

No. 22730

**SWEDEN
and
YUGOSLAVIA**

**Convention for the avoidance of double taxation with
respect to taxes on income and capital (with protocol).
Signed at Stockholm on 18 June 1980**

Authentic text: English.

Registered by Sweden on 7 March 1984.

**SUÈDE
et
YUGOSLAVIE**

**Convention en vue d'éviter la double imposition en matière
d'impôts sur le revenu et sur la fortune (avec
protocole). Signée à Stockholm le 18 juin 1980**

Texte authentique : anglais.

Enregistrée par la Suède le 7 mars 1984.

CONVENTION¹ BETWEEN THE KINGDOM OF SWEDEN AND THE
SOCIALIST FEDERAL REPUBLIC OF YUGOSLAVIA FOR THE
AVOIDANCE OF DOUBLE TAXATION WITH RESPECT TO
TAXES ON INCOME AND CAPITAL

The Kingdom of Sweden and the Socialist Federal Republic of Yugoslavia, desiring to conclude a Convention for the avoidance of double taxation with respect to taxes on income and capital, 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 on income and on capital imposed on behalf of each Contracting State or of its political subdivisions or local authorities, irrespective of the manner in which they are levied. The Convention shall apply as well to the contributions imposed in Yugoslavia, with exception of the contribution for social security.

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, as well as taxes on capital appreciation. For the purposes of this Convention the term taxes shall also apply to the contributions referred to in paragraph 1 of this article.

3. The existing taxes to which the Convention shall apply are:

(a) In the case of Sweden:

- (i) The State income tax, including sailors' tax and coupon tax (*den statliga inkomstskatten, sjömansskatten och kupongskatten*);
- (ii) The tax on the undistributed profits of companies and the tax on distribution in connection with reduction of share capital or the winding-up of a company (*ersättningskatten och utskiftningsskatten*);
- (iii) The tax on public entertainers (*bevillnings avgiften för vissa offentliga föreställningar*);
- (iv) The communal income tax (*den kommunala inkomstskatten*); and
- (v) The State capital tax (*den statliga förmögenhetsskatten*)

(hereinafter referred to as "Swedish tax").

(b) In the case of Yugoslavia:

- (i) The tax and contributions on income of organisations of associated labour (*porez i doprinosi iz dohotka organizacija udruženog rada*);
- (ii) The tax and contributions on personal income derived from dependent personal services (*porez i doprinosi iz ličnog dohotka iz radnog odnosa*);
- (iii) The tax and contributions on personal income derived from agricultural activity (*porez i doprinosi iz ličnog dohotka od poljoprivredne delatnosti*);

¹ Came into force on 16 December 1981 by the exchange of the instruments of ratification, which took place at Belgrade, in accordance with article 27.

- (iv) The tax and contributions on personal income derived from independent economic and non-economic activities (*porez i doprinosi iz ličnog dohotka od samostalnog obavljanja privrednih i neprivrednih delatnosti*);
- (v) The tax on personal income derived from copyrights, patents and technical improvements (*porez iz ličnog dohotka od autorskih prava, patenata i tehničkih unapredjenja*);
- (vi) The tax on revenue from capital and capital rights (*porez na prihod od imovine i imovinskih prava*);
- (vii) The tax on capital (*porez na imovinu*);
- (viii) The tax on total revenue of citizens (*porez iz ukupnog prihoda građana*);
- (ix) The tax on profits of foreign persons derived from investments in a domestic organisation of associated labour for the purposes of a joint venture (*porez na dobit stranih lica ostvarenu ulaganjem u domaću organizaciju udruženog rada za svrhe zajedničkog poslovanja*);
- (x) The tax on profits of foreign persons derived from investment works (*porez na dobit stranih lica ostvarenu izvođenjem investicionih radova*);
- (xi) The tax on revenues of foreign persons derived from passenger and cargo transport (*porez na prihod stranih lica ostvaren od prevoza putnika i robe*);

(hereinafter referred to as “Yugoslav tax”);

4. The Convention shall also apply to any identical or substantially similar taxes which are imposed after the date of signature of this Convention in addition to, or in place of, the existing taxes. The competent authorities of the Contracting States shall notify to each other any substantial changes which have been made in their respective taxation laws.

