

**No. 5258**

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**SWEDEN  
and  
PAKISTAN**

**Agreement for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income. Signed at Stockholm, on 25 August 1958**

*Official text: English.*

*Registered by Sweden on 22 July 1960.*

**SUÈDE  
et  
PAKISTAN**

**Convention tendant à éviter la double imposition et à prévenir l'évasion fiscale en matière d'impôts sur le revenu. Signée à Stockholm, le 25 août 1958**

*Texte officiel anglais.*

*Enregistrée par la Suède le 22 juillet 1960.*

No. 5258. AGREEMENT<sup>1</sup> BETWEEN THE ROYAL GOVERNMENT OF SWEDEN AND THE GOVERNMENT OF PAKISTAN FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME. SIGNED AT STOCKHOLM, ON 25 AUGUST 1958

The Royal Government of Sweden and the Government of Pakistan, Desiring to conclude an agreement for the avoidance of double taxation and the prevention of fiscal evasion, have agreed as follows :

*Article I*

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

(a) In Sweden :

- (i) The State income tax, including coupon tax;
  - (ii) the tax on companies reducing share-capital (*utskiftningsskatten*);
  - (iii) the tax on companies on undistributed profits (*ersättningskatten*);
  - (iv) the tax on public entertainers (*bevillningsavgifterna för särskilda förmåner och rättigheter*);
  - (v) the communal income tax (*kommunal inkomstskatt*), and
  - (vi) the State capital tax for the purposes of Articles XIX and XXI to XXIII inclusive
- (hereinafter referred to as "Swedish tax").

(b) In Pakistan :

- (i) The income-tax;
  - (ii) the super-tax, and
  - (iii) the business profits tax
- (hereinafter referred to as "Pakistan tax").

(2) The present Agreement shall also apply to any other taxes of a substantially similar character imposed by either Contracting Government subsequently to the date of signature of the present Agreement or by the Government of any territory to which the present Agreement is extended under Article XXI.

<sup>1</sup> Came into force on 26 February 1959, upon the exchange of the instruments of ratification at Karachi, in accordance with article XXII.

*Article II*

(1) In the present Agreement, unless the context otherwise requires :

(a) The term “Pakistan” means the Provinces of Pakistan and the Federal Capital;

(b) The terms “one of the territories” and “the other territory” mean Sweden or Pakistan, as the context requires;

(c) The term “tax” means Swedish tax or Pakistan tax, as the context requires;

(d) The term “person” includes any body of persons, corporate or not corporate;

(e) The term “company” means any body corporate or not corporate, assessed as a company under the relevant laws of either Contracting Government and, as far as Sweden is concerned, an economic society (*ekonomisk förening*);

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

(g) 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 Pakistan, as the context requires;

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

(i) The term “industrial or commercial profits” does not include rents or royalties in respect of motion picture films or income in the form of dividends, interest, rents or royalties, or a fee or other remuneration derived from the management, control or supervision of the trade, business or other activity of an enterprise or concern, or remuneration for labour or personal services, or income from the operation of ships or aircraft.

Subject to the provisions of this Agreement such items of income shall be

taxed separately or together with industrial and commercial profits in accordance with the laws of the Contracting Governments;

(j) The term “ permanent establishment ” when used with respect to an enterprise of one of the territories, means a branch, management, office, factory, or other fixed place of business, a mine, quarry or any other place of natural resources, subject to exploitation, but 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 or general commission agent acting in the ordinary course of his business as such;
- (ii) 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;

(k) The term “ competent authorities ” means, in the case of Sweden, the Minister of Finance or his authorized representative and, in the case of Pakistan, the Central Board of Revenue or their authorized representative and, in the case of any territory to which the present Agreement is extended under Article XXI, the competent authority for the administration in such territory of the taxes to which the present Agreement applies.

(2) In the application of the provisions of the present Agreement 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 of that Contracting Government relating to the taxes which are the subject of the present Agreement.

### Article III

(1) The industrial or commercial profits of a Swedish enterprise shall not be subject to Pakistan tax unless the enterprise is engaged in trade or business in Pakistan through a permanent establishment situated therein. If it is so engaged, tax may be imposed on those profits by Pakistan, but only on so much of them as is attributable to that permanent establishment :

Provided that nothing in this paragraph shall affect any provisions of the law of Pakistan regarding the taxation of profits deemed to accrue through the purchase of goods or merchandise in Pakistan in cases where the purchase has been made otherwise than from an independent exporter in the normal course of international trade.

