

(N. 2413)

DISEGNO DI LEGGE

presentato dal **Ministro degli Affari Esteri**

(FANFANI)

di concerto col **Ministro delle Finanze**

(PRETI)

COMUNICATO ALLA PRESIDENZA IL 18 SETTEMBRE 1967

Ratifica ed esecuzione della Convenzione tra la Repubblica Italiana e la Repubblica Araba Unita per evitare la doppia imposizione e prevenire le evasioni fiscali in materia di imposte sul reddito, conclusa al Cairo il 26 marzo 1966

ONOREVOLI SENATORI. — La contemporanea applicazione di un'imposta analoga da parte di due (o più) Stati, nei confronti del medesimo contribuente ed a carico della stessa base imponibile, ha rappresentato e rappresenta un grave ostacolo all'espansione economica internazionale ed in particolare allo sviluppo degli scambi dei beni e dei servizi, nonché al movimento dei capitali e delle persone.

Mezzo efficace per eliminare o attenuare al massimo tale ostacolo sono le « Convenzioni contro le doppie imposizioni in materia di imposte sul reddito », le quali da un lato comportano un vantaggio sostanziale per l'operatore economico e per il beneficiario del reddito in generale, dall'altro impongono a ciascuno degli Stati contraenti reciproche rinunzie, totali o parziali, alla loro facoltà d'imposizione dei redditi.

In considerazione della intensità dei rapporti economici esistenti tra l'Italia e la Repubblica Araba Unita ed allo scopo di favorirne lo sviluppo in futuro, è stata stipu-

lata la presente Convenzione che si sottopone all'approvazione del Parlamento.

Il testo della Convenzione segue, nelle sue linee generali ed in quanto ciò sia stato reso possibile non solo dalla diversità dei sistemi fiscali, ma anche dagli interessi economici dei due Paesi, le norme del progetto di Convenzione elaborato dal Comitato fiscale dell'OCSE (Organizzazione per la cooperazione e lo sviluppo economico).

Dopo essere state elencate le imposte sul reddito applicate rispettivamente in Italia e nella RAU (articolo 1) ed essere stati definiti i termini e le espressioni adoperati nel contesto della Convenzione (articolo 2), vengono fissati (articolo 3) i criteri ai fini della tassazione degli utili, industriali e commerciali, prodotti dalle imprese dei due Stati, ivi inclusi quelli attribuiti alla stabile organizzazione situata in uno Stato di una impresa che è residente dell'altro Stato.

Gli articoli 4 e 5 stabiliscono, rispettivamente, i criteri per la tassazione degli utili apparentemente non realizzati dall'impresa

di uno Stato controllata, direttamente o indirettamente, da imprese o persone residenti nell'altro Stato, nonchè i criteri in base ai quali vengono tassati i redditi derivanti da beni immobili situati in uno Stato ed appartenenti ad un residente dell'altro Stato.

In ordine ai dividendi, l'articolo 6 prevede che saranno assoggettati all'imposta in entrambi gli Stati contraenti, secondo le rispettive legislazioni fiscali.

La doppia imposizione di tali dividendi viene evitata (articolo 17) col metodo così detto del « *tax credit* », in base al quale lo Stato del domicilio del beneficiario accorderà il credito (deduzione imposta da imposta), di quanto è stato pagato sugli stessi dividendi nello Stato della fonte, dove cioè i dividendi sono stati distribuiti.

Tuttavia, l'Italia rinuncia all'imposta complementare e la RAU alla « *general income tax* », rispettivamente sui dividendi pagati dalle proprie società ai residenti dell'altro Stato, purchè non si tratti di redditi attribuibili ad una stabile organizzazione situata nel Paese della fonte, nel qual caso quest'ultimo applicherà in pieno le sue imposte.

I redditi provenienti dall'esercizio della navigazione aerea e marittima (articolo 7) sono tassabili nello Stato in cui è residente il beneficiario. Lo stesso trattamento è previsto per le partecipazioni in « *pool* » delle imprese dei due Paesi operanti in tale settore.

