

No. 12838

PHILIPPINES
and
DENMARK

Convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital. Signed at Manila on 16 December 1966

Authentic text: English.

Registered by the Philippines on 27 November 1973.

PHILIPPINES
et
DANEMARK

Convention tendant à éviter la double imposition et à prévenir l'évasion fiscale en matière d'impôts sur le revenu et d'impôts sur la fortune. Signée à Manille le 16 décembre 1966

Texte authentique: anglais.

Enregistrée par les Philippines le 27 novembre 1973.

CONVENTION¹ BETWEEN THE PHILIPPINES AND DENMARK
FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE
PREVENTION OF FISCAL EVASION WITH RESPECT TO
TAXES ON INCOME AND CAPITAL

The Government of the Republic of the Philippines and the Government of the Kingdom of Denmark, desiring to conclude a convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital, have appointed for that purpose their respective Plenipotentiaries:

The Government of the Republic of the Philippines:

Narciso Ramos, Secretary of Foreign Affairs of the Republic of the Philippines, and

Mamerto B. Endrìga, Undersecretary of Finance of the Republic of the Philippines,

The Government of the Kingdom of Denmark:

Hans Andreas Djurhuus, Counselor and Chargé d'Affaires ad interim of Denmark to the Philippines,

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

Article I. TAXES COVERED

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

- (a) In the Philippines: the Philippine income tax hereinafter referred to as "Philippine tax";
- (b) In Denmark: national income taxes and national capital tax hereinafter referred to as "Danish tax".

(2) This Convention shall also apply to taxes identical or substantially similar to those, covered by paragraph (1) of this article, which are subsequently imposed in addition to, or in place of, the existing taxes.

Article II. GENERAL DEFINITIONS

(1) In this Convention unless the context otherwise requires:

(a) The term "Philippines" means the Republic of the Philippines;

(b) The term "Denmark" means the Kingdom of Denmark; the provisions of the Convention shall not, however, apply to the Faroe Islands and Greenland;

(c) The terms "one of the Contracting States" and "the other Contracting State" mean Denmark or the Philippines, as the context requires:

¹ Came into force on 31 October 1973 by the exchange of the instruments of ratification, which took place at Manila, with effect from 1 January 1974, in respect of the Philippines, and 1 April 1974, in respect of Denmark, in accordance with article XXVIII.

(d) The term “tax” means Danish tax or Philippine tax, as the context requires;

(e) The term “person” comprises an individual, a corporation and any other body of individuals or persons;

(f) The term “corporation” means any body corporate or any entity which is treated as a body corporate for tax purposes;

(g) The terms “resident of Denmark” and “resident of the Philippines” mean respectively any person who is resident in Denmark for the purposes of Danish tax, and any person who is resident in the Philippines for the purposes of Philippine tax. A corporation shall be regarded as a Danish corporation if it is created, organized or incorporated under the laws of Denmark or existing under its laws and as a Philippine corporation if it is created, organized or incorporated under the laws of the Philippines or existing under its laws;

(h) The terms “resident of one of the Contracting States” and “resident of the other Contracting State” mean a person who is a resident of Denmark or a person who is a resident of the Philippines, as the context requires;

(i) The terms “enterprise of one of the Contracting States” and “enterprise of the other Contracting State” mean respectively an enterprise carried on by a resident or corporation of one of the Contracting States and an enterprise carried on by a resident or corporation of the other Contracting State;

(j) The term “permanent establishment” means a fixed place of business in which the business of the enterprise is wholly or partly carried on.

(i) The term “permanent establishment” includes, but is not limited to:

(a) a branch;

(b) an office;

(c) a store or other sales outlet;

(d) a factory;

(e) a workshop;

(f) a warehouse;

(g) a mine, quarry or other place of extraction of natural resources;

(h) a building site or construction or installation site or assembly project which exists for more than six months.

