

No. 22389

**HUNGARY
and
NORWAY**

**Convention for the avoidance of double taxation with
respect to taxes on income and on capital (with
protocol). Signed at Oslo on 21 October 1980**

Authentic text: English.

Registered by Hungary on 13 October 1983.

**HONGRIE
et
NORVÈGE**

**Convention tendant à éviter la double imposition en
matière d'impôts sur le revenu et sur la fortune (avec
protocole). Signée à Oslo le 21 octobre 1980**

Texte authentique : anglais.

Enregistrée par la Hongrie le 13 octobre 1983.

CONVENTION¹ BETWEEN THE GOVERNMENT OF THE HUNGARIAN PEOPLE'S REPUBLIC AND THE GOVERNMENT OF THE KINGDOM OF NORWAY FOR THE AVOIDANCE OF DOUBLE TAXATION WITH RESPECT TO TAXES ON INCOME AND ON CAPITAL

The Government of the Hungarian People's Republic and the Government of the Kingdom of Norway, desiring to further develop and facilitate their economic relationships, have decided to conclude a Convention for the avoidance of double taxation with respect to taxes on income and on capital, and have agreed as follows:

Article 1. PERSONAL SCOPE

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

Article 2. TAXES COVERED

(1) This Convention shall apply to taxes which, in accordance with the law of each Contracting State, are levied directly on income and on capital on behalf of each Contracting State or its local authorities.

(2) There shall be regarded as taxes on income and on capital all taxes imposed on total income, on total capital, or on elements of income or of capital, including taxes on gains from the alienation of movable or immovable property, taxes on the total amounts of wages or salaries paid by enterprises, as well as taxes on capital appreciation.

(3) The existing taxes to which the Convention shall apply are in particular:

(a) In the Hungarian People's Republic:

- (i) The income taxes (*a jövedelemadók*);
- (ii) The profit taxes (*a nyereségadók*);
- (iii) The special corporation tax (*a társasági különadó*);
- (iv) The contribution to communal development (*a községfejlesztési hozzájárulás*);
- (v) The levy on dividends and profit distributions of commercial companies (*a kereskedelmi társaságok osztalék és nyereség kifizetései utáni illeték*);

(Hereinafter referred to as "Hungarian tax").

(b) In the Kingdom of Norway:

- (i) The national tax on income (*inntektsskatt til staten*);
- (ii) The county municipal tax on income (*inntektsskatt til fylkesskommunen*);
- (iii) The municipal tax on income (*inntektsskatt til kommunen*);
- (iv) The national contributions to the tax equalisation fund (*fellesskatt til Skattefordelingsfondet*);
- (v) The national tax on capital (*formuesskatt til staten*);
- (vi) The municipal tax on capital (*formuesskatt til kommunen*);

¹ Came into force on 20 September 1981, i.e., 60 days after the Contracting Parties informed each other by an exchange of notes (effected on 22 July 1981) of its approval and its ratification, in accordance with article 28 (2).

- (vii) The national dues on the remuneration of non-resident artistes (*avgift til staten av honorarer som tilfaller kunstnere bosatt i utlandet*);
 - (viii) The seamen's tax (*sjømannsskatt*);
- (Hereinafter referred to as "Norwegian tax").

(4) This Convention shall also apply to any identical or substantially similar taxes which are imposed by either Contracting State after the date of signature of this Convention in addition to, or in place of, the existing taxes.

Article 3. GENERAL DEFINITIONS

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

(a) The term "person" includes an individual, a company and any other body of persons;

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

(c) The term "Norway" means the Kingdom of Norway, excluding Svalbard and Jan Mayen;

(d) The term "Hungarian People's Republic" means the territory of the Hungarian People's Republic;

(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 authority" means:

(i) In the Hungarian People's Republic, the Minister of Finance or his authorized representative;

(ii) In the Kingdom of Norway, the Minister of Finance and Customs or his authorized representative;

(g) The term "nationals" means:

(i) All individuals possessing the nationality of a Contracting State;

(ii) All legal persons, partnerships and associations deriving their status as such from the law in force in a Contracting State;

(h) The term "international traffic" means any transport by a ship, aircraft or road-transport vehicle operated by an enterprise which has its place of effective management in a Contracting State, except when the ship, aircraft or road-transport vehicle is operated solely between places in the other Contracting State;

(i) The terms "a Contracting State" and "the other Contracting State" mean the Hungarian People's Republic or Norway, as the context requires.