Inoltre, per quanto concerne la tassazione dei canoni (*royalties*), nonchè degli utili realizzati dall'alienazione dei beni e diritti cui si riferiscono gli stessi canoni, l'articolo 8 ne prevede l'esenzione dalla imposta nello Stato dal quale fluiscono detti canoni ed utili, semprechè non siano attribuibili ad una stabile organizzazione situata in detto Stato. Le azioni di fondatore emesse a titolo di corrispettivo dei diritti in parola saranno, invece, assoggettate al trattamento tributario stabilito, dalla Convenzione, per i dividendi.

Gli utili (*capital gains*) derivanti dalla vendita, trasformazione o permuta di elementi patrimoniali dell'impresa, in base all'artico-

lo 9, saranno assoggettati all'imposta nel solo Paese del beneficiario, a meno che detti utili non siano attribuibili ad una stabile organizzazione situata nell'altro Paese che, in tal caso, avrà diritto ad applicare le sue imposte.

Le norme (articoli 10, 11 e 12) che concernono la tassazione delle remunerazioni, per il lavoro subordinato, pagate da uno degli Stati contraenti o da altri Enti pubblici, in favore di un proprio nazionale nell'altro Stato contraente, comprese le pensioni, nonchè le altre remunerazioni derivanti da prestazioni personali, con esclusione di quelle artistiche e sportive, riproducono sostanzialmente le norme contenute nel citato progetto di Convenzione dell'OCSE.

In ordine agli interessi, l'articolo 13 stabilisce, in linea generale, la tassabilità nello Stato di cui il debitore è un residente. Ciascuno degli Stati contraenti rinuncia tuttavia ad assoggettare alle imposte sul reddito complessivo delle persone fisiche gli interessi pagati da un proprio residente ad un residente dell'altro Stato, alle stesse condizioni previste per la tassazione dei dividendi.

La doppia imposizione di tali interessi è evitata mediante il metodo del « *tax credit* ».

Gli articoli 14 e 15 concernono il trattamento fiscale delle remunerazioni dei professori, insegnanti, studenti ed apprendisti di uno Stato contraente che svolgono la loro attività nell'altro Stato.

Gli articoli 17 e 18 concernono, rispettivamente, il metodo (*tax credit*) per evitare la doppia imposizione, secondo uno schema seguito in altre analoghe Convenzioni stipulate dall'Italia, nonchè lo scambio di informazioni tra le competenti autorità dei due Paesi, per prevenire le evasioni fiscali.

L'articolo 19 prevede la non discriminazione sul piano fiscale dei nazionali di uno Stato nei confronti di quelli dell'altro Stato.

Infine, le altre norme (articoli 20, 21, 22, 23 e 24) prevedono le modalità per l'applicazione della Convenzione, nonchè le formalità cui la medesima è soggetta ai fini della sua entrata in vigore. La decorrenza dell'Accordo è fissata dall'anno solare 1962.

DISEGNO DI LEGGE
—**Art. 1.**

Il Presidente della Repubblica è autorizzato a ratificare la Convenzione tra la Repubblica Italiana e la Repubblica Araba Unita per evitare la doppia imposizione e prevenire le evasioni fiscali in materia di imposte sul reddito, conclusa al Cairo il 26 marzo 1966.

Art. 2.

Piena ed intera esecuzione è data alla Convenzione di cui all'articolo precedente, a decorrere dalla sua entrata in vigore in conformità all'articolo 22 della Convenzione stessa.

