No. 27198

SWEDEN
and
GERMAN DEMOCRATIC REPUBLIC

Agreement for the avoidance of double taxation with respect to taxes on income and on capital. Signed at Stockholm on 26 June 1986

Authentic texts: Swedish and German.

Registered by Sweden on 18 April 1990.

SUÈDE
et
RÉPUBLIQUE DÉMOCRATIQUE ALLEMANDE

Convention tendant à éviter la double imposition en matière d'impôts sur le revenu et sur la fortune. Signée à Stockholm le 26 juin 1986

Textes authentiques : suèdois et allemand.

Enregistrée par la Suède le 18 avril 1990.

[TRANSLATION — TRADUCTION]

AGREEMENT[1] BETWEEN THE GOVERNMENT OF THE GERMAN DEMOCRATIC REPUBLIC AND THE GOVERNMENT OF THE KINGDOM OF SWEDEN FOR THE AVOIDANCE OF DOUBLE TAXATION WITH RESPECT TO TAXES ON INCOME AND ON CAPITAL

The Government of the German Democratic Republic and the Government of the Kingdom of Sweden, desiring further to develop and to deepen relations between the German Democratic Republic and the Kingdom of Sweden in accordance with the principles of the Final Act of the Conference on Security and Cooperation in Europe,[2] and with a view to avoiding double taxation with respect to taxes on income and on capital, have agreed as follows:

Article 1. PERSONAL SCOPE

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

Article 2. TAXES COVERED BY THE AGREEMENT

1. The existing taxes to which this Agreement shall apply are:

(*a*) In the German Democratic Republic:

1. Remittance of projects of public enterprises;
2. Income tax;
3. Corporate income tax;
4. Trade tax;
5. Tax on wages;
6. Tax on income from a free-lance activity;
7. Tax on royalties;
8. Capital tax;

(hereinafter referred to as "German Democratic Republic tax");

(*b*) In the Kingdom of Sweden:

1. The State income tax, including the coupon tax and the seamen's tax;
2. The tax on distributed profits;
3. The communal income tax;
4. The tax on public entertainers;

[1] Came into force on 24 December 1986, i.e., 30 days after the date of receipt of the last of the notifications (11 August and 24 November 1986) by which the Contracting States had notified each other of the completion of the procedures required, in accordance with article 27 (2).

[2] *International Legal Materials*, vol. 14 (1975), p. 1292 (American Society of International Law).

5. The State capital tax;

(hereinafter referred to as "Swedish tax").

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

Article 3. GENERAL DEFINITIONS

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

(*a*) The terms "a Contracting State" and "the Other Contracting State" mean the German Democratic Republic or the Kingdom of Sweden as the context requires;

(*b*) The term "German Democratic Republic" means the German Democratic Republic and, when used in a geographical sense, the territory of the German Democratic Republic and all areas outside the territorial waters of the German Democratic Republic in so far as the German Democratic Republic is able, under international law, to exercise sovereign rights to explore the continental shelf there and exploit its natural resources;

(*c*) The term "Sweden" means the Kingdom of Sweden and, when used in a geographical sense, the territory of Sweden and all areas outside the territorial waters of Sweden in so far as Sweden is able, under international law, to exercise sovereign rights to explore the continental shelf and exploit its natural resources;

(*d*) The term "person" includes nationals of the Contracting States and other individuals, companies and any other bodies of persons;

(*e*) The term "national" means:

(1) In the case of the German Democratic Republic, any individual possessing the nationality of the German Democratic Republic under its laws;

(2) In the case of Sweden, any individual possessing Swedish nationality under Swedish law;

(*f*) The term "company" means any body corporate or any entity established or registered under the law of one of the Contracting States or 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 or an enterprise carried on by a resident of the other Contracting State as the context requires;

(*h*) The term "competent authority" means:

(1) In the case of the German Democratic Republic, the Ministry of Finance;

(2) In the case of Sweden, the Minister of Finance, his authorized representative or the authority to which he has delegated his powers;

(*i*) The term "international traffic" means any transport by a ship or aircraft operated by an enterprise of 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 this Agreement by a Contracting State, any term not defined therein shall, unless the context otherwise requires, have the meaning which it has under the laws of that Contracting State, particularly with respect to the taxes to which this Agreement applies.

