

No. 13004

**FINLAND
and
ICELAND**

Agreement for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and fortune. Signed at Helsinki on 2 March 1972

Authentic texts: Finnish and Icelandic.

Registered by Finland on 31 January 1974.

**FINLANDE
et
ISLANDE**

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 Helsinki le 2 mars 1972

Textes authentiques : finnois et islandais.

Enregistrée par la Finlande le 31 janvier 1974.

[TRANSLATION — TRADUCTION]

AGREEMENT¹ BETWEEN THE REPUBLIC OF FINLAND AND
THE REPUBLIC OF ICELAND FOR THE AVOIDANCE OF
DOUBLE TAXATION AND THE PREVENTION OF FISCAL
EVASION WITH RESPECT TO TAXES ON INCOME AND
FORTUNE

The President of the Republic of Finland and the President of the Republic of Iceland,

Desiring to conclude an agreement for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and fortune, have for that purpose appointed as their plenipotentiaries:

The President of the Republic of Finland:

Kalevi Sorsa, Minister for Foreign Affairs,

The President of the Republic of Iceland:

Einar Agústsson, Minister for Foreign Affairs,

Who, having exchanged their full powers, found in good and due form,

Have agreed as follows:

CHAPTER I. SCOPE OF THE AGREEMENT

Article 1. PERSONAL SCOPE

This Agreement shall apply to persons who are residents of one or both of the Contracting States.

Article 2. TAXES COVERED

1. This Agreement shall apply to taxes on income and fortune imposed on behalf of each Contracting State or of its local authorities or political subdivisions, irrespective of the manner in which they are levied.

2. The following shall be regarded as taxes on income and fortune: all taxes imposed on total income, on total fortune, or on elements of income or of fortune, including taxes on profits derived from the alienation of movable or immovable property and taxes on capital appreciation.

3. The existing taxes to which the Agreement shall apply are, in particular:

(a) In the case of Finland:

- (1) The State income and fortune tax (*valtion tulo- ja omaisuusvero*);
- (2) The communal tax (*kunnallisvero*);

¹ Came into force on 30 July 1973 by the exchange of the instruments of ratification, which took place at Reykjavik, in accordance with article 29.

- (3) The church tax (*kirkollisvero*);
 - (4) The seaman's tax (*merimiesvero*);
(hereinafter referred to as "Finnish tax").
- (b) In the case of Iceland:
- (1) The State income tax (*tekjuskattur til ríkisins*);
 - (2) The State property tax (*eignarskattur til ríkisins*);
 - (3) The communal income tax (*tekjuútsvar til sveitarfélaga*);
 - (4) The communal property tax (*eignarútsvar til sveitarfélaga*);
(hereinafter referred to as "Icelandic tax").
4. The Agreement shall also apply to any identical or substantially similar taxes which are subsequently imposed in addition to, or in place of, the existing taxes. At the end of each year the competent authorities of the Contracting States shall notify each other of any significant changes which have been made in their taxation laws.
5. With respect to the Icelandic communal business tax (*aðstöðugjald*) or to any identical or substantially similar tax subsequently imposed in addition to, or in place of, the business tax which is not covered by this Agreement, the special provisions contained in article 8, paragraph 4, and article 24, paragraph 3, shall apply.

CHAPTER II. DEFINITIONS

Article 3. GENERAL DEFINITIONS

1. For the purposes of this Agreement, unless the context requires otherwise:

(a) The term "Finland" means the Republic of Finland, including any area outside the territorial sea of Finland within which, in accordance with international law and under the laws of Finland concerning the continental shelf, the rights of Finland with respect to the sea-bed and subsoil and their natural resources may be exercised;

(b) The term "Iceland" means the Republic of Iceland, including any area over which Iceland, under Icelandic law and in keeping with international law, is entitled to exercise sovereignty in respect of the exploration and use of the natural resources of the continental shelf;

(c) The term "person" includes individuals, companies or any other entities treated as taxable units under the taxation laws in force in either of the Contracting States;

(d) The term "company" means any body corporate or any other entity which is treated as a body corporate for tax purposes in the Contracting State of which it is a resident;

(e) The terms "enterprise of a Contracting State" and "enterprise of the other Contracting State" mean respectively an enterprise carried on by a resident of a Contracting State and an enterprise carried on by a resident of the other Contracting State;

(f) The term “competent authorities” means, in the case of Iceland, the Minister of Finance or his authorized representative and, in the case of Finland, the Ministry of Finance or its authorized representative.