(2) As regards the application of the Convention by a Contracting State 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 the Convention.

Article 4. FISCAL DOMICILE

(1) For the purposes of this Convention, the term "resident of a Contracting State" means any person, who, under the law of that State, is liable to tax therein by reason of his domicile, residence, place of management or any other criterion of a similar nature. But this term does not include any person who is liable to tax in that

Contracting State in respect only of income from sources in that State or capital situated therein.

(2) Where by reason of the provisions of paragraph (1) of this Article an individual is a resident of both Contracting States, then his status 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 in which the centre of his vital interests is located;
- (b) If the Contracting State in which he has his centre of vital interests cannot be determined, or if he has not a 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 mutual agreement in accordance with Article 25.

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

Article 5. PERMANENT ESTABLISHMENT

(1) For the purposes of this Convention, the term "permanent establishment" means a fixed place of business or production in which the activities of the enterprise are 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, an oil or gas well, a quarry or any other place of extraction of natural resources.

(3) A building site or construction or installation project constitutes a permanent establishment only if it lasts more than twelve months.

(4) Notwithstanding the preceding provisions of this Article, the term "permanent establishment" shall be deemed not 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 of collecting information, for the enterprise;
- (e) The maintenance of a fixed place of business or industrial activities solely for the

purpose of carrying on, for the enterprise, any other activity of a preparatory or auxiliary character;

- (f) The maintenance of a fixed place of business or industrial activities solely for any combination of activities mentioned in sub-paragraphs (a) to (e), provided that the overall activity of the fixed place of business or industrial activities resulting from this combination is of a preparatory or auxiliary character.

(5) Notwithstanding the provisions of paragraphs (1) and (2), where a person — other than an agent of an independent status to whom paragraph (6) applies — is acting on behalf of an enterprise and has, and habitually exercises, in a Contracting State an authority to conclude contracts in the name of the enterprise, that enterprise shall be deemed to have a permanent establishment in that State in respect of any activities which that person undertakes for the enterprise, unless the activities of such person are limited to those mentioned in paragraph (4) which, if exercised through a fixed place of business, would not make this fixed place of business a permanent establishment under the provisions of that paragraph.

(6) An enterprise shall not be deemed to have a permanent establishment in a Contracting State merely because it carries on business in that State through a broker, general commission agent or any other agent of an independent status, provided that such persons are acting in the ordinary course of their business.

(7) 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 State (whether through a permanent establishment or otherwise), shall not of itself constitute either company a permanent establishment of the other.

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) The term “immovable property” shall be defined in accordance with the law 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 landed 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, usufructuary use, 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 independent personal services.

Article 7. BUSINESS PROFITS

(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, 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 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 State in which the permanent establishment is situated or elsewhere.

(4) No profits shall be attributed to a permanent establishment by reason of:

- (a) The mere purchase by that permanent establishment of goods or merchandise for the enterprise, or
- (b) The mere delivery to the permanent establishment of goods or merchandise for its use.

(5) 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.

(6) 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. INTERNATIONAL TRANSPORT

(1) Profits from the operation of ships, aircraft and road-transport vehicles in international traffic shall be taxable only in the Contracting State in which the place of effective management of the enterprise is situated.

(2) The provisions of paragraph (1) shall also apply where the enterprise has an agency in the other Contracting State for the transportation of goods or persons. However, this shall only apply to activities directly connected with the business of shipping, aircraft and road-transportation, including auxiliary activities connected therewith.

(3) The provisions of paragraph (1) shall also apply to profits derived from the participation in a pool, a joint business or in an international operating agency.

(4) Profits of an enterprise of a Contracting State from the use, maintenance or rental of containers (including trailers and related equipment for the transport of containers) used for the transport of goods or merchandise in international traffic shall be taxable only in that State.