Article 4. RESIDENT

1. For the purposes of this Agreement, the term "resident of a Contracting State" means any person who, under the laws of that State, is liable to tax therein by reason of his domicile, residence, place of head office, 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 State with which his personal and economic relations are closer (centre of vital interests);

(*b*) If the Contracting State in which he has his centre of vital interests cannot be determined, or if he has 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, 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 Agreement, the term "permanent establishment" means a fixed place of business through which the business of an enterprise is wholly or partly carried on.

2. The site of a construction, assembly or installation project constitutes a permanent establishment only if it lasts more than 12 months.

3. 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 solely for the purpose of advertising for the enterprise, providing information or conducting scientific research or carrying on similar activities;

(*f*) A fixed place of business which is maintained or established by an enterprise of one Contracting State in the other Contracting State especially on the basis or as a result of agreements between the Contracting States and which is maintained exclusively for the purpose of carrying on a combination of the activities referred to in paragraphs (*a*) to (*e*), provided that the overall activity carried on from the fixed place of business on the basis of that combination is of a preparatory or auxiliary character.

4. Notwithstanding the provisions of paragraph 1, where a person — other than an agent of an independent status to whom the provisions of paragraph 5 apply — 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 3 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.

5. 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.

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 derived by a resident of a Contracting State from immovable property situated in the other Contracting State may be taxed in that other Contracting State.

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 and aircraft shall not be regarded as immovable property.

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

Article 7. BUSINESS PROFITS

1. The profits derived by an enterprise of a Contracting State from business activities may be taxed in the other Contracting State only when the enterprise carries on business through a permanent establishment situated therein. However,

the taxation shall apply only to such part of the profits as is attributable to that permanent establishment.

2. 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 business 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.

3. 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.

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

Article 8. SHIPPING AND AIR TRANSPORT

1. The profits derived by an enterprise of a Contracting State from the operation of ships or aircraft in international traffic shall be taxable only in that State.

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

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

Article 9. ASSOCIATED ENTERPRISES

1. 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.

2. Where a Contracting State includes in the profits of an enterprise of that State — and taxes accordingly — profits on which an enterprise of the other Contracting State has been charged to tax in that other State and the profits so included are deemed to be profits which would have accrued to the enterprise of the first-mentioned State if the conditions made between the two enterprises had been those which would have been made between independent enterprises, then that other Contracting State shall make an appropriate adjustment to the amount of the tax charged therein on those profits. In determining such adjustment, due regard shall be

had to the other provisions of this Agreement and the competent authorities of the Contracting States shall, if necessary, consult each other.

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 Contracting State.

2. However, such dividends may also be taxed in the Contracting State of which the company paying the dividends is a resident and according to the laws of that State, but if the recipient is the beneficial owner of the dividends the tax so charged shall not exceed:

(*a*) Ten per cent of the gross amount of the dividends if the beneficial owner is a company (other than a partnership) which holds directly at least 25 per cent of the capital of the company paying the dividends;

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

The competent authorities of the Contracting States shall by mutual agreement settle the mode of application of these limitations.

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, 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 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 beneficial owner 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, and the holding in respect of which the dividends are paid is effectively connected with such permanent establishment. In such 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, except in so far as such dividends are paid to a resident of that other State or in so far 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, if the resident is the beneficial owner of the interest, be taxable only in that other Contracting State.

2. The term "interest" as used in this article means income from debt-claims of every kind, and in particular income from loans and bank deposits, government

securities, bonds or debentures, including premiums and prizes attaching to such securities, bonds or debentures as well as all other income assimilated for purposes of taxation to income from capital lent.

3. The provisions of paragraph 1 shall not apply if the beneficial owner 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, and the debt-claim in respect of which the interest is paid is effectively connected with such permanent establishment. In such cases the provisions of article 7 shall apply.