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

Article 4. FISCAL DOMICILE

1. For the purposes of this Agreement, the term “resident of a Contracting State” means any person who, under the law of that State, is liable to taxation therein by reason of his domicile, residence, place of management or any other similar criterion.

2. Where under the provisions of paragraph 1 an individual is a resident of both Contracting States, the case shall be determined in accordance with the following rules:

- (a) He shall be deemed to be a resident of the Contracting State in which he has a permanent home available to him. If he has a permanent home available to him in both Contracting States, he shall be deemed to be a resident of the Contracting State with which his personal and economic relations are closer (centre of vital interests);
- (b) If the Contracting State in which he has his centre of vital interests cannot be determined, or if he has no permanent home available to him in either Contracting State, he shall be deemed to be a resident of the Contracting State in which he has an habitual abode;
- (c) If he has an habitual abode in both Contracting States or in neither of them, he shall be deemed to be a resident of the Contracting State of which he is a national;
- (d) If he is a national of both Contracting States or of neither of them, the competent authorities of the Contracting States shall settle the question by agreement.

3. Where under the provisions of paragraph 1 a person other than an individual is a resident of both Contracting States, it shall be deemed to be a resident of the Contracting State in which its place of actual management is situated.

Article 5. PERMANENT ESTABLISHMENT

1. For the purposes of this Agreement, the term “permanent establishment” means a fixed place of business in which the activity of the enterprise is wholly or partly carried on.

2. The term “permanent establishment” shall include especially:

- (a) A place of management;
- (b) A branch;
- (c) An office;

- (d) A factory;
- (e) A workshop;
- (f) A mine, quarry or other place of extraction of natural resources;
- (g) A building site or construction or assembly project the duration of which exceeds 12 months.

3. The term "permanent establishment" shall not be deemed to include:

- (a) The use of facilities solely for the storage, display or delivery of goods or merchandise belonging to the enterprise;
- (b) The maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage, display or delivery;
- (c) The maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise;
- (d) The maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise or for collecting information for the enterprise;
- (e) The maintenance of a fixed place of business 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.

4. A person acting in one Contracting State on behalf of an enterprise of the other Contracting State—other than an independent agent to whom paragraph 5 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.

5. An enterprise of one Contracting State 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 broker, general commission agent or other independent agent where such persons are acting in the ordinary course of their business.

6. The fact that a company which is a resident of one Contracting State controls or is controlled by a company which is a resident of the other Contracting State, or which carries on business in the other State (whether through a permanent establishment or otherwise), shall not of itself constitute either company a permanent establishment of the other.

CHAPTER III. TAXATION OF INCOME

Article 6. INCOME FROM IMMOVABLE PROPERTY

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

2. (a) The term "immovable property" shall, save as provided in subparagraphs (b) and (c) below, be defined in accordance with the law of the Contracting State in which the property in question is situated.

(b) The term “immovable property” shall in any case include property accessory to immovable property, livestock and equipment of agricultural and forestry enterprises, rights to which the provisions of private law respecting landed property apply, usufruct of immovable property and rights to variable or fixed payments as consideration for the working of, or for the right to work, mineral deposits, mineral springs and other natural resources.

(c) Ships and aircraft shall not be regarded as immovable property.

3. Income, other than distributed profits, from shares and corporate rights giving entitlement to the use of immovable property or part thereof owned by the company may be taxed in the Contracting State where the immovable property is situated.

4. The provisions of paragraph 1 shall apply to income derived from the direct use, letting, or use in any other form of immovable property.

5. The provisions of paragraphs 1 and 4 shall also apply to income from the immovable property of an enterprise and to income from immovable property used for the performance of professional services.

Article 7. INCOME FROM BUSINESS

1. The profits of an enterprise of a Contracting State 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, its profits may be taxed in the other State, but only to the extent that they are attributable to the permanent establishment.

2. Where an enterprise of a Contracting State 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 have been expected to make if it had been a distinct and separate enterprise engaged in the same or similar activities under the same or similar conditions and dealing quite independently with the enterprise of which it is a permanent establishment.

3. In determining the profits of a permanent establishment, deductions shall be allowed for expenses, including executive and general administrative expenses, which are incurred for the purposes of the permanent establishment, whether in the State in which the permanent establishment is situated or elsewhere.