(ii) The term “permanent establishment” shall not be deemed 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 solely for the purpose of purchasing goods or merchandise or for collecting information, for the enterprise;

- (e) the maintenance of a fixed place solely for the purpose of advertising, for the supply of information, for scientific research or for similar activities which have a preparatory or auxiliary character, for the enterprise;
 - (f) the maintenance of an office solely for the purpose of collecting fixed or determinable annual or periodical income, such as interest, dividends and royalties.
- (iii) A person acting in one of the Contracting States on behalf of an enterprise of the other Contracting State—other than an agent of an independent status to whom clause (iv) applies—shall be deemed to be a permanent establishment in the first-mentioned State if he has, and habitually exercises in that State, an authority to conclude contracts in the name of the enterprise, unless his activities are limited to the purchase of goods or merchandise for the enterprise.
- (iv) An enterprise of one of the Contracting States shall not be deemed to have a permanent establishment in the other Contracting State merely because it carries on business in that other State through a bona fide broker, general commission agent or any other agent of an independent status, where such persons are acting in the ordinary course of their business.
- (v) The fact that a corporation of one of the Contracting States controls or is controlled by a corporation of the other Contracting State, or which carries on business in that other State (whether through a permanent establishment or otherwise), shall not of itself constitute either corporation a permanent establishment of the other.

(k) The term “competent authorities” means, in the case of Denmark, the Minister of Finance or his authorized representative, and, in the case of the Philippines, the Secretary of Finance or his authorized representative.

(2) In the application of the provisions of this Convention by one of the Contracting States any term not otherwise defined shall, unless the context otherwise requires, have the meaning which it has under the laws of that Contracting State relating to the taxes which are the subject of this Convention.

Article III. BUSINESS PROFITS

(1) The profits of an enterprise of one of the Contracting States shall be taxable only in that State unless the enterprise carries on business in the other Contracting State through a permanent establishment situated therein. If the enterprise carries on business as aforesaid, the profits of the enterprise may be taxed in the other State but only so much of them as is attributable to that permanent establishment.

(2) Where an enterprise of one of the Contracting States carries on business in the other Contracting State through a permanent establishment situated therein, there shall in each Contracting State be attributed to that permanent establishment the profits which it might be expected to make if it were a distinct and separate enterprise engaged in the same or similar activities under the same or similar conditions and dealing wholly independently with the enterprise of which it is a permanent establishment.

(3) In the determination of the profits of a permanent establishment in one of the Contracting States, there shall be allowed as deductions ordinary and

necessary expenses wherever incurred for the purposes of the permanent establishment and allocable, to the reasonable satisfaction of the competent authority of that Contracting State, to income from sources within that Contracting State.

(4) In so far as it has been customary in one of the Contracting States 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 Contracting State 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 laid down 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 purpose 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) The term "profits" means income derived from the active conduct of a trade or business. It includes, but is not limited to, profits from manufacturing, mercantile, agricultural, fishing and mining activities, and from the furnishing of personal services. It does not include income from the performance of personal services, dividends, interest, royalties, income from rentals of motion pictures film and tapes, income from the rental of personal property, income from real property, insurance premiums, or gains derived from the sale or exchange of capital assets.

Article IV. RELATED ENTERPRISES

Where

- (a) an enterprise of one of the Contracting States participates directly or indirectly in the management, control or capital of an enterprise of the other Contracting State, or
- (b) the same persons participate directly or indirectly in the management, control or capital of an enterprise of one of the Contracting States and an enterprise of the other Contracting State,

and, in either case, conditions are made or imposed between the two enterprises, in their commercial or financial relations, which differ from those which would be made between independent enterprises, then any profits which would, but for those conditions, have accrued to one of the enterprises, but, by reason of those conditions, have not so accrued, may be included in the profits of that enterprise and taxed accordingly.

Article V. SHIPS AND AIRCRAFT

Income which a resident or corporation of one of the Contracting States derives from the operation in international traffic of ships or aircraft in the other Contracting State may be taxed by both Contracting States in accordance with their respective laws.

Article VI. DIVIDENDS

(1) Dividends paid by a Philippine corporation to a resident or corporation of Denmark may be taxed in the Philippines.

(2) The Philippine withholding tax on dividends paid to a resident or corporation of Denmark by a corporation of the Philippines may be reduced by 1/3 of the regular tax due thereon, if:

- (a) the paying corporation is engaged in the active conduct of business in areas of investment enumerated hereunder, preferably in joint venture; and
- (b) eighty per cent (80%) of the gross income of the paying corporation during the taxable year was derived from such investment.