(5) The provisions of paragraph (1) shall apply to profits derived by the joint Norwegian, Danish and Swedish air transport consortium Scandinavian Airlines System (SAS), but only in so far as profits so derived by Det norske Luftfartsselskap A/S (DNL), the Norwegian partner of the Scandinavian Airlines System (SAS), are in proportion to its share in that organization.

Article 9. ASSOCIATED ENTERPRISES

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. DIVIDENDS

(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 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 the tax so charged shall not exceed 10 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, mining shares, founders' shares or other rights, not being debt-claims, participating in profits, as well as income from other corporate rights which is subjected to the same taxation treatment as income from shares by the taxation law of the 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, carries on business in the other Contracting State, of which the company paying the dividends is a resident, through a permanent establishment situated therein or performs in that other State independent personal services from a fixed base situated therein and the holding in respect of which the dividends are paid is effectively connected with such permanent establishment or fixed base. In such a case the provisions of Article 7 or Article 14, as the case may be, shall apply.

(5) Where a company which is a resident of a Contracting State derives profits or income from the other Contracting State, that other State may not impose any tax on the dividends paid by the company except insofar as such dividends are paid to a resident of that other State or insofar as the holding in respect of which the dividends are paid is effectively connected with a permanent establishment or a fixed base situated in that other State, nor subject the company's undistributed profits to a tax on the company's undistributed profits, even if the dividends paid or the undistributed profits consist wholly or partly of profits or income arising in such other State.

Article 11. INTEREST

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

(2) The term "interest" as used in this Article means income from debt-claims of every kind, whether or not secured by mortgage and whether or not carrying a right to participate in the debtor's profits, and in particular, income from government securities and income from bonds or debentures, including premiums and prizes attaching to such securities, bonds or debentures.

(3) The provisions of paragraph (1) shall not apply if the recipient of the interest, being a resident of a Contracting State, carries on business in the other Contracting State in which the interest arises, through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the debt-claim in respect of which the interest is paid is effectively connected with such permanent establishment or fixed base. In such a case, the provisions of Article 7 or Article 14, as the case may be, shall apply.

(4) Interest shall be deemed to arise in a Contracting State when the payer is that State itself, a local authority or a resident of that 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 or a fixed base in connection with which the indebtedness on which the interest is paid was incurred, and such interest is borne by such permanent establishment or fixed base, then such interest shall be deemed to arise in the State in which the permanent establishment or fixed base is situated.

(5) 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. ROYALTIES

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

(2) 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, and films or tapes for radio or television broadcasting, 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.

(3) The provisions of paragraph (1) of this Article shall not apply if the recipient of the royalties, being a resident of a Contracting State, carries on business in the other Contracting State in which the royalties arise, through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the right or property in respect of which the royalties are paid is effectively connected with such permanent establishment or fixed base. In such a case, the provisions of Article 7 or Article 14, as the case may be, shall apply.

(4) Where, owing to a special relationship between the payer and some other person the amount of the royalties paid exceeds for whatever reason the amount which would have been paid 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 13. CAPITAL GAINS

(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 movable 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 movable property pertaining to a fixed base available to a resident of a Contracting State in the other Contracting State for the purpose of performing independent personal 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 the other State. However, gains from the alienation of movable property of the kind referred to in paragraph (3) of Article 22 shall be taxable only in the Contracting State in which such movable property is taxable according to the said Article.

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

Article 14. INDEPENDENT PERSONAL SERVICES

(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 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, sporting or teaching activities as well as the independent activities of physicians, lawyers, engineers, architects, dentists and accountants.

Article 15. DEPENDENT PERSONAL SERVICES

(1) Subject to the provisions of Articles 16, 17, 18, 19 and 20, 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 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 State.

(2) Notwithstanding the provisions of paragraph (1) of this Article, 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 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 fiscal 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 derived in respect of an employment exercised aboard a ship or aircraft operated in international traffic, may be taxed in the Contracting State in which the place of effective management of the enterprise is situated. Remuneration in respect of an employ-

ment exercised aboard an aircraft operated by the air transport consortium Scandinavian Airlines System (SAS), derived by a resident of Norway, shall be taxable only in Norway.