Article 3. GENERAL DEFINITIONS

1. For the purposes of this Convention:

(a) The terms “a Contracting State” and “the other Contracting State” mean the Socialist Federal Republic of Yugoslavia or the Kingdom of Sweden as the context requires;

(b) The term “person” includes an individual and any legal person;

(c) The term “company” means an organisation of associated labour and any other legal person subject to tax including, however, in the case of Sweden, a Swedish partnership;

(d) The terms “enterprise of a Contracting State” and “enterprise of the other Contracting State” mean, as the context requires, in respect of Yugoslavia, an organisation of associated labour and other self-managed organisation and community, working people who individually perform activities independently and an enterprise established outside the territory of Yugoslavia carried on by a resident of Yugoslavia, and in respect of Sweden, an enterprise carried on by a resident of Sweden;

(e) The term “competent authority” means:

- (i) In respect of Yugoslavia, the Federal Secretariat for Finance or its authorised representative,

(ii) In respect of Sweden, the Minister of the Budget or his authorised representative;

(f) The term “national” means any individual having the nationality of a Contracting State;

(g) The term “international traffic” means any transport by a ship or aircraft operated by an enterprise which has its place of effective management in a Contracting State, except when the ship or aircraft is operated solely between places in the other Contracting State.

2. As regards the application of the Convention by a Contracting State, any term not defined therein shall have the meaning which it has under the laws of that State concerning the taxes to which the Convention applies.

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 taxation therein by reason of his domicile, residence, place of management or any other criterion of a similar nature.

2. Where by reason of the provisions of paragraph 1 an individual is a resident of both Contracting States, then his status shall be determined as follows:

- (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 closest (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 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.

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 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 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 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 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 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, including income from agriculture or forestry, may be taxed in the Contracting State in which such property is situated.

2. The term "immovable property" shall have the meaning which it has under the law of the Contracting State in which the property in question is situated. Ships, boats and aircraft shall not be regarded as immovable property.

3. The provisions of paragraph 1 of this article 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 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. Subject to the provisions of paragraph 3, 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. Nothing in this paragraph shall, however, authorise a deduction for expenses which would not be deductible if the permanent establishment were a separate enterprise.

4. The profits to be attributed to a permanent establishment shall be determined on the basis of separate accounts kept by the permanent establishment. If such accounts do not constitute a sufficient basis for the purposes of determining the profits of the permanent establishment, then such profits may be determined on the basis of an apportionment of the total profits of the enterprise to its various parts; the method of apportionment adopted shall, however, be such that the result shall be in accordance with the principles embodied in this article. If necessary the competent authorities of the Contracting States shall endeavour to agree on the method for apportioning the profits of the enterprise.

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. The provisions of this article shall apply to the profits derived from Yugoslavia by a resident of Sweden on the grounds of his participation in a joint venture with a Yugoslav enterprise.

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. SHIPPING AND AIR TRANSPORT

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

2. If the place of effective management of an enterprise carrying on shipping in international traffic is aboard a ship, then it shall be deemed to be situated in the Contracting State in which the home harbour of the ship is situated, or, if there is no such home harbour, in the Contracting State of which the operator of the ship is a resident.

3. With respect to profits derived by the air transport consortium Scandinavian Airlines System (SAS) the provisions of paragraph 1 shall apply, but only to such part of the profits as corresponds to the shareholding in that consortium held by AB Aerotransport (ABA), the Swedish partner of Scandinavian Airlines System (SAS).

4. The provisions of paragraph 1 shall also apply to profits derived from the participation by enterprises of the Contracting States in a pool, a joint business or in an international operating agency.

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:

- (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 voting power of the company paying the dividends;
- (b) In all other cases, 15 per cent of the gross amount of the dividends.

The competent authorities of the Contracting States shall by mutual agreement settle the mode of application of this limitation.

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 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 laws 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, 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 provisions of article 7 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 to persons who are not residents of that other 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 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 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 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 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 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, films and tapes for television and radio, 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 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 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 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 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 with the whole enterprise) or of such fixed base, may be taxed in that other State.