Preferred areas of investment:

- (a) Base metal prospecting and mining, and crude petroleum or natural gas well exploration and operation;
- (b) Smelting and refining of minerals as well as the manufacture of finished product; provided that the latter is part of the integrated industry;
- (c) Cattle farming and the processing of meat and dairy products, provided that the latter is part of the integrated industry;
- (d) Cotton farm operation, from preparation of the land to the production of ginned cotton;
- (e) The processing of coconut coir;
- (f) The manufacture of basic industrial chemicals, except sodium chloride and calcium hydroxide;
- (g) The manufacture of synthetic fibers;
- (h) The manufacture of pulp from woods, rags, rice straw, bagasse, abaca waste, bamboo and other indigenous materials;
- (i) The manufacture of necessary articles out of Philippine woods;
- (j) Deep sea fishing and the canning of fish; provided that the latter is part of the integrated deep sea fishing industry;
- (k) Shipbuilding and drydocking;
- (l) The manufacture of glass and glass products excluding flat glass;
- (m) The manufacture of electrical communication equipment, electrical industrial machinery and apparatus;
- (n) The manufacture of motor vehicles and their spare parts; and
- (o) The manufacture of irrigation and waterworks equipment, mining equipment, farm machineries, railroad rolling stocks, railroad tracks, gasoline and diesel engines, industrial machinery and the manufacture of their spare parts and tools.

Nothing in the above enumeration should be taken to include mere assembly, packaging or similar operations.

(3) Dividends paid to a resident or corporation of the Philippines by a corporation of Denmark is exempt from tax. However, any tax that Denmark may subsequently impose may be reduced by 1/3 of the regular tax.

(4) Dividends paid by a corporation of one of the Contracting States to a corporation of the other Contracting State shall be exempt from tax in the last-mentioned State, to the extent allowed by its national law, if both corporations had been corporations of that State.

(5) The provisions of paragraphs (1)-(3) shall not apply if the recipient of the dividends, being a resident or corporation of one of the Contracting States, has in the other Contracting State a permanent establishment with which the holding by virtue of which the dividends are paid is effectively connected. In such a case, the provisions of article III shall apply.

(6) Taxes which have been reduced in one of the Contracting States under the provisions of this article shall be considered as though such taxes had been paid and shall be allowed tax credit in the other Contracting State.

Article VII. INTEREST

(1) Interest paid by a resident or corporation of the Philippines to a resident or corporation of Denmark may be taxed in the Philippines.

(2) In this article the term "interest" includes interest on bonds, securities, notes, loans, debentures, or debt claims of every kind or any other form of indebtedness.

(3) The Philippine withholding tax on interest paid to a resident or corporation of Denmark by a resident or corporation of the Philippines may be reduced by 1/3 of the regular tax due thereon, if:

- (a) the payor is engaged in the active conduct of business in areas of investment enumerated in paragraph (2) of article VI, preferably in joint venture; and
- (b) eighty per cent (80%) of the gross income of the payor during the taxable year was derived from such investment or, in the case of a loss, the amount borrowed is invested or applied in the preferred areas of investment.

(4) Interest paid by a resident or corporation of Denmark to a resident or corporation of the Philippines is exempt from tax. However, any tax that Denmark may subsequently impose may be reduced by 1/3 of the regular tax.

(5) The provisions of paragraphs (1), (3) and (4) shall not apply if the recipient of the interest, being a resident or corporation of one of the Contracting States, has in the other Contracting State a permanent establishment with which the debt-claim from which the interest arises is effectively connected. In such a case, the provisions of article III shall apply.

(6) Taxes which have been reduced in one of the Contracting States under the provisions of this article shall be considered as though such taxes had been paid and shall be allowed tax credit in the other Contracting State.

Article VIII. ROYALTIES

(1) Royalty paid by a resident or corporation of the Philippines to a resident or corporation of Denmark may be taxed in the Philippines.

(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, and other amount paid in respect of the operation of a mine or quarry or of any other extraction of natural resources.

(3) The Philippine withholding tax on royalty paid to a resident or corporation in Denmark by a resident or corporation in the Philippines may be reduced by 1/3 of the regular tax due thereon if:

- (a) the payor is engaged in the active conduct of business in areas of investment enumerated in paragraph 2 of article VI, preferably in joint venture; and
- (b) eighty per cent (80%) of the gross income of the payor during the taxable year was derived from the active conduct of business in preferred areas of investment where the subject of royalty payment was utilized.