ALLEGATO

CONVENZIONE TRA LA REPUBBLICA ITALIANA E LA REPUBBLICA ARABA
UNITA PER EVITARE LA DOPPIA IMPOSIZIONE E PREVENIRE LE EVASIONI
FISCALI IN MATERIA DI IMPOSTE SUL REDDITO

CONVENTION

BETWEEN THE ITALIAN REPUBLIC AND THE UNITED ARAB REPUBLIC FOR THE AVOIDANCE OF DOUBLE
TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME

The Government of the Italian Republic and the Government of the United Arab Republic,

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

Have agreed as follows:

Article 1

1. — The taxes which are the subject of the present Convention are:

a) In the United Arab Republic (and hereinafter referred to as “ United Arab Republic Tax ”):

1. Tax on income derived from immovable property (including the land tax, the building tax and the ghaffir tax);
2. Tax on income from movable capital;
3. Tax on commercial and industrial profits;
4. Tax on wages, salaries, indemnities and pensions;
5. Tax on profits from liberal professions and all other non-commercial professions;
6. General income tax;
7. Defence tax;
8. Supplementary taxes imposed as a percentage of taxes mentioned above (including municipal taxes).

b) In the Italian Republic (and hereinafter referred to as “ Italian Tax ”):

1. Tax on land (imposta sul reddito dei terreni);
2. Tax on buildings (imposta sul reddito dei fabbricati);
3. Tax on income from movable wealth (imposta sui redditi di ricchezza mobile);
4. Tax on agricultural income (imposta sui redditi agrari);
5. Complementary tax (imposta complementare progressiva sul reddito complessivo);
6. Tax on companies (imposta sulle società) in so far as the tax is charged on income and not on capital;
7. Taxes on income imposed on behalf of Regions, Provinces, Municipalities, Chambers of Commerce (imposte regionali, provinciali, comunali e camerale sul reddito).

2. — The present Convention shall also apply to any other taxes of a substantially similar character imposed in the United Arab Republic or in the Italian Republic subsequently to the date of signature of this Convention.

3. — In the event of substantial changes in their fiscal laws, the Contracting States will consult together in order to determine whether it is necessary for that reason to amend any of the provisions of this Convention.

Article 2

1. — In the present Convention unless the context otherwise requires:

- a) The term “ United Arab Republic ” means Egypt.
- b) The term “ Italian Republic ” means the territory in which the Italian laws are in force.
- c) The terms “ one of the Contracting States ” and “ the other Contracting State ” means the United Arab Republic or the Italian Republic as the context requires.
- d) The term “ tax ” means United Arab Republic tax or Italian tax, as the context requires.
- e) The term “ person ” includes any individual (natural person) or any body of persons, corporate or not corporate.
- f) The term “ company ” means any body corporate and any entity which is treated as a body corporate for tax purposes.
- g) The term “ resident of a Contracting State ” means:

a) in the case of a company, one having its principal seat of control and management in that Contracting State;

b) in the case of any other person (including partnerships and associations which are not legal persons) one who, under the law of that State, is liable to taxation by reason of his domicile, residence, place of management or any other similar criterium. Where by reason of this provision any person (including partnerships and associations which are not legal persons) is deemed to be resident of both Contracting States, the competent authorities of the two Contracting States shall solve the case by mutual agreement.

h) The terms “ resident of one of the Contracting States ” and “ resident of the other Contracting State ” means a person who is resident of the United Arab Republic or a person who is resident of the Italian Republic, as the context requires;

i) The terms “ United Arab Republic enterprise ” and “ Italian enterprise ” mean respectively an industrial or commercial enterprise or undertaking carried on by a resident of the United Arab Republic and an industrial or commercial enterprise or undertaking carried on by a resident of the Italian Republic. And the terms “ enterprise of one of the Contracting States ” and “ enterprise of the other Contracting State ” mean a United Arab Republic enterprise or an Italian enterprise, as the context requires;

j) The term “ permanent establishment ” means a fixed place of business in which the business of the enterprise is wholly or partly carried on.

aa) A permanent establishment shall include e.g.: a place of management, branch, office, factory, workshop, mine, oilfield, quarry or other place of extraction of natural resources, a building site or construction or assembly project which exists for more than six months;

bb) The term “ permanent establishment ” shall not be deemed to include:

1. The use of facilities solely for the purpose of storage or display of goods or merchandise belonging to the enterprise;
2. The maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage or display;
3. The maintenance of a stock of goods or merchandise, whether in a warehouse or not, merely for convenience of delivery unless sub-paragraph (cc) (2) applies;
4. The maintenance of a place of business solely for the purchase of goods or merchandise, or for collecting information, for the enterprise;