(2) The industrial or commercial profits of a Pakistan enterprise shall not be subject to Swedish tax unless the enterprise is engaged in trade or business in Sweden through a permanent establishment situated therein. If it is so engaged, tax may be imposed on those profits by Sweden, but only on so much of them as is attributable to that permanent establishment.

(3) Where an enterprise of one of the territories is engaged in trade or business in the other territory through a permanent establishment situated therein, there shall be attributed to such 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; and the profits so attributed shall be deemed to be income of that permanent establishment and shall be taxed accordingly.

#### *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, 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) Notwithstanding the provisions of Articles III and IV, profits which a resident of Sweden derives from operating aircraft shall be exempt from Pakistan tax, unless the aircraft is operated wholly or mainly between places within Pakistan.

(2) Notwithstanding the provisions of Articles III and IV, profits which a resident of Pakistan derives from operating aircraft shall be exempt from Swedish tax, unless the aircraft is operated wholly or mainly between places within Sweden.

#### *Article VI*

(1) The rate of Swedish coupon tax on dividends paid to a resident of Pakistan shall not exceed 15 per cent.

(2) When a company which is a resident of Sweden derives dividends from sources within Pakistan the dividends thus derived shall be exempt from Swedish tax.

(3) The rate of Pakistan super-tax on dividends paid to a company which is a resident of Sweden and has no permanent establishment in Pakistan, by a company resident in Pakistan shall be reduced by 1 anna in the rupee (6.25 per cent) :

Provided that the first-mentioned company is

- (a) a public company as defined in paragraph (5) of this Article, and
- (b) owns shares in the company, resident in Pakistan carrying not less than one-third of that company's voting power.

(4) The provisions of section 23 A of the Pakistan Income-Tax Act, 1922 (XI of 1922) (relating to the distribution of company profits) shall not apply to the income of a company engaged in any industry and in which shares carrying not less than one-third of the voting power are owned by a company which is a resident of Sweden and which constitutes a public company as defined in paragraph (5) of this Article; provided the profits of the firstmentioned company are retained for the purpose of its industrial development and expansion in Pakistan.

(5) In paragraphs (3) and (4) of this Article, the term " public company " means, in relation to any year of assessment—

- (a) a company which does not by its articles restrict the right to transfer its shares, which does not prohibit the issue of its shares or debentures to the public or the sale of its shares on a stock exchange and of which shares carrying more than 50 per cent of the voting power were not at any time during the previous year held by less than six persons; or
- (b) a company all of whose shares were held at the end of the previous year by one or more public companies as defined in clause (a) of this paragraph.

(6) 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 im-

posed 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*

(1) Any royalty derived from sources within one of the territories by a resident of the other territory, who is not engaged in trade or business in the first-mentioned territory through a permanent establishment situated therein, shall be exempt from tax in that first-mentioned territory.

(2) In this Article, the term "royalty" means any royalty or other amount paid as consideration for the use of, or for the privilege of using, any copyright, patent, design, secret process or formula, trade mark or other like property, but does not include any royalty or other amount paid in respect of the operation of a mine or quarry or of any other extraction of natural resources, or rents or royalties in respect of motion picture films.

(3) Where any royalty exceeds a fair and reasonable consideration in respect of the rights for which it is paid, the exemption provided for by the present Article shall apply only to so much of the royalty as represents such fair and reasonable consideration.

(4) Any capital sum derived from sources within one of the territories from the sale of patent rights by a resident of the other territory, who is not engaged in 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 VIII*

(1) Interest on bonds, securities, notes, debentures or any other form of indebtedness derived from sources within one of the territories by a resident of the other territory shall be subject to tax only in the first-mentioned territory.

(2) Notwithstanding the provisions of paragraph (1) of this Article, the Sveriges Riksbank shall be exempt from Pakistan tax with respect to interest from sources within Pakistan.

(3) Notwithstanding the provisions of paragraph (1) of this Article, the State Bank of Pakistan shall be exempt from Swedish tax with respect to interest from sources within Sweden.

*Article IX*

Income of whatever nature derived from real property within the territory of Pakistan by a resident of Sweden who is subject to any tax in Pakistan in respect thereof shall be exempt from tax in Sweden.

*Article X*

(1) Where under the provisions of this Agreement a resident of Pakistan is exempt or entitled to relief from Swedish tax, similar exemption or relief shall be applied to the undivided estate of a deceased person in so far as one or more of the beneficiaries is a resident of Pakistan.