4. Where by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the interest, 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 beneficial owner in the absence of such relationship, the provisions of this article shall apply only to the last-mentioned amount. In such 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 Agreement.

Article 12. ROYALTIES

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

2. However, such royalties may also be taxed in the Contracting State in which they arise and according to the laws of that State, but if the recipient is the beneficial owner of the royalties, the tax so charged shall not exceed 10 per cent of the gross amount of the royalties.

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

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 cinematographic films, or any patent, trade mark, design or model, plan, secret formula or process, or for the use of, or the right to use, industrial, commercial, technical, technological or scientific equipment, or for information concerning industrial, commercial, technical, technological or scientific experience.

4. The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner 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 and the right or property in respect of which the royalties are paid is effectively connected with such permanent establishment. In such cases the provisions of article 7 shall apply.

5. Royalties shall be deemed to arise in a Contracting State when the payer is that State itself, a political subdivision, a local authority or a resident of that 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 State in which the permanent establishment is situated.

6. Where by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the royalties, 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 beneficial owner in the absence of such relationship, the provisions of this article shall apply only to the last-mentioned amount. In such 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 Agreement.

Article 13. CAPITAL GAINS

1. Gains derived by a resident of a Contracting State from the alienation of immovable property referred to in article 6 and situated in the other Contracting State may be taxed in that other State.

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, including such gains from the alienation of such a permanent establishment, may be taxed in that other State.

3. Gains derived by an enterprise of a Contracting State from the alienation of ships or aircraft operated in international traffic, and movable property pertaining to the operation of such ships, or aircraft, shall be taxable only in that State.

4. Gains from the alienation of any property other than that referred to in paragraphs 1, 2 and 3 shall be taxable only in the Contracting State of which the alienator is a resident.

5. Where an individual who has been a resident of one Contracting State becomes a resident of the other Contracting State, the provisions of paragraph 4 shall not affect the right of the first-mentioned State to tax, in accordance with its domestic laws, gains from the alienation of property derived by such person at any time during the first 10 years following the change of residence.

Article 14. INCOME FROM PERSONAL SERVICES

1. Subject to the provisions of articles 15, 17 and 18, salaries, wages and other similar remuneration derived by a resident of one Contracting State from services rendered in the other Contracting State shall be taxable in that other State.

2. Notwithstanding the provisions of paragraph 1, remuneration received by a resident of one Contracting State for services rendered in the other Contracting State shall be taxable only in the first-mentioned State where

(*a*) The recipient stays in the other State for a period not exceeding in the aggregate 183 days in the fiscal 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 which such person has in the other State.

3. Notwithstanding the preceding provisions of this article, the remuneration of nationals and other individuals who are residents of one Contracting State and who are sent to perform work in the other Contracting State and are employed in the facilities referred to in article 5, paragraph 3, as well as journalists and correspon-

dents of one Contracting State who are sent to perform work in the other Contracting State shall be taxable only in the sending State, provided that their stay in the other Contracting State does not exceed a period of three years and the remuneration is paid by or on behalf of a person who is not a resident of that other State.

4. Notwithstanding the preceding provisions of this article, remuneration derived by persons from an employment exercised aboard a ship or aircraft operated in international traffic by an enterprise of a Contracting State shall be taxable in that State.

Remuneration for employment exercised by a person who is a resident of Sweden aboard an aircraft operated in international traffic by the Swedish-Danish-Norwegian air transport consortium Scandinavian Airlines System (SAS) shall be taxable only in Sweden.

Article 15. 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 or other similar body of a company which is a resident of the other Contracting State may be taxed in that other State.

Article 16. ENTERTAINERS AND ATHLETES

1. Notwithstanding the provisions of article 14, 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 shall be taxable in that other State.

2. Where income in respect of personal activities exercised by an entertainer or an athlete in his capacity as such accrues not to the entertainer or athlete himself but to another person, that income may, notwithstanding the provisions of articles 7 and 14, be taxed in the Contracting State in which the activities of the entertainer or athlete are exercised.

3. Notwithstanding the provisions of paragraph 1, income from activities referred to in paragraph 1 derived by persons or groups appearing under a bilateral or multilateral agreement on cultural exchanges conducted by the Contracting States shall be taxable only in the State of which they are residents.

