt from Swedish tax, in all cases when in the present Convention has not been otherwise prescribed.

(3) The special tax payable in Sweden by public entertainers such as theatre, motion picture, radio or television artistes, musicians and professional athletes (*bevillningsavgift för vissa offentliga föreställningar*) shall be regarded, for the purposes of this Article as Swedish tax.

(4) For the purposes of this Article, profits or remuneration for personal (including professional) services performed in one of the territories shall be deemed to be income from sources within that territory, and the services of an individual whose services are wholly or mainly performed in ships or aircraft operated by a resident of one of the territories shall be deemed to be performed in that territory.

(5) The graduated rate of Swedish tax to be imposed on residents of Sweden and the graduated rate of Ceylon tax to be imposed on residents of Ceylon may be calculated as though income exempted under this Convention were included in the amount of the total income.

#### Article XV

(1) The competent authorities of the Contracting Governments shall exchange such information (being information which is at their disposal under their respective taxation laws in the normal course of administration) as is necessary for carrying out the provisions of the present Convention or for the prevention of fraud or for the administration of statutory provisions against legal avoidance in relation to the taxes which are the subject of the present Convention. Any information so exchanged shall be treated as secret and shall not be disclosed to any persons other than those concerned with the assessment and collection of the taxes which are the subject of the present Convention. No information as aforesaid shall be exchanged which would disclose any trade, business, industrial or professional secret or trade process.

(2) As used in this article and in Article XVII, the term "competent authorities" means, in the case of Sweden, the Minister of Finance or his authorized representative and in the case of Ceylon, the Commissioner of Income Tax or his authorized representative.

#### Article XVI

(1) The residents of one of the territories shall not be subjected in the other territory to any taxation or any requirement connected therewith which is

other, higher or more burdensome than the taxation and connected requirements to which the residents of the latter territory are or may be subjected.

(2) The enterprises of one of the territories shall not be subjected in the other territory, in respect of profits attributable to their permanent establishments in that other territory, to any taxation which is other, higher or more burdensome than the taxation to which the enterprises of that other territory, and, in the case of companies, to which enterprises of that other territory incorporated in that other territory, are or may be subjected in respect of the like profits.

(3) In this Article the term "taxation" means taxes of every kind and description levied on behalf of any authority whatsoever.

(4) Nothing in this Article shall be construed as—

- (a) obliging either of the Contracting Governments to grant, to persons not resident in its territory, those personal allowances, reliefs and reductions for tax purposes which are, by law, available only to persons who are so resident;
- (b) affecting the additional rate of tax with which Article VI (1) is concerned.

#### *Article XVII*

(1) Any taxpayer who shows that the action of the revenue authorities of the Contracting Governments has resulted or will result in double taxation with respect to the taxes which are the subject of the present Convention may lodge a claim with the competent authority in the territory of which he is a resident. Should the claim be upheld, that competent authority may come to an agreement with the competent authority of the other territory with a view to avoidance of the double taxation.

(2) The competent authorities of the Contracting Governments may likewise come to an agreement for the purpose of overcoming double taxation in cases not otherwise provided for by this Convention as well as in the case where the interpretation or the application of this Convention gives rise to difficulties or doubts.

#### *Article XVIII*

(1) The present Convention shall be ratified by the Contracting Governments. Ratification by His Majesty the King of Sweden shall be subject to the consent of the Riksdag.

(2) The instruments of ratification shall be exchanged at New Delhi as soon as possible.

(3) Upon exchange of ratifications the present Convention shall have effect—

(a) In Sweden :

As respects tax on income which is assessed in or after the calendar year beginning on 1st January, 1957, being income for which preliminary tax is payable during the period 1st March, 1956, to 28th February, 1957; or any succeeding period;

as respects coupon tax on dividends payable on or after 1st January, 1956.

(b) In Ceylon :

As respects income tax, for any year of assessment beginning on or after 1st April, 1957;

as respects profits tax, for any profits tax year beginning on or after 1st January, 1956.

*Article XIX*

The present Convention shall continue in effect indefinitely but either of the Contracting Governments may, on or before the 30th day of June in any calendar year not earlier than the year 1960, give to the other Contracting Government written notice of termination and, in such event, the present Convention shall cease to be effective—

(a) In Sweden :

As respects tax on income for which preliminary tax is payable after the last day of February in the calendar year next following that in which the notice is given;

as respects coupon tax on dividends payable on or after 1st January in the calendar year next following that in which the notice is given.

(b) In Ceylon :

As respects income tax, for any year of assessment beginning on or after 1st April in the second calendar year next following that in which the notice is given;

as respects profits tax, for any profits tax year beginning on or after 1st January in the calendar year next following that in which the notice is given.

IN WITNESS WHEREOF the plenipotentiaries of Ceylon and Sweden have signed the present Convention and have affixed thereto their seals.

DONE at New Delhi in duplicate, in the English language, on the Eighteenth day of May, 1957.

For the Government  
of Ceylon :

(Signed) G. S. PEIRIS

For the Royal Government  
of Sweden :

(Signed) Alva MYRDAL