(2) Swedish tax on the undivided estate of a deceased person shall, in so far as the income accrues to a beneficiary who is a resident in Pakistan, be allowed as a credit under Article XVI.

*Article XI*

(1) Subject to the provisions of Articles XII to XV inclusive, remuneration or profits for personal (including professional) services performed in one of the territories by an individual resident in the other territory shall be taxable only in that territory in which the services are performed.

(2) Labour or personal (including professional) services wholly or mainly performed in ships or aircraft operated by a resident of one of the territories (other than ships or aircraft operated wholly or mainly between places in the other territory) shall, for the purposes of this Article, be deemed to be performed in that first-mentioned territory.

*Article XII*

(1) Remuneration, including pensions and annuities, paid by or on behalf of the Government of Sweden to any individual for services rendered to that Government in the discharge of governmental functions shall be exempt from tax in Pakistan if the individual is a national of Sweden not ordinarily resident in Pakistan or, where the remuneration is not a pension or annuity, is ordinarily resident in Pakistan solely for the purpose of rendering those services.

(2) Remuneration, including pensions and annuities, paid by or on behalf of the Government of Pakistan to any individual for services rendered to that Government in the discharge of governmental functions shall be exempt from tax in Sweden if the individual is a national of Pakistan not resident in Sweden



or, where the remuneration is not a pension or annuity, is resident in Sweden solely for the purpose of rendering those services.

(3) The provisions of paragraphs (1) and (2) of this Article shall also apply to payments made by or on behalf of the Government of a Province in Pakistan or by or on behalf of a local authority in Sweden or in Pakistan.

(4) The provisions of this Article shall, however, not apply to payments in respect of services rendered in connection with any trade or business carried on by either of the Contracting Governments, by the Government of a Province in Pakistan or by any local authority for purposes of profit.

#### *Article XIII*

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

- (a) he is present within Pakistan 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 the compensation in respect thereof is borne by that resident.

(2) An individual who is a resident of Pakistan 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 Pakistan and the compensation in respect thereof is borne by that resident.

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

#### *Article XIV*

(1) Any pension or annuity (other than a pension or annuity referred to in paragraphs (1), (2) and (3) of Article XII) derived from sources within one of the territories by an individual who is a resident of the other territory shall be exempt from tax in the first-mentioned territory.

(2) In this Article 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.

(3) This Article shall not apply to a pension or annuity payable from a private superannuation fund approved or recognized under the laws of either Contracting Government.

#### *Article XV*

(1) A student or business apprentice who is resident in one of the territories at the beginning of a visit to the other territory for the purposes of receiving education or training in that other territory, shall be exempt from tax in that other territory in respect of remittances from abroad for the purposes of his maintenance, education and training.

(2) An individual who is resident in one of the territories at the beginning of a visit to the other territory and who is present in that other territory solely as a student at a university, college or other establishment for education in that other territory, shall be exempt from tax in that other territory for a period not exceeding three consecutive years of assessment in respect of remuneration from employment in such other territory, provided that—

- (a) the remuneration constitutes earnings necessary for his maintenance and education, and
- (b) the said remuneration does not exceed 4,000 Swedish crowns in the year of assessment or the equivalent thereof in the currency of Pakistan, as the case may be.

#### *Article XVI*

(1) Subject to such provisions as may be made in Pakistan, Swedish tax payable in accordance with this Agreement or otherwise under the laws of Sweden, whether directly or by deduction, by a person resident in Pakistan in respect of income from sources within Sweden (including income accruing or arising in Sweden but deemed, under the provisions of the law of Pakistan, to accrue or arise in Pakistan) shall be allowed as a credit against any Pakistan tax payable in respect of that income.

(2) Income from sources within Pakistan which in accordance with this Agreement is subject to tax in Pakistan either directly or by deduction, shall be exempt from Swedish tax.

Income from sources within Pakistan not specifically mentioned in this Agreement but subject to tax in Pakistan under the laws of Pakistan either directly or by deduction, shall likewise be exempt from Swedish tax :

Provided that where such income is derived through the operation of ships, Swedish tax may be charged on the income but the Pakistan tax payable on that income shall be allowed as a credit against any Swedish tax charged on income accrued to or received by the person concerned during the year in which such Pakistan tax is paid.

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

#### *Article XVII*

(1) The competent authorities of the Contracting Governments shall exchange such information (being information which is available under their respective taxation laws in the normal course of administration) as is necessary for carrying out the provisions of the present Agreement or for the prevention of fraud or for the administration of statutory provisions in relation to the taxes which are the subject of the present Agreement. 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 Agreement. No information as aforesaid shall be exchanged which would disclose any trade, business, industrial or professional secret or trade process.