Article 17. PENSIONS AND SIMILAR PAYMENTS

1. Pensions and similar remuneration in consideration of past employment, and annuities or payments derived in accordance with social security laws by a resident of a Contracting State and originating in the other Contracting State shall be taxable only in that other Contracting State.

2. The term "annuity" means a stated sum payable periodically at stated times during life or during a specified or ascertainable period of time under an obligation to make the payments in return for adequate and full consideration in money or money's worth.

Article 18. GOVERNMENT SERVICE

1. (*a*) Subject to the provisions of article 17, remuneration paid by a Contracting State or a political subdivision or local authority or a State organ thereof to an individual in respect of services rendered to that State or subdivision, authority or State organ 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 individual is a resident of that State who:

(1) Is a national of that State; or

(2) Did not become a resident of that State solely for the purpose of rendering the services.

2. The provisions of articles 14 and 15 shall apply to remuneration in respect of services rendered in connection with a business carried on by a Contracting State or a political subdivision, local authority or State organ thereof.

Article 19. STUDENTS

Payments which a student, business apprentice or trainee 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 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 that State provided that such payments arise from sources outside that State.

Article 20. OTHER INCOME

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

2. The provisions of paragraph 1 of this article shall not apply to income, other than income from immovable property as defined in article 6, paragraph 2, if the recipient of such income, being a resident of a Contracting State, carries on business in the other Contracting State through a permanent establishment situated therein, and the right or property in respect of which the income is paid is effectively connected with such permanent establishment. In such case the provisions of article 7 shall apply.

Article 21. CAPITAL

1. Capital represented by immovable property referred to in article 6, owned by a resident of a Contracting State and situated in the other Contracting State, may be taxed in that other State.

2. Capital represented by 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 may be taxed in that other State.

3. Capital represented by ships and aircraft of an enterprise of a Contracting State which are operated in international traffic, and movable property pertaining to the operation of such ships or aircraft shall be taxable only in that Contracting State.

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

Article 22. ELIMINATION OF DOUBLE TAXATION

1. In the case of a resident of the German Democratic Republic, double taxation shall be avoided in the following manner:

(*a*) Where a national or other individual who is a resident of the German Democratic Republic derives income from or owns capital in Sweden and such income or capital may be taxed in Sweden under the provisions of this Agreement, the German Democratic Republic shall exempt such income or capital from taxation.

(*b*) Where a resident of the German Democratic Republic other than a national or other individual derives income from or owns capital in Sweden, a deduction shall be made from the tax payable in the German Democratic Republic corresponding to the amount of tax paid in Sweden in accordance with the provisions of this Agreement.

2. In the case of a resident of Sweden, double taxation shall be avoided in the following manner:

(*a*) Where a resident of Sweden derives income which in accordance with this Agreement may be taxed in the German Democratic Republic, Sweden shall, subject to the provisions of Swedish tax law (taking into account any future amendments not affecting the general principles of these provisions), deduct from the tax payable on such income an amount corresponding to the tax paid on the income in the German Democratic Republic;

(*b*) Where a resident of Sweden owns capital which, under the provisions of this Agreement, may be taxed in the German Democratic Republic, Sweden shall deduct from the capital tax on that person's capital an amount corresponding to the capital tax paid in the German Democratic Republic. The amount deducted may not, however, exceed the part of the Swedish capital tax, calculated without such deduction, which is attributable to the capital that may be taxed in the German Democratic Republic;

(*c*) Business profits and gains referred to in article 7 and article 13, paragraph 2, derived by a resident of Sweden from the German Democratic Republic and which, under those articles, may be taxed in the German Democratic Republic, shall, notwithstanding the provisions of subparagraph (*a*), be exempt from Swedish tax. This provision shall, however, apply only where the major part of the profit or gains is derived from a professional, commercial or industrial activity carried on in the German Democratic Republic and not consisting in the administration of securities or other similar movable property;

(*d*) Where a resident of Sweden derives income which under articles 17 and 18 is taxable only in the German Democratic Republic, or income or profits exempt from Swedish tax under the provisions of subparagraph (*c*), Sweden may take such income or profits into account in establishing the tax rate for other income or profits.