(4) Royalty paid by a resident or corporation of Denmark to a resident or corporation in the Philippines is exempt from tax. However, any tax that Denmark may subsequently impose may be reduced by 1/3 of the regular tax.

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

(6) The provisions of paragraphs (1), (3) and (4) shall not apply if the recipient of the royalties, being a resident or corporation of one of the Contracting States, has in the other Contracting State a permanent establishment with which the right or property giving rise to the royalties is effectively connected. In such a case, the provisions of article III shall apply.

(7) Taxes which have been reduced in one of the Contracting States under the provisions of this article shall be considered as though such taxes had been paid and shall be allowed tax credit in the other Contracting State.

Article IX. MOTION PICTURE FILMS AND TAPES

(1) Income which a resident or corporation of Denmark derives from rentals or other amounts paid by a resident or corporation of the Philippines as consideration for the use of, or the right to use, motion picture films, films or tapes for radio or television broadcasting, may be taxed in the Philippines at ten per cent (10%) of the gross rentals or amounts paid.

(2) Income which a resident or corporation of the Philippines derives from rentals or other amounts paid by a resident or corporation of Denmark as consideration for the use of, or the right to use, motion picture films, films or tapes for radio or television broadcasting, may be taxed in Denmark in accordance with the laws of Denmark, but the amount of tax levied shall not exceed ten per cent (10%) of the gross rentals or amounts paid.

Article X. INCOME FROM REAL PROPERTY

(1) Income from real property may be taxed in the Contracting State in which such property is situated.

(2) The term "real property" shall be defined in accordance with the law of the Contracting State in which the property in question is situated.

(3) The provisions of paragraph (1) shall apply to income derived from the direct use, letting or use in any other form of real property, including royalties or other amounts in respect of the operation of a mine, quarry, or of any other extraction of natural resources.

(4) The provisions of paragraphs (1) and (3) shall also apply to the income from real property of an enterprise.

Article XI. CAPITAL GAINS

(1) Gains from the alienation of real property as defined in paragraph (2) of article X, may be taxed in the Contracting State in which such property is situated.

(2) Gains from the alienation of personal property forming part of the business property of a permanent establishment which an enterprise of one of the Contracting States has in the other Contracting State, including such gains from the alienation of such a permanent establishment (alone or together with the whole enterprise), may be taxed in the other State. However, gains from the alienation of personal property of the kind referred to in article XXII (c) shall be taxable only in the Contracting State in which such personal property is taxable according to the said article.

(3) Gains derived by a resident or corporation of one of the Contracting States from the sale, transfer or exchange of any property other than those mentioned in paragraphs (1) and (2), may be taxed in the other Contracting State in accordance with its laws.

Article XII. UNDIVIDED ESTATE

(1) Where under the provisions of this Convention a resident of one of the Contracting States is exempt or entitled to relief from income and capital taxes in the other Contracting State, similar exemption or relief shall be applied to the undivided estate of a deceased person who at the time of death was a resident of that other Contracting State, in so far as one or more of the beneficiaries are residents of the first-mentioned Contracting State.

(2) Tax imposed on the undivided estate of a deceased person in one of the Contracting States shall, in so far as the income and capital accrue to a beneficiary who is a resident of the other Contracting State, be allowed as a credit against tax payable in that other State in accordance with the provisions of article XXIII.

Article XIII. INCOME FROM PERSONAL SERVICES

(1) Subject to the provisions of articles XIV-XVIII, XX and XXI wages and other similar remuneration derived by a resident of one of the Contracting States in respect of an employment, and professional services, shall be taxable only in that State unless the services are rendered in the other Contracting State. If the services are so rendered, such remuneration as is derived from the other Contracting State may be taxed in that other State.

(2) Notwithstanding the provisions of paragraph (1), remuneration derived by a resident of Denmark in respect of an employment performed in the Philippines shall be taxable only in Denmark if:

- (a) the recipient is present in the Philippines for a period or periods not exceeding in the aggregate 183 days in the taxable year concerned, and
- (b) the remuneration is paid by, or on behalf of, an employer who is not a resident or corporation of the Philippines, and
- (c) the remuneration is not borne by a permanent establishment which the employer has in the Philippines, and

(d) the aggregate amount does not exceed 12,000 Philippine pesos or its equivalent in Danish kroner. Any amount in excess hereof may be taxed.