4. In so far as it has been customary in a Contracting State to determine the profits to be attributed to a permanent establishment on the basis of an apportionment of the total profits of the enterprise among its various parts, nothing in paragraph 2 shall preclude such 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 purposes of the preceding paragraphs, the profits to be attributed to the permanent establishment shall be determined by the same method year by year unless there is good and sufficient reason to the contrary.

7. Where profits include items of income which are dealt with separately in other articles of this Agreement, the provisions of such articles shall not be affected by the provisions of this article.

Article 8. SHIPPING AND AIR TRANSPORT

1. Income derived from the operation of ships or aircraft in international traffic shall be taxable only in the Contracting State in which the place of actual management of the enterprise is situated.

2. If the place of actual management of a shipping enterprise is on board a ship, it shall be deemed to be situated in the Contracting State of which the sole or principal operator of the enterprise is a resident.

3. The provisions of paragraph 1 shall also apply to Icelandic or Finnish enterprises engaged in international shipping or air transport which participate in pools of any description.

4. Where the Icelandic communal business tax (*aðstöðugjald*) is levied on a permanent establishment in Iceland owned by an enterprise engaging in activity of the kind referred to in paragraph 1 of this article, due allowance shall be made therefor in Finnish taxes in accordance with the provisions of article 24, paragraph 3.

Article 9. ASSOCIATED ENTERPRISES

Where

- (a) an enterprise of one Contracting State 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 Contracting State 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 but for those conditions would have accrued to one of the enterprises but which by reason of those conditions have not so accrued may be included in the profits of that enterprise and taxed accordingly.

Article 10. DIVIDENDS

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

2. However, such dividends may be taxed in the Contracting State of which the company paying the dividends is a resident, and according to the law

of that State, but, save as provided in paragraph 3, the tax so charged shall not exceed:

- (a) 5 per cent of the gross amount of the dividends if the recipient is a company (excluding partnership) which holds directly at least 25 per cent of the capital of the company paying the dividends;
- (b) in all other cases, 15 per cent of the gross amount of the dividends.

3. Notwithstanding the provisions of paragraph 2 (a), Iceland may raise the 5 per cent tax rate to 15 per cent with respect to that portion of the dividends which, under Icelandic law, is taxed in the hands of the company paying the dividends, at a lower rate than the undistributed portion of the profits of the company.

4. The competent authorities of the Contracting States shall by mutual agreement settle the mode of application of the limitations provided for in paragraphs 2 and 3.

The provisions of paragraphs 2 and 3 shall not affect the taxation of the company in respect of the profits out of which the dividends are paid.

5. The term "dividends" as used in this article means income from shares, mining shares, founders's shares or other rights, not being debt-claims, participating in profits, and income from other corporate rights assimilated to income from shares by the taxation law of the State of which the company making the distribution is a resident.

6. The provisions of paragraphs 1, 2 and 3 shall not apply if the recipient of the dividends, being a resident of one Contracting State, has in the other Contracting State, of which the company paying the dividends is a resident, a permanent establishment with which the holding by virtue of which the dividends are paid is actually connected. In that case, the provisions of article 7 shall apply.

7. Where a company which is a resident of one Contracting State receives profits or income from the other Contracting State, the other State may not levy any tax on the dividends paid by the company to persons who are not residents of that State, or subject the company to a tax on undistributed profits, even if the dividends paid or the undistributed profits consist wholly or partly of profits or income arising in that State.

Article 11. INTEREST

1. Interest arising in one Contracting State and paid to a resident of the other Contracting State shall be taxable only in the other State.

2. The term "interest" as used in this article means income from Government securities, bonds or debentures, whether or not secured by mortgage and whether or not carrying a right to participate in profits, and debt-claims of every kind as well as all other income assimilated to income from money lent by the taxation law of the State in which the income arises.

3. The provisions of paragraph 1 shall not apply if the recipient of the interest, being a resident of one Contracting State, has in the other Contracting State, in which the interest arises, a permanent establishment with which the

debt-claim from which the interest arises is actually connected. In that case, the provisions of article 7 shall apply.

4. Where, owing to a special relationship between the payer and the recipient or between both of them and some other person, the amount of the interest paid, having regard to the debt-claim for which it is paid, exceeds the amount which would have been agreed upon by the payer and the recipient in the absence of such relationship, the provisions of this article shall apply only to the last-mentioned amount. In that case, the excess part of the payments shall be taxable according to the law of each of the Contracting States, due regard being had to the other provisions of this Agreement.

Article 12. ROYALTIES

1. Royalties arising in one Contracting State and paid to a resident of the other Contracting State shall be taxable only in the other State.