3. Notwithstanding the provisions of paragraph 2, dividends paid by a company which is a resident of the German Democratic Republic to a company which is a resident of Sweden shall be exempt from Swedish tax to the extent that the dividends would be exempt from Swedish tax under Swedish law if both companies had been residents of Sweden. This provision shall apply, however, only where the major

part of the profits of the company paying the dividends derives, directly or indirectly, from a commercial or industrial activity which does not consist in the administration of securities or other similar movable property, and where the activity is carried on in the German Democratic Republic.

Article 23. NON-DISCRIMINATION

1. 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. This provision shall, notwithstanding the provisions of article 1, also apply to persons who are not residents of one or both of the Contracting States.

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 other similar criteria which it grants to its own residents.

3. Except where the provisions of article 9, paragraph 1, article 11, paragraph 4, or article 12, paragraph 6, 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 under the same conditions 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 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 the first-mentioned State are or may be subjected.

5. The provisions of this article shall, notwithstanding the provisions of article 2, apply to taxes of every kind and description.

Article 24. 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 Agreement, 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 article 23, paragraph 1, to that of the Contracting State of which he is a national. The case must be presented within two years from the first notification of the action resulting in taxation not in accordance with the provisions of the Agreement.

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 which is not in accordance with this Agreement. 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 Agreement. They may also consult together for the elimination of double taxation in cases not provided for in the Agreement.

4. The competent authorities of the Contracting States may communicate with each other directly for the purpose of reaching an agreement in the sense of the preceding paragraphs. Where an oral exchange of views seems advisable to facilitate agreement, such an exchange of views may be held in a commission made up 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 carrying out the provisions of this Agreement or of the domestic laws of the Contracting States concerning taxes covered by the Agreement, in so far as the taxation thereunder is not contrary to the Agreement. The exchange of information is not restricted by article 1. Any information received by a Contracting State shall be treated as secret in the same manner as information obtained under the domestic laws of that State and shall be disclosed only to persons or authorities (including courts and administrative bodies) involved in the assessment or collection of, the enforcement or prosecution in respect of, or the determination of appeals in relation to, the taxes which are the subject of the Agreement. Such persons or authorities shall use the information only for such purposes.

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 and administrative practice of that or of the other Contracting State;

(*b*) To supply information which is not obtainable under the laws or in the normal course of the administration of that or of the other Contracting State;

(*c*) To supply information which would disclose any trade, business, industrial or professional secret or trade process, or information, the disclosure of which would be contrary to public policy *(ordre public)*.

Article 26. DIPLOMATIC AGENTS AND CONSULAR OFFICERS

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

Article 27. ENTRY INTO FORCE

1. The Contracting States shall notify each other of the completion of the procedures required under their laws for the entry into force of this Agreement.

2. The Agreement shall enter into force 30 days after the date on which the last such notification is received, and shall apply to:

(*a*) Income tax levied on income earned on or after 1 January of the calendar year following the year in which the Agreement enters into force; and

(*b*) Capital tax levied on capital held on or after 31 December of the calendar year following the year in which the Agreement enters into force.

Article 28. PERIOD OF VALIDITY

This Agreement shall remain in force for an indefinite period. After five years have elapsed from the date of its entry into force, this Agreement may be denounced by either of the Contracting States in writing, but not later than six months before the end of the current calendar year. In the event of such denunciation, the Agreement shall cease to have effect:

(*a*) In respect of income tax levied on income earned on or after 1 January of the calendar year following the year in which the denunciation took place; and

(*b*) In respect of capital tax levied on capital held on or after 31 December of the calendar year following the year in which the denunciation took place.

DONE at Stockholm on 26 June 1986, in duplicate in the German and Swedish languages, both texts being equally authentic.

For the Government
of the German Democratic Republic:

OSKAR FISCHER

For the Government
of the Kingdom of Sweden:

STEN ANDERSSON