No. 14704

JAPAN
and
ITALY

Convention for the avoidance of double taxation with respect to taxes on income (with protocol and exchange of notes). Signed at Tokyo on 20 March 1969

Authentic texts of the Convention and protocol: Japanese, Italian and English.

Authentic texts of the exchange of notes: Italian and Japanese.

Registered by Japan on 14 April 1976.

JAPON
et
ITALIE

Convention tendant à éviter la double imposition en matière d'impôts sur le revenu (avec protocole et échange de notes). Signée à Tokyo le 20 mars 1969

Textes authentiques de la Convention et du protocole : japonais, italien et anglais.

Textes authentiques de l'échange de notes : italien et japonais.

Enregistrée par le Japon le 14 avril 1976.

CONVENTION[1] BETWEEN JAPAN AND THE REPUBLIC OF ITALY FOR THE AVOIDANCE OF DOUBLE TAXATION WITH RESPECT TO TAXES ON INCOME

The Government of Japan and the Government of the Republic of Italy,

Desiring to conclude a Convention for the avoidance of double taxation with respect to taxes on income,

Have agreed as follows:

Article 1. This Convention shall apply to persons who are residents of one or both of the Contracting States.

Article 2. (1) The taxes which are the subject of this Convention are:

(*a*) In Japan:

(i) the income tax;

(ii) the corporation tax; and

(iii) the local inhabitant taxes

(hereinafter referred to as "Japanese tax");

(*b*) In Italy:

(i) the tax on income from land (*imposta sul reddito dei terreni*);

(ii) the tax on income from buildings (*imposta sul reddito dei fabbricati*);

(iii) the tax on income from movable wealth (*imposta sui redditi di ricchezza mobile*);

(iv) the tax on agricultural income (*imposta sul reddito agrario*);

(v) the complementary tax (*imposta complementare progressiva sul reddito*);

(vi) the tax on companies (*imposta sulle società*) in so far as the tax is charged on income and not on capital;

(vii) the tax on profits distributed by companies (*imposta sugli utili distribuiti dalle società*); and

(viii) the family tax (*imposta di famiglia*)

(hereinafter referred to as "Italian tax").

(2) This Convention shall also apply to any identical or substantially similar taxes which are subsequently imposed in addition to, or in place of, those referred to in the preceding paragraph. The competent authorities of the Contracting States shall notify to each other any changes which have been made in their respective taxation laws within a reasonable period of time after such changes.

Article 3. (1) In this Convention, unless the context otherwise requires:

(*a*) the term "Japan", when used in a geographical sense, means all the territory in which the laws relating to Japanese tax are in force;

(*b*) the term "Italy" means the Republic of Italy;

[1] Came into force on 17 March 1973, i.e., the thirtieth day after the date of the exchange of the instruments of ratification, which took place at Rome on 15 February 1973, in accordance with article # 28(2).

(*c*) the terms "a Contracting State" and "the other Contracting State" mean Japan or Italy, as the context requires;

(*d*) the term "tax" means Japanese tax or Italian tax, as the context requires;

(*e*) the term "person" includes a company and any other body of persons;

(*f*) the term "company" means any body corporate or any entity which is treated as a body corporate for tax purposes;

(*g*) 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;

(*h*) the term "nationals" means:

(i) in respect of Japan: all individuals possessing the nationality of Japan and all juridical persons created or organized under the laws of Japan and all organizations without juridical personality treated for the purposes of Japanese tax as juridical persons created or organized under the laws of Japan;

(ii) in respect of Italy: all individuals possessing the nationality of Italy and all juridical persons created or organized under the laws of Italy and all organizations without juridical personality treated for the purposes of Italian tax either as juridical persons created or organized under the laws of Italy or as individuals possessing the nationality of Italy;

(*i*) the term "competent authority" in relation to a Contracting State means the Minister of Finance of that Contracting State or his authorized representative.

(2) As regards the application of this Convention in a Contracting State any term not otherwise defined in this Convention 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 4. (1) For the purposes of this Convention, the term "resident of a Contracting State" means any person who, under the law of that Contracting State, is liable to taxation therein by reason of his domicile, residence, place of head or main office, place of management or any other criterion of a similar nature.

(2) Where by reason of the provisions of paragraph (1) a person is a resident of both Contracting States, then the competent authorities shall determine by mutual agreement the Contracting State of which that person shall be deemed to be a resident for the purposes of this Convention.