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5. The maintenance of a 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;

cc) An enterprise of one of the Contracting States shall be deemed to have a permanent establishment in the other Contracting State if it has in that other State an agent or employee who,

1. Has and habitually exercises in this other Contracting State an authority to negotiate and conclude contracts on behalf of the enterprise unless his activities are limited to the purchase of goods or merchandise for the enterprise; or

2. Maintains in the other Contracting State a stock of goods belonging to the enterprise from which he regularly fills orders on its behalf;

dd) An enterprise shall not be deemed to have a permanent establishment in the other Contracting State merely because it carries on business dealings in that other State through:

— a broker,
— general commission agent or
— any other agent of a genuinely independent status where such persons are acting in the ordinary course of their business as such;

ee) The fact that a company which is a resident of one of the Contracting States has a subsidiary company which is a resident of the other Contracting State or which carries on a trade or business in that other State (whether through a permanent establishment or otherwise) shall not, of itself, constitute that subsidiary company a permanent establishment of its parent company.

2. — The term “competent authorities” means in the case of the United Arab Republic the Minister of the Treasury or his authorised representatives and in the case of the Italian Republic the Ministry of Finance, General Directorship for Direct Taxation.

3. — In the application of the provisions of the present Convention by one of the Contracting States any term not otherwise defined shall, unless the context otherwise requires, have the meaning which it has under the laws in force in the territory of that State relating to the taxes which are the subject of the present Convention.

Article 3

1. — The industrial or commercial profits of an enterprise of one of the Contracting States shall not be subject to tax in the other Contracting State unless the enterprise carries on a trade or business in the other Contracting State through a permanent establishment situated therein. If it carries on a trade or business in that other Contracting State through a permanent establishment situated therein, tax may be imposed on those profits in the other Contracting State but only on so much of them as is attributable to that permanent establishment.

2. — The share of the industrial or commercial profits of an undertaking accruing to a partner therein who is a resident of one of the Contracting States shall likewise not be subject to tax in the other Contracting State unless the undertaking carries on a trade or business in that other Contracting State through a permanent establishment situated therein. If it carries on a trade or business in that other Contracting State through a permanent establishment situated therein, tax may be imposed in the other Contracting State on the share of the profits accruing to that partner, but only on so much as represents his share of the profits attributable to the permanent establishment.

3. — Where an enterprise of one of the Contracting States carries on a trade or business in the other Contracting State through a permanent establishment situated therein, there shall be attributed to that permanent establishment the industrial or commercial profits which it might be expected to derive in that other Contracting State if it were an independent enterprise engaged in the same or similar activities under the same or similar conditions and dealing at arm's length with the enterprise of which it is a permanent establishment. Such industrial and commercial profits will in principle be determined on the basis of separate accounts pertaining to such establishment. In the determination of the net industrial and commercial profits of the permanent establishment, there shall be allowed as deduction all expenses wherever incurred which are reasonably allocable to the permanent establishment, including executive and general administrative expenses so attributable.

Provided that if the information available to the taxation authority concerned is inadequate to determine the profits to be attributed to the permanent establishment, nothing in this paragraph shall affect the application of the law of either Contracting State in relation to the liability of the permanent establishment to pay tax on an amount determined by the exercise of a discretion or the making of an estimate by the taxation authority of that Contracting State; such discretion shall be exercised or such estimate shall be made so far as the information available to the taxation authority permits, in accordance with the principle stated in this paragraph.

4. — No portion of any profits arising to an enterprise of one of the Contracting States shall be attributed to a permanent establishment situated in the other Contracting State by reason of the mere purchase of goods or merchandise within that other Contracting State, provided that no expenses or costs relating directly or indirectly to such purchases shall be allowed as deductions in determining the profits of the permanent establishment.

