# No. 5265

## SWEDEN
## and
## ITALY

**Agreement for the avoidance of double taxation and the settlement of certain other questions with respect to taxes on income and fortune. Signed at Stockholm, on 20 December 1956**

*Official texts: Swedish and Italian.*

*Registered by Sweden on 22 July 1960.*

---

## SUÈDE
## et
## ITALIE

**Convention tendant à éviter la double imposition et à régler certaines autres questions en matière d'impôts sur le revenu et sur la fortune. Signée à Stockholm, le 20 décembre 1956**

*Textes officiels suédois et italien.*

*Enregistrée par la Suède le 22 juillet 1960.*

[TRANSLATION — TRADUCTION]

# No. 5265. AGREEMENT[1] BETWEEN SWEDEN AND ITALY FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE SETTLEMENT OF CERTAIN OTHER QUESTIONS WITH RESPECT TO TAXES ON INCOME AND FORTUNE. SIGNED AT STOCKHOLM, ON 20 DECEMBER 1956

His Majesty the King of Sweden and the President of the Republic of Italy, being desirous of avoiding double taxation and or settling certain other questions with respect to taxes on income and property, have decided to conclude an Agreement and have for this purpose appointed as their plenipotentiaries :

His Majesty the King of Sweden :

Mr. Östen Undén, Minister of Foreign Affairs,

The President of the Republic of Italy :

Ambassador Gioacchino Scaduto-Mendola di Fontana degli Angeli;

who, having communicated to each other their full powers, found in good and due form, have agreed on the following provisions :

*Article 1*

This Agreement applies to individuals domiciled in the Kingdom of Sweden or the Republic of Italy and to Swedish and Italian bodies corporate.

*Article 2*

1. The taxes to which this Agreement applies are :

A. In the case of Sweden :

(1) The State income tax (*den statliga inkomstskatten*);
(2) The dividends tax (*kupongskatten*);
(3) The tax on undistributed profits (*ersättningsskatten*);
(4) The tax on distributed profits (*utskiftningsskatten*);
(5) The special tax on seamen exempt from other income taxes (*sjömansskatten*);

(6) The State fortune tax (*den statliga förmögenhetsskatten*);
(7) The communal income tax (*den kommunala inkomstskatten*);
(8) Taxes on special advantages and privileges (*bevillningsavgifterna för särskilda förmåner och rättigheter*).

[1] Came into force on 3 June 1958, upon the exchange of the instruments of ratification at Rome, in accordance with article 22.

B. In the case of Italy :

(1) The tax on income from land (*imposta sul reddito dei terreni*);
(2) The tax on income from buildings (*imposta sul reddito dei fabbricati*);
(3) The tax on income from movable capital (*imposta sui redditi di ricchezza mobile*);
(4) The tax on agricultural income (*imposta sui redditi agrari*);
(5) The supplementary income tax (*imposta complementare progressiva sul reddito*);
(6) The company tax (*imposta sulle società*);
(7) The tax on bonds (*imposta sulle obbligazioni*);
(8) Regional, provincial and communal income taxes and income taxes levied by chambers of commerce (*imposte regionali, provinciali, comunali e camerali sul reddito*).

The taxes mentioned in this paragraph include not only the actual amounts of tax, but also all surtaxes, increases, supplements, interests, charges and other additional sums collected together with the base tax and payable to the State or to regions, provinces, communes or chambers of commerce.

2. This Agreement shall also apply to all other similar taxes introduced after its signature in the territory of one of the Contracting States on income, fortune, items of income or fortune, or increase to fortune.

*Article 3*

1. For the purposes of this Agreement, an individual shall be deemed to be domiciled in one of the two States if he has his actual residence and dwelling there, or if he resides there permanently.

Where as a result of the application of this rule an individual is regarded as being domiciled in both of the Contracting States simultaneously, he shall be deemed to be domiciled in the State with which he maintains the closest personal and economic relations, or, if the question cannot be settled by application of this criterion, in the Contracting State of which he is a citizen. If he is a citizen of both Contracting States, or of neither of them, the taxation authorities of the two States shall decide each particular case in consultation.

2. The domicile of bodies corporate is in the State in which the centre of actual management is situated.

3. Where a taxpayer permanently transfers his domicile from one State to the other, he shall cease to be liable in the first State to any taxes applied on the basis of domicile from the date on which the transfer took place. Liability in the other State to such taxation shall begin on that date.

4. The *situs* of an estate undivided shall be deemed to be in the State in which in accordance with paragraph 1 of this article the deceased had his domicile at the time of his decease.

5. For the purposes of this Agreement, the expression " permanent establishment " means any special installations in permanent use or any organs from which emanate the special measures taken for the exercise of an activity, e.g., administrations, offices, branch offices, workshops, laboratories, stores, mines or any other mineral deposits under exploitation, but not subsidiary companies.