(3) Notwithstanding the provisions of paragraph (1), remuneration derived by a resident of the Philippines in respect of an employment performed in Denmark shall be taxable only in the Philippines if:

- (a) the recipient is present in Denmark for a period or periods not exceeding in the aggregate 183 days in the taxable year concerned, and
- (b) the remuneration is paid by, or on behalf of, an employer who is not a resident or corporation of Denmark, and
- (c) the remuneration is not borne by a permanent establishment which the employer has in Denmark.

(4) Notwithstanding the preceding provisions of this article, remuneration in respect of an employment performed aboard a ship or aircraft in international traffic may be taxed in the Contracting State in which the operator is a resident or corporation.

(5) Nothing in this article shall be construed as depriving either of the Contracting States of the right to tax its own citizens.

Article XIV. GOVERNMENT SALARIES AND PENSIONS

(1) Salaries, wages and similar compensation and pensions paid by Denmark to a citizen of Denmark who is not a citizen of the Philippines, for services rendered to Denmark in the discharge of governmental functions, shall be exempt from Philippine tax.

(2) Salaries, wages and similar compensation and pensions paid by the Philippines to a citizen of the Philippines who is not a citizen of Denmark, for services rendered to the Philippines in the discharge of governmental functions, shall be exempt from Danish tax.

(3) The provisions of this article shall not apply to wages or similar compensation paid in respect of services rendered in connection with any trade or business carried on by either of the Contracting States for purposes of profit.

(4) The term "pensions" as used in this article means periodic payments made in consideration for services rendered.

Article XV. DIPLOMATIC AND CONSULAR OFFICIALS

Nothing in this Convention shall affect the fiscal privileges of diplomatic or consular officials under the general rules of international law or under the provisions of special agreements.

Article XVI. DIRECTORS' FEES

Directors' fees and similar payments derived by a resident of one of the Contracting States in his capacity as a member of the board of directors of a corporation of the other Contracting State may be taxed in that other State.

Article XVII. PUBLIC ENTERTAINERS

Any provision of this Convention to the contrary notwithstanding, income derived by public entertainers, such as artists, musicians, actors and athletes,

from their personal activities as such may be taxed in the Contracting State in which these activities are performed.

Article XVIII. TEMPORARY CULTURAL VISITORS

Income from public performances derived by visiting participants, performers and sponsors under the auspices of cultural and educational institutions or foundations, or the Government of one of the Contracting States, such as lectures, concerts, songs or folk dances reflective of the culture of that State, shall be exempt from tax in the other Contracting State if certified to as qualified under this article by the competent authority of the first-mentioned State.

Article XIX. PRIVATE PENSIONS AND ANNUITIES

(1) Private pensions and annuities, derived from sources within Denmark by an individual who is a resident of the Philippines, shall be taxable only in the Philippines.

(2) Private pensions or annuities, derived from sources within the Philippines by an individual who is a resident of Denmark, shall be taxable only in Denmark.

(3) The term “annuity” means a stated sum payable, under an obligation, periodically at stated times during life or during a specified or ascertainable period of time.

(4) Nothing in this article shall be construed as depriving either of the Contracting States of the right to tax its own citizens.

Article XX. TEACHERS AND RESEARCHERS

An individual who is a resident of one of the Contracting States at the beginning of his visit and who, at the invitation of a university, college or other establishment for higher education or scientific research in the other Contracting State, visits that other State solely for the purpose of teaching or scientific research at such institution for a period not exceeding two years from the date of his arrival shall not be taxed in that other State on his remuneration for such teaching or research.

Article XXI. STUDENTS AND TRAINEES

(1) An individual who is a resident of one of the Contracting States at the beginning of his visit and who is temporarily present in the other Contracting State primarily

(a) as a student at a university, college or school in that other State,

(b) as a business apprentice,

(c) as a trainee to qualify him to practice a profession or further his studies for professional specialization, or

(d) as the recipient of a grant, allowance or award for the primary purpose of study or research from a governmental religious, charitable, scientific or educational organization,

shall not be taxed in that other State in respect of remittances, from abroad for the purposes of his maintenance, education or training.