5. — Where an item of income other than industrial and commercial profits (e.g. dividends, interest, royalties, rents) is attributable to a permanent establishment, such income shall be taxed separately or together with the industrial and commercial profits of the permanent establishment in accordance with the laws of the Contracting States in which the permanent establishment is situated.

Article 4

1. — Where

a) an enterprise of one of the Contracting States participates directly or indirectly in the management, control or capital of an enterprise of the other Contracting State, or

b) the same persons participate directly or indirectly in the management, control or capital of an enterprise of one of the Contracting States 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, except 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. In consequence the necessary rectifications should be made concerning the income of the other enterprise.

2. — If the information available to the taxation authority concerned is inadequate to determine, for the purposes of paragraph 1 of this Article, the profits which might be expected to accrue to an enterprise, nothing in that paragraph shall affect the application of the law of either Contracting State in relation to the liability of that enterprise to pay tax on an amount determined by the exercise of a discretion or the making of an estimate by the taxation authority of that Contracting State.

Provided that such discretion shall be exercised or such estimate shall be made, so far as the information available to the taxation authority permits, in accordance with the principle stated in that paragraph.

Article 5

1. — Income of whatever nature derived from real property within one of the Contracting States by a resident of the other Contracting State shall be taxable only in the first mentioned State.

2. — Any royalty or other amount paid in respect of the operation of a mine, oilfield or quarry or of any other extraction of natural resources within one of the Contracting States to a resident of the other Contracting State shall be taxable in the first mentioned State.

3. — Where such income mentioned in paragraphs 1 and 2 is attributable to a permanent establishment, paragraph 5 of Article 3 of this Convention shall be applicable.

Article 6

1. — Dividends paid by a company resident of one of the Contracting States to a resident of the other Contracting State may be taxable in both Contracting States in accordance with the laws of the two Contracting States.

Where such dividends are subject to tax in both States, relief from double taxation shall be given in accordance with the provisions of Article 17 of this Convention.

2. — Dividends paid by a company resident of one of the Contracting States whose activities lie solely or mainly in the other Contracting State shall be treated as if the company were resident of the other Contracting State and the dividends shall be taxable in this other Contracting State.

The activities of a company are considered to lie solely or mainly in the other Contracting State if the investments of the company in such other State represent 90 per cent or more of its total investments, or if the profits and other income of the company have their sources in the other Contracting State for 90 per cent or more of its total profits and income.

3. — The profits or income derived by a permanent establishment situated in the United Arab Republic of a company resident of the Italian Republic are deemed to be distributed within 60 days of the closing of the financial year of the company and treated as dividends, such dividends (profits) are chargeable in the United Arab Republic, provided that an equivalent deduction will be granted for the purpose of the tax chargeable in respect of the profits or income of the permanent establishment.

4. — In any other case than that referred to in paragraph 2 and 3 a company which is a resident of one of the Contracting States and which derives profits or income from sources in the other Contracting State, there shall not be imposed in that other State any form of taxation on dividends paid by the company to persons not resident of that other State, or any tax in the nature of undistributed profits tax on undistributed profits of the company whether or not those dividends or undistributed profits represent, in whole or in part, profits or income so derived.

5. — Notwithstanding the provision of paragraph 1 of this Article, the Italian Republic shall exempt from the complementary tax the dividends paid by a company resident of the Italian Republic to a person resident of the United Arab Republic and the United Arab Republic shall exempt from the general income tax the dividends paid by a company resident of the United Arab Republic to a person resident of the Italian Republic. This exemption is not however granted where the person receiving such dividends has a permanent establishment in the other Contracting State and the dividends are attributable to that permanent establishment; in such an event Article 3 of this Convention shall apply.

Article 7

1. — Notwithstanding the provisions of Articles 3, 4 and 6, profits which a resident of one of the Contracting States derives from operating ships or aircraft shall be exempt from tax in the other Contracting State; and where such profits are derived by a company which is a resident of one of the Contracting States, dividends paid by the company to persons not resident in the other Contracting State shall be exempt from tax in that other Contracting State.

2. — Paragraph 1 shall likewise apply in respect of participations in pools of any kind by United Arab Republic or Italian enterprises engaged in air-transport or navigation.