The representation or agency of an undertaking also constitutes a permanent establishment, if the agent habitually exercises a general authority enabling him to bind the undertaking by the negotiation, signature or acceptance of contracts, or if the undertaking holds, in the territory of the State in which the agency is situated, stocks of raw materials or products regularly used to fill orders obtained by the agency.

A site where construction work has been carried on or is expected to be carried on for more than twelve months shall also be deemed to be a permanent establishment within the meaning of the Agreement.

6. A taxpayer of one of the States shall not be regarded *ipso facto* as possessing a permanent establishment in the other State because he maintains business relations in the latter State through a genuinely independent broker or commission agent acting as such in the course of his normal business, or because he possesses in the latter State, even if in the form of a permanent installation, an office whose business is limited to the purchase of materials or products to be sold or processed by his undertaking in the first State.

*Article 4*

Income from immovable property and profits arising from the transfer of such property shall be taxable only in the State in which the property is situated.

The expression " income from immovable property " means not only income derived from the operation, enjoyment or direct use of immovable property, including mines, mineral deposits and all other natural resources, but also income obtained, under whatever title, by the letting, leasing or concession in any other form of the right to use or exploit the said property.

*Article 5*

1. Income derived from the operation of an undertaking and attributable to the permanent establishment situated in one of the two States shall be taxable only in that State. If the undertaking has permanent establishments in both States, each State shall levy tax on the portion of the income derived from the activities of the permanent establishment situated in its territory.

2. Where an undertaking in one of the two States participates directly or indirectly in the management, operation or capital of an undertaking of the other

State and conditions are made or imposed between the two undertakings in their commercial or financial relations which are different from those which would exist between two independent undertakings, any profits which would normally have accrued to one of the undertakings but by reason of those conditions have not so accrued shall be included in the profits of that undertaking and taxed accordingly.

*Article 6*

1. Royalties and other proceeds received by a taxpayer of one of the two States for the concession to a taxpayer of the other State of the use of intangible movable property such as patents, designs or models, secret processes and formulae, trade-marks and similar rights, copyrights and rights of reproduction, rights to the lease of cinematograph films and rights to the use of industrial, commercial or scientific equipment, shall be taxable only in the State in which the beneficiary has his domicile, provided that the said beneficiary has no permanent establishment of his undertaking in the other State. In the latter case the royalties shall be taxable only in that other State.

2. Where and in so far as royalties exceed the intrinsic value—including a normal profit—of the rights in respect of which they are paid the rule laid down in paragraph 1 of this article shall not apply.

3. The principles of paragraphs 1 and 2 of this article shall likewise apply to profits from the transfer of the said rights.

*Article 7*

Taxes levied on income derived from the operation of international sea or air navigation undertakings—including taxes levied on gross income—shall be payable only in the State in whose territory the centre of actual management of the undertaking is situated.

*Article 8*

1. Inasmuch as dividends paid by a company having its fiscal domicile in Italy are not liable, on the date of the signing of this Agreement, to a schedular tax, the two Contracting States have agreed as follows :

(1) In Italy the supplementary income tax shall be applied to dividends paid by an Italian company to an individual domiciled in Sweden;

(2) In Sweden the dividends tax shall be applied to dividends paid by a Swedish company to an individual domiciled in Italy, but the tax thus levied may not exceed 5 per cent of the gross amount of such dividends.

(3) Where a Swedish company pays dividends to a company domiciled in Italy, the Swedish dividends tax shall not be applied unless the Italian company has a permanent establishment in Sweden. In the latter case the Swedish tax shall be applicable, but it may not exceed 5 per cent of the gross amount of such dividends.

If Italy makes any changes in its fiscal legislation resulting in the imposition of a tax on dividends paid by a company having its fiscal domicile in Italy to a company having its fiscal domicile in Sweden, the two States shall consult together.

2. Where the dividends tax is levied in Sweden, Italy shall grant, in respect of its supplementary income tax or, in the case of dividends received by an Italian company, in respect of its company tax, a deduction in the amount necessary to offset the Swedish tax.

3. Where the dividends are taxed in Italy, Sweden shall grant in respect of the Swedish tax a deduction which may not exceed 10 per cent of the gross amount of such dividends.

4. Dividends paid by a joint stock company having its fiscal domicile in one of the Contracting States to a joint stock company having its fiscal domicile in the other State shall be exempt from taxation in the latter State to the extent to which such exemption would be granted under the taxation laws of the State if the two companies had their fiscal domicile therein.