2. The term “royalties” as used in this article means payments of any kind received as consideration for the use of or the right to use, any copyright of literary, artistic or scientific work, including cinematography films, or any patent, trade-mark, design or model, secret formula or process, or for the use of, or the right to use, industrial, commercial or scientific equipment, or for information concerning industrial, commercial or scientific experience.

3. The provisions of paragraph 1 shall not apply if the recipient of the royalties, being a resident of one Contracting State, has in the other Contracting State, in which the royalties arise, a permanent establishment with which the right or property giving rise to the royalties is actually connected. In that case, the provisions of article 7 shall apply.

4. Where, owing to a special relationship between the payer and the recipient, or between both of them and some other person, the amount of the royalties paid, having regard to the use, right or information for which they are paid, exceeds the amount which would have been agreed on by the payer and the recipient in the absence of such relationship, the provisions of this article shall apply only to the last-mentioned amount. In that case, the excess part of the payments shall be taxable according to the law of each Contracting State, due regard being had to the other provisions of this Agreement.

Article 13. CAPITAL GAINS

1. Profits derived from the alienation of immovable property, as defined in article 6, paragraph 2, may be taxed in the Contracting State in which such property is situated.

2. Profits derived from the alienation of movable property forming part of the business property of a permanent establishment which an enterprise of one Contracting State has in the other Contracting State may be taxed in the other State. The same shall apply to the alienation of movable property pertaining to a fixed base which a resident of one Contracting State has in the other Contracting State for the practice of a profession. It shall also apply to profits derived from the alienation of such a permanent establishment (either alone or together with the whole enterprise) or fixed base. However, profits derived from the alienation

of movable property of the kind referred to in article 23, paragraph 3, shall be taxable only in the Contracting State in which such movable property is taxable under the said article.

3. Profits derived from the alienation of any property other than that specified in paragraphs 1 and 2 of this article shall be taxable only in the Contracting State of which the alienator is a resident.

Article 14. PROFESSIONS

1. Income derived by a resident of one Contracting State from the practice of a profession or from other independent activities of a similar character shall be taxable only in that State unless he has a fixed base regularly available to him in the other Contracting State for the purpose of performing his activities. If he has such a fixed base, only the portion of his income attributable to it shall be taxable in the other Contracting State.

2. The term "profession" refers, in particular, to independent scientific, literary, artistic, educational or teaching activities and the independent activities of physicians, lawyers, engineers, architects, dentists and accountants.

Article 15. EMPLOYMENT

1. Subject to the provisions of articles 16, 18, 19, 20 and 21, wages, salaries and similar remuneration derived by a resident of one Contracting State from employment shall be taxable only in that State unless the employment is exercised in the other Contracting State. If the employment is so exercised, such remuneration as is derived therefrom may be taxed in the other State.

2. Notwithstanding the provision of paragraph 1, the remuneration derived by a resident of one Contracting State from employment in the other Contracting State shall be taxable only in the first-mentioned State if:

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

3. Notwithstanding the preceding provisions of this article, remuneration for services rendered on board a ship in international traffic shall be taxable in the Contracting State in which the place of actual management of the enterprise is situated.

The provisions of this paragraph shall also apply to remuneration received by a resident of a Contracting State for services rendered on board a fishing, sealing or whaling vessel; the same shall apply if the remuneration is paid in the form of a fixed share or portion of the proceeds of the fishing, sealing or whaling activity.

4. If the services are rendered wholly or mainly on board an Icelandic or Finnish aircraft, the remuneration referred to in paragraph 1 of this article shall

be taxable only in the Contracting State of which the recipient is deemed to be a resident in accordance with the provisions of article 4 of this Agreement.

Article 16. DIRECTORS' FEES

Directors' fees and similar payments received by a resident of one Contracting State in his capacity as a member of the board of directors of a company which is a resident of the other Contracting State may be taxed in the latter State.

Article 17. ARTISTS AND ATHLETES

1. Notwithstanding the provisions of articles 14 and 15, income received by professional entertainers such as theatre, motion picture, radio or television artists, musicians and athletes for their personal activities as such may be taxed in the Contracting State in which the activities are performed.

2. Notwithstanding the other provisions of this Agreement, income earned by an enterprise in a Contracting State from the activity of arranging for the services of a person of the kind referred to in paragraph 1 of this article in the other Contracting State, whether or not such person is a resident of a Contracting State, may be taxed in the Contracting State in which the services are performed.