3. Notwithstanding the provisions of paragraph 2 of this article gains from the alienation of ships or aircraft operated in international traffic or movable property pertaining to the operation of such ships or aircraft shall be taxable only in the Contracting State in which the place of effective management of the enterprise is situated.

4. Gains from the alienation of any property other than that referred to in paragraphs 1, 2 and 3 of this article, 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 nature shall be taxable only in that State.

2. Notwithstanding the provisions of paragraph 1 of this article income derived by a resident of a Contracting State in respect of professional services or other independent activities of a similar nature in the other Contracting State may be taxed in that other Contracting State, if the resident is present in that other Contracting State for a period or periods exceeding in the aggregate 183 days in the calendar year, whether or not such resident maintains a fixed base in that other Contracting State.

3. 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. DEPENDENT PERSONAL SERVICES

1. Subject to the provisions of articles 16, 18 and 19 of this Convention, 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 calendar year concerned, and
- (b) The remuneration is paid by, or on behalf of, a person 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 such person has in the other State.

3. (a) Wages and salaries paid by a Contracting State or a political subdivision or a local authority thereof to an individual shall be taxable only in that State.

(b) However, such wages and salaries shall be taxable only in the other Contracting State if the recipient has performed work in that other State and is a resident of that 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 the work.

4. Wages and salaries derived by an individual for work performed in connection with a business carried on by a Contracting State or a political subdivision or a local authority thereof, shall be taxable in accordance with the provisions of paragraphs 1 and 2 of this article.

5. Wages and salaries derived by an individual in respect of his work in the Joint Economic Representation of Yugoslavia or the Tourist Federation of Yugoslavia shall be taxable only in Yugoslavia. The provisions of this paragraph shall not apply to a person, who is a Swedish national, or to a person, who did not become a resident of Sweden solely for the purpose of performing the work.

6. Notwithstanding the preceding provisions of this article, remuneration in respect of an employment exercised aboard a ship or aircraft in international traffic, may be taxed in the Contracting State in which the place of effective management of the enterprise is situated. Where a resident of Sweden derives remuneration in respect of employment exercised aboard an aircraft operated in international traffic by the air transport consortium Scandinavian Airlines System (SAS), such remuneration shall be taxable only in Sweden.

*Article 16. FEES DERIVED FROM WORK ON BUSINESS BOARDS
(DIRECTORS' FEES)*

1. Directors' fees and other similar payments derived by a resident of Yugoslavia in his capacity as a member of the board of directors of a company which is a resident of Sweden may be taxed in Sweden.

2. Fees and other similar payments derived by a resident of Sweden in his capacity as a member of a business board of a company which is a resident of Yugoslavia may be taxed in Yugoslavia.

3. The provisions of paragraphs 1 and 2 shall not apply to remuneration paid on account of regular functions in a company as an employee, adviser, consultant and similar. In such a case the provisions of articles 14 or 15, as the case may be, shall apply.

Article 17. ARTISTES AND ATHLETES

1. Notwithstanding the provisions of articles 14 and 15, income derived by 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. Where income in respect of personal activities of an entertainer or athlete as such accrues not to that entertainer or athlete himself but to another person that in-

come may, notwithstanding the provisions of articles 7, 14 and 15, be taxed in the Contracting State in which the activities of the entertainer or athlete are exercised.

3. Notwithstanding the provisions of paragraphs 1 and 2 of this article income derived in respect of personal activities of an entertainer or athlete in his capacity as such being a resident of a Contracting State shall be taxable only in that State if the activities are exercised in the other Contracting State within the framework of a cultural or sports exchange programme sanctioned by both Contracting States.

Article 18. PENSIONS

1. Pensions and other similar remuneration shall be taxable only in the Contracting State in which the recipient of such pensions or remuneration is a resident.

2. Notwithstanding the provisions of paragraph 1 any pension paid by a Contracting State or a political subdivision or a local authority thereof out of the budget or special funds to any individual shall be taxable only in that State. However, such pension shall be taxable only in the other Contracting State if the recipient is a national of and a resident of that State.

3. Any pension derived by an individual for work performed in connection with any business carried on by a Contracting State or a political subdivision or a local authority thereof shall be taxable only in the Contracting State of which the individual is a resident.