Article 8

1. — Royalties arising in one of the Contracting States and paid to a resident of the other Contracting State shall be exempt from tax in the first-mentioned State.

2. — The term “royalties” employed in this Article means payments of any kind received as consideration for the use of, or the right to use, any copyright of literary, artistic or scientific work including cinematograph films, any patent, trade mark design or model, plan, secret process or formula, or other like property or rights, but does not include any royalty or other amount paid in respect of the operation of a mine, oilfield or quarry or of any other extraction of natural resources.

3. — The provisions of paragraph 1 of this Article shall apply to the profits from the alienation of any property or rights mentioned in paragraph 2.

4. — Where any royalty exceeds a fair and reasonable consideration in respect of rights for which it is paid, the exemption provided by this Article shall apply only to so much of the royalty as represents such fair and reasonable consideration.

5. — The provisions of paragraphs 1 and 3 shall not apply if the recipient of the royalties, being a resident of one of the Contracting States, has in the other Contracting State a permanent establishment and such royalties are attributable to that permanent establishment. Where such a resident has a permanent establishment in that other State the royalties shall, unless he shows the contrary, be presumed to be attributable to that permanent establishment; in such an event Article 3 of this Convention shall apply.

6. — The provisions of this Article shall not apply to dividends of founder's shares issued as consideration for the rights mentioned in paragraph 2 of this Article; in such an event the provisions of Article 6 of this Convention, concerning the dividends paid, shall apply.

Article 9

1. — A resident of one of the Contracting States shall be exempt in the other Contracting State from any tax on gains from the sale, transfer or exchange of capital assets.

2. — Paragraph 1 shall not apply where a resident of one of the Contracting States has a permanent establishment in the other Contracting State and such gains are attributable to that permanent establishment; in such an event Article 3 of this Convention shall apply.

Article 10

1. — Remuneration, including pensions, paid, by or out of funds created by one of the Contracting States (including governmental public Organisations, such as the Post Organisation and the Railways Organisation) or a political or administrative subdivision thereof, to any individual in respect of services rendered to that State or political or administrative subdivision thereof in the discharge of his functions shall be exempt from tax in the other Contracting State without being also a national of the first-mentioned State.

2. — The provisions of this Article shall not apply to payments in respect of services rendered in connection with any trade or business carried on by either of the Contracting States or political or administrative subdivision thereof for purposes of profits.

Article 11

1. — Subject to the provisions of Article 10, an individual who is a resident of one of the Contracting States, shall be exempt in the other Contracting State from tax on profits or remuneration in respect of personal (including professional) services performed within that other State in any calendar year if:

a) he is present in the other State for a period or periods not exceeding in the aggregate 183 days during that year, and,

b) “ i ” in the case of a directorship or employment, the services are performed for or on behalf of a resident of the other State;

“ ii ” in other cases, he has no office or other fixed place of business in the other State;

c) the profits or remuneration are not allowable as a deduction in computing any profits taxable in the other State.

2. — The provisions of this Article shall not apply to the profits or remuneration of public entertainers such as theatre, motion picture, radio or television artists, musicians and athletes.

3. — Where an individual permanently or predominantly performs services in ships or aircraft operated by an enterprise managed and controlled in one of the Contracting States, such services shall be deemed to be performed in that State.

Article 12

1. — Any pension (other than a pension of the kind referred to in paragraph 1 of Article 10) and any annuity, derived from sources within one of the Contracting States by an individual who is a resident of the other Contracting State, shall be exempt from tax in the first-mentioned State.

2. — In this Article:

a) The term “ pension ” means periodic payments made in consideration of services rendered or by way of compensation for injuries received.

b) 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 13

1. — Interest paid by a person resident of one of the Contracting States to a resident of the other Contracting State, shall be taxable in the first-mentioned State.