Accordingly :

(1) In Italy, dividends paid by a joint stock company having its fiscal domicile in Sweden to a joint stock company having its fiscal domicile in Italy shall be liable to the company tax;

(2) In Sweden, dividends paid by a joint stock company having its fiscal domicile in Italy to a joint stock company having its fiscal domicile in Sweden shall be exempt from taxation, except in certain instances. Nevertheless, such exemption shall be granted only provided that the latter company has the effective and permanent ownership of shares or participations representing at least 10 per cent of the actual paid-up capital of the former company.

If Italy makes any changes in its fiscal legislation in respect of the matter dealt with in this paragraph, the two States shall consult together.

5. For the purposes of paragraph 4, sub-paragraph 2, of this article, concerning exemption in Sweden, a company shall be considered as having the effective and permanent ownership of shares or participations in another company if such shares or participations have been uninterruptedly and in any form its sole and unconditional property for the entire financial year of such other company. If any shares or participations of the other company are the effective and permanent property of a third company which is a subsidiary of or controlled

by the first company, the first company shall be considered as also having the effective and permanent ownership of a number of the said shares or participations corresponding proportionally to its effective and permanent participation in the capital of the third company.

6. For the purposes of this article the term " dividends " means dividends and other income from shares, *azioni di godimento*, *buoni di godimento*, profit-participating debentures and like participations in companies, and income from participations in private limited companies (*società a responsibilità limitata*).

*Article 9*

When interest or other income from bonds or any other form of loan, deposits, deposit accounts or other types of indebtedness paid from a source in Italy to a tax-payer domiciled in Sweden, has been subjected to any Italian tax, including the tax on bonds, Sweden shall grant a deduction in the Swedish tax in an amount necessary to offset the tax levied in Italy.

If, after the signature of this Agreement, Sweden introduces a tax on interest levied at the source, the two States shall consult together.

*Article 10*

1. Wages, salaries and similar remuneration and pensions paid to individuals by one of the two States or one of its political subdivisions in consideration of services to that State or to its political subdivisions shall be exempt from taxation in the territory of the other State provided that the persons concerned are not citizens of the latter State.

2. The provisions of this article shall not apply to payments made in consideration of services performed in connexion with profit-making industrial or commercial activities exercised by one of the two States.

*Article 11*

1. Except in the cases referred to in article 10, income from personal services, including income from the exercise of liberal professions, shall be taxable only in the State in which the services are performed.

2. However, an individual having his fiscal domicile in one of the two States shall not be liable to taxation in the other State in respect of income from personal services, including income from the exercise of a liberal profession, performed therein in the course of a calendar year—

(1) If he was present in that other State for a period or periods not exceeding a total of 183 days, and

(2) If the services were performed for the account of an individual or body corporate domiciled in the first-mentioned State or as the agent of such an individual or body corporate, and
(3) If the remuneration was not paid as such from the proceeds of a gainful activity taxable in the other State, and
(4) If, being an agent, he does not exercise a liberal profession in the other State through a permanent establishment of his own situated therein.

3. The provisions of paragraph 2 shall not apply to the profits or remunerations of professional entertainers such as theatre, motion picture, radio or television performers, musicians and athletes.

4. Income from personal services performed on board ships or aircraft shall be taxable only in the State in which the centre of actual management of the maritime or air navigation undertaking is situated.

5. Remuneration paid to directors, members of boards of directors or boards of supervision or other similar officers of companies having their fiscal domicile in one of the two States shall be taxable only in that State.

*Article 12*

Professors or teachers of one of the two States receiving remuneration for teaching activities carried on by them, for a period of residence not exceeding two years, at a university or other institute of higher education situated in the other State, shall be exempt from taxation on such remuneration in that other State.

*Article 13*

Students and apprentices having their domicile in one of the two States who temporarily transfer their residence to the other State for the purpose of receiving full-time education or training therein shall be exempt from taxation in the second State on payments made to them by individuals in the first State for their maintenance, education and training.

*Article 14*

Taxes levied on income of all kinds other than those referred to in the foregoing articles shall be collected only in the State in which the beneficiary is domiciled.

*Article 15*

Taxes on fortune or increase to fortune shall be treated in accordance with the following provisions :

(1) Where the fortune consists of :

(*a*) Immovable property and accessories thereto,

(*b*) Commercial or industrial undertakings including sea and air navigation undertakings,

the tax shall be levied in the State in which the income derived from the fortune is taxable in accordance with the foregoing articles.

However, securities forming part of the capital effectively invested in a permanent establishment situated in one of the two Contracting States shall be taxable in that State;

(2) Where the fortune consists of indebtedness, including indebtedness in the form of bonds, secured by immovable property, the tax shall be levied in the State in which the immovable property is situated;

(3) All other forms of fortune shall be taxable in the State in which the taxpayer is domiciled.