Article 5. (1) For the purposes of this Convention, the term "permanent establishment" means a fixed place of business in which the business 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 which exists for more than twelve months.

(3) 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 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 a Contracting State on behalf of an enterprise of the other Contracting State — other than an agent of an independent status to whom paragraph (5) of this Article applies — shall be deemed to be a permanent establishment in the first-mentioned Contracting State if he has, and habitually exercises in the first-mentioned Contracting 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 a 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 Contracting State through a broker, general commission agent or any other agent of an independent status, where such persons are acting in the ordinary course of their business.

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

Article 6. (1) Income from immovable property may be taxed in the Contracting State in which such property is situated.

(2) The term "immovable property" shall be defined in accordance with the laws of the Contracting State in which the property in question is situated. The term shall in any case include property accessory to immovable property, livestock and equipment used in agriculture and forestry, rights to which the provisions of general law respecting immovable property apply, usufruct of immovable property and rights to variable or fixed payments as consideration for the working of, or the right to work, mineral deposits, sources and other natural resources; ships and aircraft shall not be regarded as immovable property.

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

(4) The provisions of paragraphs (1) and (3) shall also apply to the income from immovable property of an enterprise and to income from immovable property used for the performance of professional services.

Article 7. (1) The profits of an enterprise of a Contracting State shall be exempt from tax of the other Contracting 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 Contracting State but only so much of them as is attributable to that 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 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, there shall be allowed as deductions expenses which are incurred for the purposes of the permanent establishment including executive and general administrative expenses so incurred, whether in the Contracting State in which the permanent establishment is situated or elsewhere.

(4) Insofar 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 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 purposes of the preceding paragraphs of this Article, 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 Convention, then the provisions of those Articles shall not be affected by the provisions of this Article.

Article 8. (1) Profits from the operation of ships or aircraft in international traffic carried on by an enterprise of a Contracting State shall be exempt from tax in the other Contracting State.

(2) In respect of the operation of ships or aircraft in international traffic carried on by an enterprise which is a resident of Italy, that enterprise shall also be exempt from the enterprise tax in Japan, and in respect of the operation of ships or aircraft in international traffic carried on by an enterprise which is a resident of Japan, that enterprise shall also be exempt from all the local taxes on income in Italy.

(3) The provisions of paragraphs (1) and (2) shall likewise apply in respect of participations in pools, in a joint business or in an international operations agency of any kind by enterprises engaged in the operation of ships or aircraft in international traffic.

Article 9. Where

(*a*) an enterprise of a 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 a 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 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 10. (1) Dividends paid by a company which is a resident of a Contracting State to a resident of the other Contracting State may be taxed in that other Contracting 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 Contracting State, but the tax so charged shall not exceed:

(*a*) 10 per cent of the gross amount of the dividends if the recipient is a company which owns at least 25 per cent of the voting shares of the company paying such dividends during the period of six months immediately before the end of the accounting period for which the distribution of profits takes place;

(*b*) in all other cases, 15 per cent of the gross amount of the dividends.

This paragraph shall not affect the taxation of the company in respect of the profits out of which the dividends are paid.

(3) The term "dividends" as used in this Article means income from shares, "*jouissance*" shares or "*jouissance*" rights, mining shares, founders' shares or other rights, not being debt-claims, participating in profits, as well as income from other corporate rights assimilated to income from shares by the taxation law of the Contracting State of which the company making the distribution is a resident.

(4) The provisions of paragraphs (1) and (2) shall not apply if the recipient of the dividends, being a resident of a 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 effectively connected. In such a case, the dividends shall remain taxable in that other Contracting State according to its own law.

(5) Where a company which is a resident of a Contracting State derives profits or income from the other Contracting State, that other Contracting State may not impose any tax on the dividends paid by the company to persons who are not residents of that other Contracting State, or subject the company's undistributed profits 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 other Contracting State.

Article 11. (1) Interest arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other Contracting State.

(2) However, such interest may be taxed in the Contracting State in which it arises, and according to the law of that Contracting State, but the tax so charged shall not exceed 10 per cent of the gross amount of the interest.

(3) 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, and any

excess of the amount repaid in respect of such debt-claims over the amount lent, as well as all other income assimilated to income from money lent by the taxation law of the Contracting State in which the income arises.