Article 16. DIRECTORS' FEES

Directors' fees and other similar payments 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 State.

Article 17. ARTISTES AND ATHLETES

(1) Notwithstanding the provisions of Articles 14 and 15, income derived by a resident of a Contracting State as an entertainer, such as a theatre, motion picture, radio or television artiste, or a musician, or as an athlete, from his personal activities as such exercised in the other Contracting State, may be taxed in that other State.

(2) Notwithstanding the provisions of paragraph (1) of this Article, income derived from such activities as defined in paragraph (1) performed under a cultural agreement or arrangement between the Contracting States, shall be exempt from tax in the Contracting State in which these activities are exercised.

Article 18. PENSIONS AND ANNUITIES

(1) Subject to the provisions of paragraph (2) of Article 19, pensions and other similar remuneration, alimony and annuities paid to a resident of a Contracting State shall be taxable only in that State.

(2) Pensions and other payments paid out under the Social Security System of a Contracting State may be taxed in that State.

Article 19. GOVERNMENTAL PAYMENTS

(1) (a) Remuneration, other than a pension, paid by a Contracting State or a local authority thereof to any individual in respect of services rendered to that State or local authority thereof shall be taxable only in that State.

(b) However, such remuneration shall be taxable only in the other Contracting State if the services are rendered in that State and the recipient is a resident of that other Contracting State who:

- (i) Is a national of that State; or
- (ii) Did not become a resident of that State solely for the purpose of performing services.

(2) Any pension paid by, or out of funds created by a Contracting State or a local authority thereof to any individual in respect of services rendered to that State or local authority thereof may be taxed in that State.

(3) The provisions of Articles 15, 16 and 18 shall apply to remuneration and pensions paid in respect of services rendered in connection with production and business activities carried on by a Contracting State or a local authority thereof.

Article 20. TEACHERS AND STUDENTS

(1) An individual who was immediately before visiting the other Contracting State a resident of one of the Contracting States and who receives remuneration for teaching or for carrying out advanced study or research at a university, college or other establishment for education or for research in the other Contracting State shall be exempted from tax in that other State in respect of that remuneration during a

period not exceeding two years from the date he first visits that State for such purpose, provided that such establishment belongs to the State or to non-profit-making legal entities.

(2) Payments which a student or business apprentice who is or was immediately before visiting a Contracting State a resident of the other Contracting State and who is present in the first-mentioned Contracting State solely for the purpose of his education or training receives for the purpose of his maintenance, education or training shall not be taxed in the first-mentioned State, provided that such payments are made to him from sources outside that State.

(3) An individual who, while a student at a university or other recognised educational institution in a Contracting State, is employed in a Contracting State where he is not a resident for a period or periods not exceeding a total of 100 days during the fiscal year concerned shall not be taxed in the Contracting State where the employment is exercised in respect of this remuneration therefrom if he was not, immediately before the commencement of his studies at the university or institution in the first-mentioned Contracting State, a resident of the Contracting State where the employment is exercised.

Article 21. OTHER INCOME

Items of income of a resident of a Contracting State, wherever arising, not dealt with in the foregoing Articles of this Convention shall be taxable only in that State.

Article 22. CAPITAL

(1) Capital represented by immovable property, as defined in paragraph (2) of Article 6, may be taxed in the Contracting State in which such property is situated.

(2) Capital 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 base used for the performance of professional services, may be taxed in the Contracting State in which the permanent establishment or fixed base is situated.

(3) Capital represented by ships, aircraft and road-transport vehicles operated by a resident of a Contracting State in international traffic and movable property pertaining to the operation of such ships, aircraft and vehicles, shall be taxable only in that State, in which the place of effective management of the enterprise is situated.

(4) All other elements of capital of a resident of a Contracting State shall be taxable only in that State.