Article 18. PENSIONS

Pensions and similar remuneration paid to a resident of a Contracting State in consideration of past employment shall be taxable only in that State, subject, however, to the provisions of article 19, paragraph 1.

Article 19. GOVERNMENTAL FUNCTIONS

1. Remuneration, including pensions, paid by, or out of funds created by, a Contracting State, or a local authority or political subdivision to any individual in respect of services rendered to that State or local authority or political subdivision in the discharge of functions of a governmental nature may be taxed in that State.

2. The provisions of articles 15, 16 and 18 shall apply to remuneration or pensions for services rendered in connexion with any trade or business carried on by one of the Contracting States or by a local authority or political subdivision.

Article 20. STUDENTS AND APPRENTICES

An individual who is present temporarily in either Contracting State solely:

- (a) As a student at a university, college or school in that Contracting State,
- (b) As a business, agricultural, forestry or technical apprentice in that Contracting State, or
- (c) As the recipient of a grant, allowance or award from a religious, charitable, scientific or educational organisation for the primary purpose of study or

research at a university, research establishment, college or other similar establishment in that Contracting State

and who immediately before his visit there was a resident of the other Contracting State, shall not be taxed in the first-mentioned State in respect of:

- (i) Remittances from sources outside the first-mentioned State for the purpose of his maintenance, education or training;
- (ii) A grant, allowance or award of the kind mentioned in subparagraph (c) above;
- (iii) Any other study grant.

Remuneration for work done by such individual in the first-mentioned State during a period or periods not exceeding in the aggregate 183 days in the calendar year concerned shall similarly not be taxed in that State, provided that such work is directly connected with his studies, training or research or is undertaken solely for the purpose of his maintenance.

Article 21. TEACHERS AND RESEARCH WORKERS

A resident of one Contracting State who, at the invitation of a university, college or other establishment of higher education or research in the other Contracting State, visits the other State solely for the purpose of teaching or research at such institution for a period not exceeding two years shall not be taxed in that State in respect of remuneration received for such teaching or research.

Article 22. INCOME NOT EXPRESSLY MENTIONED

Items of income not expressly mentioned in the preceeding articles of this Agreement shall be taxable only in the Contracting State of which the recipient is a resident.

CHAPTER IV. TAXATION OF FORTUNE

Article 23. FORTUNE

1. Fortune represented by movable property, as defined in article 6, paragraph 2, may be taxed in the Contracting State in which such property is situated.

2. Fortune represented by movable property forming part of the business property of a permanent establishment of an enterprise, or by movable property pertaining to a fixed based used for the practice of a profession, may be taxed in the Contracting State in which the permanent establishment or fixed base is situated.

3. Ships and aircraft operated in international traffic, and movable property pertaining to the operation of such ships and aircraft, shall be taxable only in the Contracting State in which the place of actual management of the enterprise is situated.

4. All other elements of fortune owned by a resident of a Contracting State shall be taxable only in that State.

CHAPTER V. METHOD FOR ELIMINATION OF DOUBLE TAXATION

Article 24. METHOD OF APPORTIONMENT

1. Where a resident of one Contracting State receives income or owns fortune which, in accordance with the provisions of this Agreement, may be taxed in the other Contracting State, the first-mentioned State shall, subject to the rules laid down in paragraph 2, allow as a deduction from the tax on income or fortune that part of the income or fortune tax which is appropriate, as the case may be, to the income received from or fortune owned in the other Contracting State.

2. Where a resident of one Contracting State receives income which, in accordance with the provisions of article 10, may be taxed in the other Contracting State, the first-mentioned State shall allow as an income-tax deduction an amount equal to the income tax paid in the other Contracting State. Such deduction shall not, however, exceed that part of the income tax, as computed before the deduction is given, which is appropriate to the income which may be taxed in the other Contracting State.

3. Where a resident of Finland engaging in activity of the kind referred to in article 8, paragraph 1, is required to pay the Icelandic communal business tax (*aðstöðugjald*) in respect of a permanent establishment in Iceland, Finland shall reduce his income tax by an amount equal to the communal business tax paid in Iceland.

CHAPTER VI. SPECIAL PROVISIONS

Article 25. NON-DISCRIMINATION

1. Nationals of one Contracting State shall not be subjected in the other Contracting State to any taxation or any requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which nationals of the other State in the same circumstances are or may be subjected.

2. The term “nationals” means:

- (a) All individuals possessing the nationality of a Contracting State;
- (b) All bodies corporate, partnerships and associations deriving their status as such from the law in force in a Contracting State.