(4) The provisions of paragraphs (1) and (2) shall not apply if the recipient of the interest, being a resident of a 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 effectively connected. In such a case, the interest shall remain taxable in that other Contracting State according to its own law.

(5) Interest shall be deemed to arise in a Contracting State when the payer is that Contracting State itself, a political subdivision, a local authority or a resident of that Contracting State. Where, however, the person paying the interest, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment in connection with which the indebtedness on which the interest is paid was incurred, and such interest is borne by such permanent establishment, then such interest shall be deemed to arise in the Contracting State in which the permanent establishment is situated.

(6) 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 remain taxable according to the law of each Contracting State, due regard being had to the other provisions of this Convention.

Article 12. (1) Royalties arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other Contracting State.

(2) However, such royalties may be taxed in the Contracting State in which they arise, and according to the law of that Contracting State, but the tax so charged shall not exceed 10 per cent of the gross amount of the royalties.

(3) The term "royalties" as used in this Article means payments of any kind received as a consideration for the use of, or the right to use, any copyright of literary, artistic or scientific work including cinematograph films, any patent, trade mark, design or model, plan, 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.

(4) Royalties shall be deemed to arise in a Contracting State when the payer is that Contracting State itself, a political subdivision, a local authority or a resident of that Contracting State. Where, however, the person paying the royalties, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment in connection with which the liability to pay the royalties was incurred, and such royalties are borne by such permanent establishment, then such royalties shall be deemed to arise in the Contracting State in which the permanent establishment is situated.

(5) The provisions of paragraphs (1) and (2) shall not apply if the recipient of the royalties, being a resident of a 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 effectively connected. In such a case, the royalties shall remain taxable in that other Contracting State according to its own law.

(6) 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 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 remain taxable according to the laws of each Contracting State, due regard being had to the other provisions of this Convention.

Article 13. (1) Gains from the alienation of immovable property, as defined in paragraph (2) of Article 6, may be taxed in the Contracting State in which such property is situated.

(2) Gains from the alienation of any property other than immovable property forming part of the business property of a permanent establishment which an enterprise of a Contracting State has in the other Contracting State or of any property other than immovable property pertaining to a fixed base available to a resident of a Contracting State in the other Contracting State for the purpose of performing professional services, including such gains from the alienation of such a permanent establishment (alone or together with the whole enterprise) or of such a fixed base, may be taxed in that other Contracting State. However, gains derived by a resident of a Contracting State from the alienation of ships or aircraft operated in international traffic and any property other than immovable property pertaining to the operation of such ships or aircraft shall be taxable only in that Contracting State.

(3) Gains derived by a resident of a Contracting State from the alienation of any property other than those mentioned in paragraphs (1) and (2) shall be taxable only in that Contracting State.

Article 14. (1) Income derived by a resident of a Contracting State in respect of professional services or other independent activities of a similar character shall be taxable only in that Contracting 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, the income may be taxed in the other Contracting State but only so much of it as is attributable to that fixed base.

(2) The term "professional services" includes especially independent scientific, literary, artistic, educational or teaching activities as well as the independent activities of physicians, lawyers, engineers, architects, dentists and accountants.

Article 15. (1) Subject to the provisions of Articles 16, 18 and 19, salaries, wages and other similar remuneration derived by a resident of a Contracting State in respect of an employment shall be taxable only in that Contracting 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 that other Contracting State.

(2) Notwithstanding the provisions of paragraph (1), remuneration derived by a resident of a Contracting State in respect of an employment exercised in the other Contracting State shall be taxable only in the first-mentioned Contracting State, if:

(*a*) the recipient is present in the other Contracting 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 that other Contracting State, and

(*c*) the remuneration is not borne by a permanent establishment or a fixed base which the employer has in that other Contracting State.

(3) Notwithstanding the preceding provisions of this Article remuneration in respect of an employment exercised aboard a ship or aircraft in international traffic operated by an enterprise of a Contracting State may be taxed in that Contracting State.

Article 16. Remuneration derived by a resident of a 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 that other Contracting State.

Article 17. (1) Notwithstanding the provisions of Articles 14 and 15, income derived by public entertainers, such as theatre, motion picture, radio or television artistes, and musicians, and by athletes, from their personal activities as such may be taxed in the Contracting State in which these activities are exercised.