*Article 16*

Where under the provisions of this Agreement a taxpayer of one of the two States is entitled to exemption or relief from taxation in the other State, such exemption or relief shall not be applied to the undivided estates of deceased persons except in so far as the tax relates to that part of the taxpayer's income or fortune which is attributable to beneficiaries who are taxpayers of the first State.

*Article 17*

Notwithstanding any other provisions of this Agreement, graduated taxes may be calculated in each State, in respect of taxpayers having their domicile in that State, on the basis of all the income or fortune taxable under the taxation laws of that State.

*Article 18*

1. The provisions of this Agreement shall not restrict any rights or advantages accorded to taxpayers under the laws of either of the Contracting States in respect of the taxes enumerated in article 2 of this Agreement.

2. Individuals resident in one of the two States who are liable to taxation in the other State shall enjoy, in the assessment of the taxes enumerated in article 2 of this Agreement, such exemptions, basic rebates, deductions, reductions or other advantages as are granted in respect of family dependants to individuals who are citizens of the other State but who do not have their domicile there.

*Article 19*

1. The taxation authorities of the two Contracting States shall exchange all information in their possession or available to them which is necessary for

carrying out the provisions of this Agreement or for the prevention of tax fraud or for the administration of the rules for the prevention of fiscal evasion in relation to the taxes which are the subject of this Agreement.

2. All information thus exchanged shall be treated as secret and may not be divulged, except by the taxpayer or his agent, to any persons other than those responsible for the assessment and collection of the taxes which are the subject of this Agreement or for claims and appeals relating to such taxes.

3. The provisions of this article shall not be construed as obliging the taxation authorities of either of the two States to communicate information of a kind which cannot be obtained under the taxation laws of that or the other State, or information which in their opinion might disclose a manufacturing process or infringe an industrial, commercial or professional secret or prejudice the public interest. Similarly, these provisions may not be construed as obliging the taxation authorities of either State to perform acts not in accordance with the regulations or practices of that State.

*Article 20*

1. The taxation authorities of the two Contracting States may by common accord make such regulations as may be necessary for carrying out the provisions of this Agreement.

2. Where difficulties or doubts arise in connexion with the application of any of the provisions of this Agreement, the taxation authorities of the two Contracting States shall come to an understanding on interpreting the said provisions in the spirit of the Agreement.

3. Where a taxpayer of one of the two Contracting States shows proof that taxes assessed or proposed to be assessed against him have resulted or will result in double taxation prohibited by the Agreement, he may, without prejudice to the exercise of his rights of complaint and appeal in either State, submit to the taxation authorities of the State in which he has his domicile a written application for the review of the said taxes. Such application must be lodged within two years from the date of notification or collection at source of the second tax. If the application is upheld by the taxation authorities to which it is submitted, the latter shall consult with the taxation authorities of the other State with a view to the avoidance of the double taxation.

*Article 21*

The taxation authorities referred to in this Agreement are, in the case of Sweden, the Minister of Finance or his authorized representative (*finansministern eller hans befullmäktigade ombud*) and, in the case of Italy, the Ministry of Finance, Directorate-General of Direct Taxation.

*Article 22*

1. This Agreement shall be ratified, in the case of Sweden, by His Majesty the King of Sweden, subject to the consent of the Riksdag, and, in the case of Italy, by the President of the Republic, with the authorization of Parliament. The instruments of ratification shall be exchanged as soon as possible in Rome.

2. The Agreement shall become effective as soon as the instruments of ratification are exchanged and shall apply :

(1) To taxes collected by deduction at source payable under a final assessment on income credited to the beneficiaries on or after 1 January 1955 and not due for payment before that date;
(2) To other taxes assessed on income of chargeable periods ending after 28 February 1955;
(3) To Swedish fortune taxes charged during the year of assessment 1956 or any subsequent year of assessment;
(4) To any fortune taxes which may be imposed in Italy after the entry into force of this Agreement.

*Article 23*

This Agreement shall continue in effect indefinitely; but either of the two Contracting States may, on or before 30 June in any calendar year not earlier than the fifth year following the date of ratification, give written notice of termination, through diplomatic channels, to the other Contracting State. If notice of termination is given before 30 June in any such year, the Agreement shall apply for the last time :

(1) To taxes, collected by deduction at source and payable under a final assessment, on income credited to the beneficiaries not later than 31 December of that year;
(2) To other taxes assessed on income of chargeable periods ending not later than the last day of February of the year next following that in which notice is given;
(3) To fortune taxes charged during the year of assessment next following that in which notice is given.

IN WITNESS WHEREOF the above-mentioned plenipotentiaries have signed the present Convention and have affixed thereto their seals.

DONE at Stockholm in duplicate in the Swedish and Italian languages, both texts being equally authentic, on 20 December 1956.

Östen UNDÉN
[L.S.]

SCADUTO-MENDOLA DI FONTANA DEGLI ANGELI
[L.S.]