(2) The competent authorities of the Contracting Governments may consult together, as may be necessary, for the purpose of carrying out the provisions of the present Agreement.

#### *Article XVIII*

(1) The nationals of one of the territories shall not, while resident in the other territory, be subjected in such other territory to taxes or any requirements connected therewith which are other, higher or more burdensome than the taxes and connected requirements to which the nationals of such other territory resident therein are or may be subjected.

(2) The term "nationals", as used in this Article, includes all legal persons, partnerships and associations deriving their status as such from the laws in force in the respective territory.

#### *Article XIX*

A person (including a company) being a resident of one of the territories, shall not be subject to any tax on capital in the other territory which is other, higher or more burdensome than the tax on capital to which a person (including a company) being a resident of that other territory is or may be subjected.

*Article XX*

Nothing contained in this Agreement shall be construed—

- (i) as obliging either of the Contracting Governments to grant to persons not resident in its territory those personal allowances and reliefs for tax purposes which are by law available only to persons who are so resident;
- (ii) as affecting any provisions of the law of Pakistan regarding the imposition of tax on a non-resident person; or
- (iii) as affecting any provisions of the law of Pakistan regarding the grant of rebate of tax to companies fulfilling specified requirements regarding the declaration and payment of dividends.

*Article XXI*

(1) The present Agreement may be extended, either in its entirety or with modifications, to any territory for whose international relations Pakistan is responsible, and which imposes taxes substantially similar in character to those which are the subject of the present Agreement, and 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 Governments in notes to be exchanged for this purpose.

(2) The termination in respect of Pakistan or Sweden of the present Agreement under Article XXIII shall, unless otherwise expressly agreed by both Contracting Governments, terminate the application of the present Agreement to any territory to which the Agreement has been extended under this Article.

*Article XXII*

(1) The present Agreement 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 Karachi as soon as possible.

(3) Upon exchange of the instruments of ratification, the present Agreement shall have effect—

(a) In Sweden :

As respects the State income tax and the communal income tax on income which is assessed in or after the calendar year beginning on 1st January, 1958, being income for which preliminary tax is payable during the period 1st March, 1957, to 28th February, 1958, or any succeeding period;

as respects coupon tax on dividends payable on or after 1st January, 1957;

as respects the tax on public entertainers which is levied on or after 1st January, 1957;

as respects the State capital tax which is assessed in or after the calendar year beginning on 1st January, 1958, and

as respects the other Swedish taxes which are levied on or after 1st January, 1958.

(b) In Pakistan :

As respects income-tax and supertax, for any year of assessment beginning on or after the 1st day of April, 1958, and

as respects business profits tax, in respect of the following profits—

- (i) profits by reference to which income-tax is, or but for the present Agreement would be, chargeable for any year of assessment beginning on or after the 1st day of April, 1958, and
- (ii) other profits being profits by reference to which income-tax is not chargeable but which arise in any chargeable accounting period beginning on or after the 1st day of April, 1958, or are attributable to so much of any chargeable accounting period falling partly before and partly after that date as falls after that date.

### *Article XXIII*

The present Agreement 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 1961, give to the other Contracting Government written notice of termination and, in such event, the present Agreement shall cease to be effective—

(a) In Sweden :

As respects the State income tax and the communal income 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;

as respects the tax on public entertainers which is levied on or after 1st January in the calendar year next following that in which the notice is given;

as respects the State capital tax assessed in or after the second calendar year following that in which the notice is given; and

as respects the other Swedish taxes which are levied in or after the second calendar year following that in which the notice is given.

(b) In Pakistan :

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

as respects business profits tax, in respect of the following profits—

- (i) profits by reference to which income-tax is chargeable for any year of assessment beginning on or after the 1st day of April in the second calendar year following that in which the notice is given, and
- (ii) other profits being profits by reference to which income-tax is not chargeable but which arise in any chargeable accounting period beginning on or after the 1st day of April in the next following calendar year or are attributable to so much of any chargeable accounting period falling partly before and partly after that date as falls after that date.

IN WITNESS WHEREOF the undersigned, duly authorized thereto, have signed the present Agreement and have affixed thereto their seals.

DONE at Stockholm in duplicate in the English language on the Twenty-fifth day of August, 1958.

For the Royal Government of Sweden :

Östen UNDÉN

[L.S.]

For the Government of Pakistan :

A. HILALY

[L.S.]