(2) Notwithstanding anything contained in this Convention, where the services of a public entertainer or an athlete mentioned in paragraph (1) are provided in a Contracting State by an enterprise of the other Contracting State, the profits derived from providing those services by such enterprise may be taxed in the first-mentioned Contracting State if the public entertainer or the athlete performing the services controls, directly or indirectly, such enterprise.

Article 18. Subject to the provisions of paragraph (1) of Article 19, pensions and other similar remuneration paid to a resident of a Contracting State in consideration of past employment shall be taxable only in that Contracting State.

Article 19. (1) Remuneration, including pensions, paid by, or out of funds to which contributions are made by, a Contracting State or a political subdivision or local authority thereof to any individual in respect of services rendered to that Contracting State or a political subdivision or local authority thereof in the discharge of functions of a governmental nature may be taxed in that Contracting State. Such remuneration shall be exempt from tax of the other Contracting State if the recipient is a national of that Contracting State.

(2) The provisions of Articles 15, 16, 17 and 18 shall apply to remuneration or pensions in respect of an employment in connection with any trade or business carried on by a Contracting State or a political subdivision or local authority thereof for the purpose of profits.

(3) The application of the provisions of this Article shall not be limited by the provisions of Article 1.

Article 20. A professor or teacher who makes a temporary visit to a Contracting State for a period not exceeding two years for the purpose of teaching or conducting research at a university, college, school or other educational institution, and who is, or immediately before such visit was, a resident of the other Contracting State shall be exempt from tax in the first-mentioned Contracting State in respect of remuneration for such teaching or research.

Article 21. Payments which a student or business apprentice who is or was formerly a resident of a Contracting State and who is present in the other Contracting State solely for the purpose of his education or training receives for the purpose of his maintenance, education or training shall be exempt from tax in that other

Contracting State, provided that such payments are made to him from outside that other Contracting State.

Article 22. Items of income of a resident of a Contracting State which are not expressly mentioned in the foregoing Articles of this Convention shall be taxable only in that Contracting State.

Article 23. (1) Where a resident of Japan derives income from Italy which may be taxed in Italy in accordance with the provisions of this Convention, the amount of the Italian tax payable in respect of that income shall be allowed as a credit against the Japanese tax imposed on that resident. The amount of credit, however, shall not exceed that part of Japanese tax which is appropriate to that income.

(2) Italy in determining its income taxes specified in Article 2 of this Convention in the case of its residents or companies may, regardless of any other provisions of this Convention, include in the basis upon which such taxes are imposed all items of income; Italy shall, however, deduct from the taxes so calculated the Japanese tax on income in the following manner:

(*a*) if the item of income is, according to the Italian law, subjected to the tax on income from movable wealth, the tax paid in Japan shall be deducted from the tax on income from movable wealth, but in an amount not exceeding that proportion of the aforesaid Italian tax which such item of income bears to the entire income.

Where the tax paid in Japan on such income is higher than the deduction so calculated the difference shall be deducted from the complementary tax or from the tax on companies, as the case may be, but in an amount not exceeding that proportion of such complementary tax or tax on companies which the item of income bears to the entire income;

(*b*) if the item of income is only subjected to the complementary tax or to the tax on companies, the deduction shall be granted from the complementary tax or from the tax on companies, as the case may be, but for that part of the tax paid in Japan which exceeds 25 per cent of such item of income. The deduction cannot however exceed that proportion of the complementary tax or of the tax on companies which such income bears to the entire income.

Article 24. (1) The nationals of a 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 that other Contracting State in the same circumstances are or may be subjected.

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

This provision shall not be construed as obliging a Contracting State to grant to residents of the other Contracting State any personal allowances, reliefs and reductions for taxation purposes on account of civil status or family responsibilities which it grants to its own residents.

(3) Enterprises of a Contracting State, the capital of which is wholly or partly owned or controlled, directly or indirectly, by one or more residents 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 Contracting State are or may be subjected.

(4) In this Article the term "taxation" means taxes of every kind and description.

(5) The application of the provisions of this Article shall not be limited by the provisions of Article 1.

Article 25. (1) Where a resident of a Contracting State considers that the actions of one or both of the Contracting States result or will result for him in taxation not in accordance with this Convention, he may, notwithstanding the remedies provided by the laws of those Contracting 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 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. They may also consult together for the elimination of double taxation in cases not provided for in this Convention.