Article 23. ELIMINATION OF DOUBLE TAXATION

(1) Where a resident of a Contracting State derives income or owns capital which, in accordance with the provisions of this Convention, may be taxed in the other Contracting State, the first-mentioned State shall, subject to the provisions of paragraphs (2) and (3) exempt such income or capital from tax.

(2) Where a resident of a Contracting State derives items of 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 a deduction from the tax on the income of that resident an amount equal to the tax paid in that other State. Such deduction shall not, however, exceed that part of the tax, as computed before the deduction is given, which is attributable to such items of income derived from that other State.

(3) Where in accordance with any provision of the Convention income derived or capital owned by a resident of a Contracting State is exempt from tax in that State,

such State may nevertheless, in calculating the amount of tax on the remaining income or capital of such resident, take into account the exempted income or capital.

Article 24. NON-DISCRIMINATION

(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 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 State than the taxation levied on enterprises of that other State carrying on the same activities. If a company of a Contracting State has a permanent establishment in the other Contracting State, that other State may tax the permanent establishment at the rate applying to non-distributed profits of a company resident of that other State.

This provision shall not be construed as obliging either Contracting State to grant to persons not resident in that State any of the personal allowances, reliefs and reductions for tax purposes which are granted to individuals so resident.

(3) Except where the provisions of paragraph (1) of Article 9, paragraph (5) of Article 11 or paragraph (4) of Article 12 apply, interest, royalties and other disbursements paid by an enterprise of a Contracting State to a resident of the other Contracting State shall, for the purpose of determining the taxable profits of such enterprise, be deductible under the same conditions as if they had been paid to a resident of the first-mentioned State.

Similarly, any debts of an enterprise of a Contracting State to a resident of the other Contracting State shall, for the purpose of determining the taxable capital of such enterprise, be deductible as if they had been contracted to a resident of the first-mentioned State.

(4) 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 more burdensome than the taxation and connected requirements to which other similar enterprises of that first-mentioned State are or may be subjected.

(5) The provisions of this Article shall not be construed as obliging a Contracting State to grant to nationals of the other Contracting State not being nationals of the first Contracting State the exceptional tax relief which is accorded to repatriating nationals of this Contracting State.

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

Article 25. MUTUAL AGREEMENT PROCEDURE

(1) Where a person considers that the actions of one or both of the Contracting States result or will result for him in taxation not in accordance with the provisions of this Convention, he may, irrespective of the remedies provided by the domestic law of those States, present his case to the competent authority of the Contracting State of which he is a resident or, if his case comes under paragraph (1) of Article 24, to that of the Contracting State of which he is a national.

(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 mutual agreement with the competent authority of the other Contracting

State, with a view to the avoidance of taxation not in accordance with the Convention. Any agreement reached shall be implemented notwithstanding any time-limits in the domestic law of the Contracting States.

(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 the Convention. They may also consult together for the elimination of double taxation in cases not provided for in the 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. When it seems advisable in order to reach agreement to have an oral exchange of opinions, such exchange may take place through a Commission consisting of representatives of the competent authorities of the Contracting States.

Article 26. EXCHANGE OF INFORMATION

(1) The competent authorities of the Contracting States 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. Any information so exchanged shall be treated as secret and shall not be disclosed to any persons or authorities other than those (including a court or administrative body) concerned with the assessment, collection or prosecution of the taxes which are the subject of the Convention.

(2) In no case shall the provisions of paragraph (1) be construed so as to impose on the competent authority of either 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 (*ordre public*).

Article 27. MEMBERS OF DIPLOMATIC AND CONSULAR MISSIONS

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

Article 28. ENTRY INTO FORCE

(1) This Convention shall be approved or ratified in accordance with the constitutional procedures applicable in each of the Contracting States.

(2) The Convention shall enter into force sixty days after the exchange of diplomatic notes testifying the approval or ratification of the Convention.

(3) The provisions of this Convention shall apply:

- (a) In respect of taxes withheld at source, to amounts of income derived on or after 1 January in the calendar year next following the year in which the Convention enters into force;
- (b) In respect of taxes on income, and taxes on capital, to such taxes chargeable for any taxable year beginning on or after 1 January in the calendar year next following the year in which the Convention enters into force.