(2) An individual who is a resident of one of the Contracting States at the beginning of his visit and who is present in the other Contracting State primarily as a student at a university, college or school in that other State or as a business apprentice, or as a trainee shall not be taxed in that other State for a period not exceeding three consecutive taxable years in respect of remuneration from employment in such other State; provided, that the remuneration constitutes earnings reasonably necessary for his maintenance and education.

Article XXII. TAXATION OF CAPITAL

Where taxes on capital are imposed by one or both of the Contracting States the following provisions shall apply:

- (a) Capital represented by real property, whether or not mortgaged or encumbered, may be taxed in the Contracting State in which such property is situated.
- (b) Subject to the provisions of paragraph (a) above, capital represented by assets forming part of the business property employed in a permanent establishment of an enterprise, whether or not mortgaged or encumbered, may be taxed in the Contracting State in which the permanent establishment is situated.
- (c) Ships and aircraft operated in international traffic and assets, other than real property, pertaining to the operation of such ships and aircraft, whether or not mortgaged or encumbered, shall be taxable only in the Contracting State of which the owner is a resident or corporation.
- (d) Shares of stock and bonds, whether or not mortgaged or encumbered, may be taxed in the Contracting State in which they are issued.
- (e) All other elements of capital of a resident of one of the Contracting States shall be taxable only in that State.
- (f) Taxes on capital which are paid in one of the Contracting States in accordance with (a), (b) and (d) above shall be credited in the other Contracting State but only if that other State imposes a similar tax on capital. The provisions of paragraphs (1) and (2) of article XXIII shall apply *mutatis mutandis*.

Article XXIII. RELIEF FROM DOUBLE TAXATION

(1) Subject to the provisions of the laws of the Philippines relating to the allowance as a credit against Philippine tax of tax paid in a territory outside the Philippines, Danish tax payable under the laws of Denmark and in accordance with this Convention, whether directly or by deduction, in respect of income from sources within Denmark shall be allowed, where similar tax is imposed in the Philippines, as a credit against Philippine tax payable in respect of that income. The deduction shall not, however, exceed that part of the Philippine income tax, as computed before the deduction is given, which is appropriate to the income which may be taxed in Denmark.

(2) Where income from sources within the Philippines under the laws of the Philippines and in accordance with this Convention may be taxed in the Philippines, Denmark shall allow the Philippine tax paid in respect of such income as a credit against any Danish tax payable in respect of that income. The deduction shall not, however, exceed that part of the Danish income tax, as

computed before the deduction is given, which is appropriate to the income which may be taxed in the Philippines.

(3) The graduated rates of tax in both Contracting States to be imposed on residents or citizens of the respective States may be calculated as though the income or capital exempted under this Convention is included in the amount of his total income or capital respectively.

(4) For the purposes of this article, income or remuneration for personal (including professional) services performed in one of the Contracting States shall be deemed to be income from sources within that State, and the services of an individual whose services are wholly or mainly performed as a member of the regular complement of a ship or aircraft operated by a resident or corporation of one of the Contracting States shall be deemed to be performed in that State.

(5) Taxes which have been relieved or reduced in one of the Contracting States by virtue of the national law of that Contracting State for a limited period of time shall be considered as though such tax had been paid and shall be allowed tax credit in the other Contracting State in an amount equal to the tax which would have been appropriate to the income concerned if no such relief had been given or no such reduction had been allowed.

Article XXIV. EXCHANGE OF INFORMATION

(1) The competent authorities of the Contracting States 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 this Convention or for the prevention of fiscal evasion or for the administration of statutory provisions in relation to the taxes which are the subject of this Convention. Any information so exchanged shall be treated as secret and shall not be disclosed to any person or persons other than those concerned with the assessment and collection of the taxes which are the subject of this Convention. No information shall be exchanged which would disclose any trade, business, industrial or professional secret or trade process.

(2) The competent authorities of the Contracting States may prescribe regulations necessary to carry into effect this Convention within their respective States.

(3) The competent authorities of the Contracting States may communicate with each other directly for the purpose of giving effect to the provisions of this Convention.

(4) The competent authorities of the Contracting States shall keep each other informed of significant changes in the tax laws of their respective States, and in the event of appreciable modifications in such laws, shall consult together to determine whether amendments to this Convention are desirable.