(4) The competent authorities of the Contracting States may communicate with each other directly for the purpose of reaching an agreement in the sense of the preceding paragraphs.

Article 26. (1) The competent authorities of the Contracting State shall exchange such information as is necessary for the carrying out of this Convention and of the domestic laws of the Contracting States concerning taxes covered by this Convention insofar as the taxation thereunder is in accordance with this Convention. Any 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 Convention.

(2) In no case shall the provisions of paragraph (1) be construed so as to impose on a Contracting State the obligation:

(*a*) to carry out administrative measures at variance with the laws or the administrative practice of that or of the other Contracting State;

(*b*) to supply particulars which are not obtainable under the laws or in the normal course of the administration of that 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.

Article 27. 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 28. (1) This Convention shall be ratified and the instruments of ratification shall be exchanged at Rome as soon as possible.

(2) This Convention shall enter into force on the thirtieth day after the date of the exchange of the instruments of ratification and shall have effect as respects in-

come derived during the taxable years beginning on or after the first day of January in the calendar year in which this Convention enters into force.

Article 29. This Convention shall continue in effect indefinitely but either of the Contracting States may, on or before the thirtieth day of June in any calendar year beginning after the expiration of a period of five years from the date of its entry into force, give to the other Contracting State, through the diplomatic channel, written notice of termination and, in such event, this Convention shall cease to be effective as respects income derived during the taxable years beginning on or after the first day of January in the calendar year next following that in which the notice of termination is given.

IN WITNESS WHEREOF the undersigned, being duly authorized thereto by their respective Governments, have signed the present Convention.

DONE at Tokyo on March 20, 1969, in six originals, two each in the Japanese, Italian and English languages, all texts being equally authentic and in case there is any divergence of interpretation, the English text shall prevail.

For the Government of Japan:
KIICHI AICHI
For the Government of the Republic of Italy:
JUSTO GIUSTI DEL GIARDINO

PROTOCOL

At the signing of the Convention between Japan and the Republic of Italy for the Avoidance of Double Taxation with respect to Taxes on Income, the undersigned have agreed upon the following provisions which shall form an integral part of the said Convention:

Notwithstanding the provisions of paragraph (2) of Article 28, the provisions of Article 8 shall be applicable as respects income derived during the taxable years beginning on or after the first day of January, 1962.

DONE at Tokyo on March 20, 1969, in six originals, two each in the Japanese, Italian and English languages, all texts being equally authentic and in case there is any divergence of interpretation, the English text shall prevail.

For the Government of Japan:
KIICHI AICHI
For the Government of the Republic of Italy:
JUSTO GIUSTI DEL GIARDINO

[TRANSLATION — TRADUCTION]

I

Sir,

I have the honour to refer to the Convention between Japan and the Italian Republic for the avoidance of double taxation with respect to taxes on income, signed today, and to confirm on behalf of the Government of the Italian Republic the following understandings reached by the two Governments:

With reference to the provisions of article 12, paragraph 2, the two Governments agree that, if the Government of Japan should, in a convention with any other member of the Organization for Economic Co-operation and Development, limit its rate of tax on royalties to a percentage smaller than that laid down in the above-mentioned provisions, the two Governments shall consult each other with a view to amending those provisions so as to provide for the same treatment on a reciprocal basis. The Government of Japan shall inform the Italian Government of any such change in its policy at the earliest possible date.

I have the honour to ask you to inform me whether the Japanese Government agrees to the foregoing.

Accept, Sir, etc.

Tokyo, 20 March 1969.

JUSTO GIUSTI DEL GIARDINO
Ambassador Extraordinary and Plenipotentiary
of the Italian Republic

His Excellency Mr. Kiichi Aichi
Minister for Foreign Affairs of Japan

II

Sir,

I have the honour to acknowledge receipt of your note of today's date, which reads as follows:

[*See note I*]

I likewise have the honour to inform you that the Japanese Government agrees to the foregoing provisions.

Accept, Sir, etc.

Tokyo, 20 March 1969.

KIICHI AICHI
Minister for Foreign Affairs of Japan

His Excellency Mr. Justo Giusti del Giardino
Ambassador Extraordinary and Plenipotentiary
of the Italian Republic