2. — Notwithstanding the provisions of paragraph 1 of this Article, the Italian Republic shall exempt from the complementary tax, the interest paid by a person resident of the Italian Republic to a person resident of the United Arab Republic and the United Arab Republic shall exempt from the general income tax, the interest paid by a person resident of the United Arab Republic to a person resident of the Italian Republic. This exemption is not however granted where the person receiving such interest has a permanent establishment in the other Contracting State and the interest is attributable to that permanent establishment; in such an event Article 3 of this Convention shall apply.

Article 14

A professor or teacher from one of the Contracting States, who receives remuneration for teaching during a period of temporary residence not exceeding two years, at a university, college, school or other educational institution in the other Contracting State, shall be exempt from tax in that other State in respect of that remuneration.

Article 15

1. — A student or business apprentice from one of the Contracting States, who is receiving full-time education or training in the other Contracting State, shall be exempt from tax in that other State on payments made to him by persons resident in the first-mentioned State for the purpose of his maintenance, education or training.

2. — The same exemption shall apply to income which a student from one of the Contracting States derives from an employment in the other State for a period or periods not exceeding one year.

Article 16

Individuals who are residents of one of the Contracting States shall be entitled to the same personal allowances, reliefs and reductions for the purposes of the other Contracting State tax as citizens of that other State not resident in the other State.

Article 17

It is agreed that double taxation shall be avoided in the following manner:

a) The Italian Republic in determining its income taxes specified in Article 1 of this Convention in the case of its residents may, regardless of any other provision of this Convention (other than Article 5), include in the basis upon which such taxes are imposed all items of income; the Italian Republic shall, however, deduct from the taxes so calculated the United Arab Republic tax on income from sources in the United Arab Republic (not exempt from United Arab Republic tax under this Convention) in the following manner:

i) if the item of income is, according to the Italian Law, subjected to the tax on income from movable wealth, the tax paid in the United Arab Republic shall be deducted from the tax on income from movable wealth, and from the taxes imposed on behalf of Regions, Provinces, Municipalities, Chambers on Commerce on the same income, but in an amount not exceeding that proportion of the aforesaid taxes which such income bears to the entire income.

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

ii) if the item of income (excluding income arising from immovable property and dividends) is only subjected to the complementary tax or to the tax on companies, the deduction shall be granted

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from the complementary tax or from the tax on companies as the case may be, but for that part of the tax paid in the United Arab Republic which exceeds 20 per cent of such item of income. The deduction cannot however exceed that proportion of the complementary tax or of the tax on companies which such income bears to the entire income.

iii) Where the dividends, paid by a company resident of the United Arab Republic to a resident of the Italian Republic, are not subjected to the Italian tax on income from movable wealth, the Italian Republic shall deduct, from its complementary tax only, the tax paid in the United Arab Republic (on those dividends) which exceeds 20 per cent of their gross amount. The deduction cannot however exceed that proportion of the complementary tax which such dividends bear to the entire income.

b) The United Arab Republic in determining its income taxes specified in Article 1 of this Convention in the case of its residents may, regardless of any other provision of this Convention (other than Article 5), include in the basis upon which such taxes are imposed all items of income; the United Arab Republic shall, however, deduct from the taxes so calculated the Italian Republic tax on income from sources in the Italian Republic (not exempt from the Italian Republic tax under this Convention) in the following manner:

i) if the item of income (other than dividends) is, according to the United Arab Republic law, subjected to the taxes on income specified in Article 1 paragraph a) (2, 3, 4, 5), the tax paid in the Italian Republic shall be deducted from the aforesaid United Arab Republic taxes, the defence tax and supplementary taxes, but in an amount not exceeding such taxes imposed on that income.