Article XXV. CONSULTATION AND TAXPAYERS' CLAIM

(1) Where a resident of one of the Contracting States considers that the actions of one or both of the Contracting States result or will result for him in taxation which is not in accordance with this Convention, he may, notwithstanding the remedies provided by the national laws of those States, present his case to the competent authority of the Contracting State of which he is a resident.

(2) The competent authority shall endeavour, if the claim appears to it to be justified and if it is not itself able to arrive at an appropriate solution, to resolve the case by mutual agreement with the competent authority of the other Contracting State, with a view to the avoidance of taxation not in accordance with this Convention.

(3) The competent authorities of the Contracting States shall endeavour to resolve by mutual agreement any difficulties or doubts arising as to the interpretation or application of this Convention. Within their respective powers under the existing laws they may also consult together for the elimination of double taxation in cases not provided for in this Convention, relating to the taxes which are the subject thereof.

Article XXVI. NON-DISCRIMINATION

(1) A citizen of one of the Contracting States shall not, while residing in the other Contracting State, be subjected in that other State to other or more burdensome taxes than is a citizen of such other Contracting State residing therein.

(2) The term "citizen" includes:

- (a) all individuals possessing the citizenship of either contracting State;
- (b) all legal persons, partnerships and associations created, organized or incorporated under the law of either Contracting State.

(3) A permanent establishment which a citizen or corporation of one of the Contracting States has in the other Contracting State shall not be subjected in that other State to more burdensome taxes than is a citizen or corporation of that other State carrying on the same activities. This paragraph shall not be construed as obliging either Contracting State to grant to citizens of the other Contracting State who are not residents of the former State any personal allowances or deductions which are under its law available only to residents of that former State.

(4) Enterprises of one of the Contracting States, the capital of which is wholly or partly owned by one or more residents or corporations of the other Contracting State shall not be subjected in the first-mentioned Contracting State 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 that first-mentioned State are or may be subjected.

(5) Notwithstanding the preceding provisions of this article, either Contracting State may, in the promotion of necessary industry or business, limit to its citizens the enjoyment of tax incentives granted by it.

(6) In paragraphs (1) and (3) of this article the word "taxes" means taxes of every kind or description.

Article XXVII. TERRITORIAL EXTENSION

(1) This Convention may be extended, either in its entirety or with modifications, to the territories of the Faroe Islands and Greenland if in these territories there are imposed taxes substantially similar in character to those which are the subject of this Convention. The extension of the Convention and the modifications thereto shall be specified and agreed between the Contracting States in notes to be exchanged for this purpose.

(2) The termination of this Convention under article XXIX shall, unless otherwise expressly agreed by both Contracting States, terminate the application of this Convention to any territory to which the Convention has been extended under this article.

Article XXVIII. ENTRY INTO FORCE

(1) This Convention shall be ratified by the Contracting States in accordance with their respective constitutional and legal requirements.

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

(3) Upon exchange of ratifications this Convention shall have effect:

(a) In Denmark: for the taxable year beginning on the first day of April of the year next following that in which such exchange of ratifications takes place.

(b) In the Philippines: for the taxable year beginning on the first day of January of the year next following that in which such exchange of ratifications takes place.

Article XXIX. TERMINATION

(1) This Convention shall continue in effect indefinitely but either of the Contracting States may, on the initiative of its competent authority and upon previous notification on or before the 30th of June in any calendar year, serve notice of its intention to terminate this Convention after the third year of its taking effect. In such event, this Convention shall cease to be effective:

(a) In the Philippines: with respect to the taxable year beginning on the first day of January of the year next following that in which notice of termination was given.

(b) In Denmark: with respect to the taxable year beginning on the first day of April of the year next following that in which notice of termination was given.

(2) The provisions of the preceding paragraph notwithstanding, modification or amendment of this Convention during its life may be the subject of negotiation between the Contracting States.

IN WITNESS WHEREOF the undersigned being duly authorized thereto have signed this Convention and have affixed thereto their seals.

DONE at Manila, this 16th day of December 1966, in duplicate in the English language.

For the Republic
of the Philippines:
NARCISO RAMOS
Secretary of Foreign Affairs
Republic of the Philippines

MAMERTO B. ENDRIGA
Undersecretary of Finance
Republic of the Philippines

For the Kingdom
of Denmark:
HANS ANDREAS DJURHUUS
Counselor
and Chargé d'Affaires, a.i.
The Kingdom of Denmark