4. Notwithstanding the provisions of paragraphs 1 and 3 of this article payments made under the Public Social Security Scheme of a Contracting State may be taxed in that State.

Article 19. STUDENTS

1. A student, business apprentice or trainee who is present in a Contracting State solely for the purpose of his education or training and who is, or was immediately before his stay in that State, a resident of the other Contracting State, shall be exempt from tax in the first-mentioned State in respect of payments received for the purpose of his maintenance, education or training provided that such payments are made to him from sources outside that first-mentioned State.

2. A student at a university or other educational institution in Yugoslavia, who during a temporary stay in Sweden holds an employment in Sweden for a period not exceeding 100 days in a calendar year for the purpose of obtaining practical experience in connection with his studies, shall be taxable in Sweden only for such part of the income from the employment as exceeds 1,500 Swedish kronor a calendar month. The exemption granted under this paragraph shall not, however, exceed an aggregate amount of 4,500 Swedish kronor. Any amount exempted from tax under this paragraph shall include personal allowances for the calendar year in question.

3. A student at a university or other educational institution in Sweden, who during a temporary stay in Yugoslavia holds an employment in Yugoslavia for a period not exceeding 100 days in a calendar year for the purpose of obtaining practical experience in connection with his studies, shall be taxable in Yugoslavia only for such part of the income from the employment as exceeds the personal income guaranteed by law for a calendar month. Any amount exempted from tax under this paragraph shall include personal allowances for the calendar year in question.

4. A student, business apprentice or trainee who is present in a Contracting State for the purposes of his education or training and who is, or was immediately be-

fore his stay in that State, a resident of the other Contracting State, shall be exempt from tax in the first-mentioned State on remuneration for personal services performed in that first-mentioned State provided the remuneration does not exceed 5,000 Swedish kronor or its equivalent in Yugoslav currency for any taxable year.

The benefits under this paragraph shall extend only for such period of time as may be reasonably or customarily required to complete the education or training undertaken but shall in no event exceed a period of three consecutive years.

Any amount exempted from tax under this paragraph shall include personal allowances for the calendar year in question.

5. The competent authorities of the Contracting States shall by mutual agreement settle the mode of application of the provisions of paragraphs 2, 3 and 4. The competent authorities may also agree on such changes of the amounts mentioned in those paragraphs as may be reasonable with regard to changes in the value of money, amended legislation in a Contracting State or other similar circumstances.

Article 20. 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 21. 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. 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 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 22. ELIMINATION OF DOUBLE TAXATION

1. Subject to the provisions of paragraph 4, where a resident of Sweden derives income or owns capital which, in accordance with the provisions of this Convention, may be taxed in Yugoslavia, Sweden shall allow:

(a) As a deduction from the tax on the income of that person, an amount equal to the income tax paid in Yugoslavia;

(b) As a deduction from the tax on the capital of that person, an amount equal to the capital tax paid in Yugoslavia.

2. The deduction in either case shall not, however, exceed that part of the income tax or capital tax, respectively, as computed before the deduction is given, which is appropriate, as the case may be, to the income or the capital which may be taxed in Yugoslavia.

3. Where exemption from or reduction of Yugoslav tax, payable in accordance with the provisions of article 7 of this Convention in respect of profits derived by a Swedish enterprise from a permanent establishment or a joint venture situated in Yugoslavia, has been granted under Yugoslav law then, for the purposes of para-

graph 1 (a) and paragraph 2, deduction from Swedish tax for Yugoslav tax shall be allowed as if no such exemption or reduction had been granted.

The provisions of this paragraph shall apply for the first ten years for which this Convention is effective. The competent authorities shall consult each other in order to determine whether this period shall be extended.

4. Where a resident of Sweden derives income or owns capital which in accordance with the provisions of this Convention, shall be taxable only in Yugoslavia, Sweden may include this income or capital in the tax base but shall allow as a deduction from its income tax or capital tax that part of the income tax or capital tax, respectively, which bears the same proportion to the total income tax or capital tax, as the case may be, as the income derived from or the capital owned in Yugoslavia bears to the total income or capital.