Article 29. TERMINATION

This Convention shall remain in force until terminated by one of the Contracting Parties. Either Contracting Party may terminate the Convention, through diplomatic channels, by giving written notice of termination at least six months before the end of any calendar year beginning after the expiration of 5 years from the date of entry into force of the Convention. In such event, the Convention shall cease to have effect:

- (a) In respect of taxes withheld at source, to amounts of income derived on or after 1 January in the calendar year next following the year in which the notice is given;
- (b) In respect of taxes on income, and taxes on capital, to such taxes chargeable for any taxable year beginning on or after 1 January in the calendar year next following the year in which the notice is given.

IN WITNESS WHEREOF the undersigned, duly authorized thereto, have signed the Convention.

DONE in duplicate at Oslo this 21st day of October 1980, in the English language.

For the Government
of the Hungarian People's Republic:
[Signed—Signé]¹

For the Government
of the Kingdom of Norway:
[Signed—Signé]²

PROTOCOL

At the signing today of the Convention between the Government of the Hungarian People's Republic and the Government of the Kingdom of Norway for the avoidance of double taxation with respect to taxes on income and on capital, the undersigned have agreed upon the following provisions which shall form an integral part of the Convention.

(1) *Ad Article 5, paragraph (3).* Notwithstanding the provisions of paragraph (3) of Article 5 of the Convention, the competent authorities of the Contracting States may, by mutual agreement, decide in each case that a project on erecting a substantial complete project for production shall not constitute a permanent establishment even when it lasts more than 12 months. The period of time referred to in the preceding sentence shall in no case, however, exceed 24 months.

(2) *Ad Article 23.* The Contracting Parties agree that Article 23 shall be replaced by the following text at the request of Norway which shall be forwarded by note through diplomatic channels, and shall enter into force on the 30th day upon the confirmation through diplomatic channels of the receipt of this note, and shall apply for the first time:

- (a) In respect of taxes withheld at source, to amounts of income derived on or after 1 January in the calendar year next following the year in which the Convention enters into force;
- (b) In respect of taxes on income, and taxes on capital, to such taxes chargeable for any taxable year beginning on or after 1 January in the calendar year in which the Convention enters into force.

¹ Signed by Dr. István Hetényi—Signé par István Hetényi.

² Signed by Ulf Sand—Signé par Ulf Sand.

“(1) In the Hungarian People’s Republic double taxation shall be eliminated as follows:

- (a) Where a resident of the Hungarian People’s Republic derives income or owns capital which, in accordance with the provisions of this Convention may be taxed in Norway, the Hungarian People’s Republic shall, subject to the provisions of subparagraphs (b) and (c), exempt such income or capital from tax.
- (b) Where a resident of the Hungarian People’s Republic derives items of income which, in accordance with the provisions of Article 10, may be taxed in Norway, the Hungarian People’s Republic shall allow as a deduction from the tax on the income of that resident an amount equal to the tax paid in Norway. Such deduction shall not, however, exceed that part of the tax, as computed before the deduction is given which is attributable to such items of income derived from Norway.
- (c) Where in accordance with any provision of the Convention income derived or capital owned by a resident of the Hungarian People’s Republic is exempt from tax in the Hungarian People’s Republic, the Hungarian People’s Republic may nevertheless, in calculating the amount of tax on the remaining income or capital of such resident, take into account the exempted income or capital.

(2) In the Kingdom of Norway double taxation shall be eliminated as follows:

Where a resident of Norway derives income or owns capital which in accordance with the provisions of this Convention may be taxed in the Hungarian People’s Republic, Norway shall allow as a deduction from the income tax or capital tax of that person an amount equal to the tax paid in the Hungarian People’s Republic. Such deduction shall not, however, exceed that part of the Norwegian tax, as computed before the deduction is given, which is appropriate to the income derived from or capital owned in the Hungarian People’s Republic.”

(3) If a Contracting State imposes taxes on income and/or on capital connected with offshore activities of a person being a resident of the other Contracting State the competent authorities of the Contracting States may communicate with each other for the purpose of completing this Convention to avoid the double taxation.