3. The taxation on a permanent establishment which an enterprise of one Contracting State has in the other Contracting State shall not be less favourably levied in the other State than the taxation levied on enterprises carrying on the same activities in the other State.

This provision shall not be construed as obliging either Contracting State to grant to residents of the other Contracting State any personal tax allowances, reliefs or reductions in respect of civil status or family responsibilities which it grants to its own residents.

4. Enterprises of one Contracting State whose capital is wholly or partly owned or controlled, directly or indirectly, by one or more residents of the Contracting State shall not be subjected in the first-mentioned State to any taxa-

tion or any requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which similar enterprises of the first-mentioned State are or may be subjected.

5. For the purposes of this article, the term “taxation” means taxes of every kind and description.

Article 26. AGREEMENT PROCEDURE

1. Where a resident of a Contracting State considers that measures taken by one or both of the Contracting States are resulting or will result for him in taxation not in accordance with this Agreement, he may—irrespective of 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 objection appears to it to be justified and if it is not itself able to arrive at a satisfactory solution, to resolve the case by agreement with the competent authority of the other Contracting State with a view to the avoidance of taxation not in accordance with this Agreement.

3. The competent authorities of the Contracting States shall endeavour to resolve by agreement any difficulties or doubts arising in the interpretation or application of the Agreement. They may also consult together with a view to the elimination of double taxation in cases not provided for in the Agreement.

4. The competent authorities of the Contracting States may communicate with each other directly for the purpose of reaching agreement in accordance with this article. If it appears desirable, in order to reach agreement, to have an oral exchange of opinions, such exchange may take place through a commission composed of representatives of the competent authorities of the Contracting States.

Article 27. EXCHANGE OF INFORMATION

1. The competent authorities of the Contracting States shall exchange such information as is necessary for the application of this Agreement and of the national laws of the Contracting States concerning taxes covered by this Agreement in so far as the taxation is in accordance with this Agreement. All information so exchanged shall be treated as secret and shall not be disclosed to any persons or authorities other than those concerned with the assessment or collection of the taxes which are the subject of this Agreement.

2. The provisions of paragraph 1 shall in no case be construed as imposing on a Contracting State the obligation:

- (a) To carry out administrative measures at variance with the laws or the administrative practice of that State or of the other Contracting State;
- (b) To supply information which is not obtainable under the laws or in the normal course of the administration of that State or of the other Contracting State;
- (c) To supply information which would disclose any trade, business, industrial, commercial or professional secret or trade process or information the disclosure of which would be contrary to public policy (*ordre public*).

Article 28. DIPLOMATIC AND CONSULAR OFFICIALS

The provisions of this Agreement shall not affect the tax privileges of diplomatic or consular officials under the general rules of international law or the provisions of special agreements.

In so far as income and fortune are exempt from taxation in the receiving State by virtue of the tax privileges of diplomatic or consular officials under the general rules of international law or the provisions of special international agreements, the right of taxation shall rest with the sending State, notwithstanding the provision of this Agreement.

CHAPTER VII. FINAL PROVISIONS

Article 29. ENTRY INTO FORCE

1. This Agreement shall be ratified and the instruments of ratification shall be exchanged at Reykjavik as soon as possible.

2. This Agreement shall enter into force upon the exchange of the instruments of ratification and its provisions shall apply:

- (a) In respect of income taxes, to income received during the calendar year 1970 or during any accounting period ending in that calendar year;
- (b) In respect of taxes on fortune, to fortune as at the close of the calendar year 1970 or the last day of any accounting period ending in that calendar year.

Article 30. TERMINATION

This Agreement shall remain in force until it is denounced by one of the Contracting States. Either Contracting State may denounce the Agreement through the diplomatic channel by giving notice of termination at least six months before the end of any calendar year after 1975. In that event, the Agreement shall cease to apply:

- (1) In respect of taxes on income, to income pertaining to income years or accounting periods beginning on or after the first day of January of the calendar year next following that in which notice was given;
- (2) In respect of taxes on fortune, to taxes due for payment on or after the first day of January of the calendar year next following that in which notice was given.

IN WITNESS WHEREOF the plenipotentiaries of the two States have signed this Agreement and have thereto affixed their seals.

DONE at Helsinki on 2 March 1972, in duplicate, in the Finnish and Icelandic languages, both texts being equally authentic.

For the Republic of Finland:

KALEVI SORSA

For the Republic of Iceland:

EINAR AGÚSTSSON