5. Where a resident of Yugoslavia derives income or owns capital which in accordance with the provisions of this Convention, may be taxed in Sweden, Yugoslavia shall, subject to the provisions of paragraph 6, exempt such income or capital from tax but may, in calculating tax on the remaining income or capital of that person, apply the rate of tax which would have been applicable if the exempted income or capital had not been so exempted.

6. Where a resident of Yugoslavia derives income which, in accordance with the provisions of article 10, may be taxed in Sweden, Yugoslavia shall allow as a deduction from the tax on the income of that person an amount equal to the tax paid in Sweden. Such deduction shall not, however, exceed that part of the tax, as computed before the deduction is given, which is appropriate to the income derived from Sweden.

Article 23. NON-DISCRIMINATION

1. The nationals of a Contracting State whether or not they are residents of one of the Contracting States, 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.

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. Except where the provisions of article 9, paragraph 4 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 condition 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 other or more burdensome than the taxation and connected requirements to which other similar enterprises of that first-mentioned State are or may be subjected.

5. In this article the term "taxation" means taxes of every kind and description.

Article 24. MUTUAL AGREEMENT PROCEDURE

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 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 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 the 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 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 an 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 25. 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 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 the Convention.

2. In no case shall the provisions of paragraph 1 be construed so as to impose on one of the Contracting States 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 business or official secret or trade process, or information, the disclosure of which would be contrary to public policy (*ordre public*).

Article 26. DIPLOMATIC AND CONSULAR OFFICIALS

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

Article 27. ENTRY INTO FORCE

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

2. The Convention shall enter into force upon the exchange of instruments of ratification and its provisions shall have effect:

- (a) In Sweden: in the case of income derived on or after 1st January next following the calendar year in which the exchange of instruments of ratification takes place, and in the case of capital which is subjected to assessment in or after the second calendar year next following that in which the exchange of instruments of ratification takes place;
- (b) In Yugoslavia: in the case of income derived and capital owned during any calendar year following the calendar year in which the exchange of instruments of ratification takes place.

Article 28. TERMINATION

1. This Convention shall remain in force indefinitely, but either of the Contracting States may, on or before 30th 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 diplomatic channels, written notice of termination.

In such event the Convention shall cease to have effect

- (a) In Sweden: in the case of income derived on or after 1st January next following the calendar year in which such notice is given and in the case of capital which is subjected to assessment in or after the second calendar year next following that in which such notice is given;
- (b) In Yugoslavia: in the case of income derived and capital owned during any calendar year following the calendar year in which such notice is given.

IN WITNESS WHEREOF the undersigned, being duly authorised thereto, have signed this Convention.

DONE at Stockholm this 18th day of June 1980 in two originals in the English language.

For the Kingdom of Sweden:

[Signed]

ROLF WIRTÉN

For the Socialist Federal Republic of Yugoslavia:

[Signed]

LJUBOMIR DRNDIĆ

PROTOCOL

At the moment of the signature of the Convention between the Kingdom of Sweden and the Socialist Federal Republic of Yugoslavia for the avoidance of double taxation with respect to taxes on income and capital the undersigned, being duly authorised thereto, have agreed upon the following provisions which constitute an integral part of the Convention.

1. *Ad article 7*

The Contracting States undertake on the basis of reciprocity not to tax gross revenue from passenger and cargo transport derived in a Contracting State by a resident of the other Contracting State, unless such revenue is attributable to a permanent establishment which that resident has in the first-mentioned Contracting State.

2. *Ad article 11*

The taxing rule in this article is drafted against the background that neither of the Contracting States at the time of signature of this Convention according to their respective domestic laws has possibility to levy a tax on interest paid to non-residents. It is understood that if such a possibility will be introduced in a Contracting State, negotiations for a revision of articles 11 and 22 shall take place.

3. *Ad article 25 paragraph 2 under (c)*

The term "official secret" means a trade, an industrial, a commercial or a professional secret.

IN WITNESS WHEREOF the undersigned being duly authorised thereto, have signed this Protocol.

DONE at Stockholm this 18th day of June 1980 in two originals in the English language.

For the Kingdom of Sweden:

[Signed]

ROLF WIRTÉN

For the Socialist Federal Republic of Yugoslavia:

[Signed]

LJUBOMIR DRNDIĆ