Where the tax paid in the Italian Republic on such income is higher than the deduction so calculated, the difference shall be deducted from the general income tax, but in an amount not exceeding that proportion of the tax which such income bears to the entire income.

ii) if the item of income (excluding income arising from immovable property and dividends) is only subjected to the general income tax, the deduction shall be granted from the general income tax but for that part of the tax paid in the Italian Republic which exceeds 20 per cent of such item of income. The deduction cannot however exceed that proportion of the general income tax which such income bears to the entire income.

iii) The United Arab Republic in computing its taxes on the dividends paid by a company resident of the Italian Republic to any person (within the meaning of this Convention) resident of the United Arab Republic, shall deduct from those taxes the tax paid in the Italian Republic on those dividends up to 15 per cent of the amount of such dividends.

c) The Contracting State of which the recipient is a resident retains the right to take into account, for the determination of the rates of taxes chargeable in accordance with its laws, the income specified in Article 5 of this Convention derived from sources within the other State.

Article 18

The taxation authorities of the Contracting States shall exchange such information (being information which is at their disposal under their respective taxation laws in the normal course of administration) as is necessary for carrying out the provisions of the present Convention, or for the prevention of fraud or for the administration of statutory provisions against legal avoidance in relation to the taxes which are the subject of the present Convention. Any information so exchanged shall be treated as secret and shall not be disclosed to any persons other than those concerned with the assessment and collection of the taxes which are the subject of the present Convention. No information as aforesaid shall be exchanged which would disclose any trade, business, industrial or professional secret or trade process.

Article 19

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, higher or more burdensome

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than the taxation and connected requirements to which nationals of that other State in the same circumstances are or may be subjected.

2. — In this Article the term “ nationals ” means:

- a) all individuals possessing the nationality of a Contracting State;
- b) all legal persons, partnerships and associations deriving their status as such from the law in force in a Contracting State.

3. — The enterprises of one of the Contracting States shall not be subjected in the other State, in respect of income, profits or capital attributable to their permanent establishment in that other State, to any taxation which is other, higher or more burdensome than the taxation to which the enterprises of that other State similarly carried on are or may be subjected in respect of the like income, profits or capital.

4. — The income, profits or capital of an enterprise of one of the Contracting States, the capital of which is wholly or partly owned or controlled, directly or indirectly, by a resident or residents of the other Contracting State shall not be subjected in the first-mentioned State to any taxation which is other, higher or more burdensome than the taxation to which other enterprises of that first-mentioned State are or may be subjected in respect of the like income, profits or capital.

5. — Nothing in this Article shall be construed as:

a) Affecting the imposition in the Italian Republic of the tax on companies (imposta sulle società) upon foreign partnerships, bodies of persons etc. which are liable to the tax according to the Italian Law.

b) Obliging the United Arab Republic to grant to Italian insurance or re-insurance companies the exemption from tax on dividends, interests, arrears and all other profits derived from movable foreign securities which United Arab Republic insurance and re-insurance companies are compelled by local laws to deposit, and maintain in deposit, abroad in the form of guarantees actuarial reserves and all other reserves to cover matured claims and current risks (conferred in the United Arab Republic by Article 5 of Law n. 14 of 1939).

c) Affecting the application in the United Arab Republic of the exemption from tax on income derived from movable property granted to United Arab Republic companies which participate in the share capital of other companies and according to the conditions mentioned in the United Arab Republic by Article 6 of Law n. 14 of 1939.

d) Affecting the provision of the United Arab Republic Law which considers the foreign companies therein, whose activities extend to countries other than United Arab Republic, to have distributed in the United Arab Republic an amount equivalent to the total profits subject to tax on commercial or industrial profits.

e) Affecting the provision of the United Arab Republic Law which considers as United Arab Republic companies any foreign companies whose activities lie solely or mainly in the United Arab Republic.

f) Obliging one of the Contracting States to grant to citizens of the other Contracting State, who are not resident in the territory of the former State, the same personal allowances, reliefs and reductions for tax purposes as are granted to its own citizens resident therein.

6. — In this Article the term “ taxation ” means taxes of every kind and description.

Article 20

1. — Where a taxpayer shows proof that the action of the fiscal authorities of the Contracting States has resulted, or will result, in double taxation contrary to the provisions of the present Convention, he shall be entitled to lodge a claim with the State of which he is a resident. This claim must

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be lodged within two years from the date of the notification or with holding at the source of the tax lastly imposed. Should the claim be upheld, the competent authority of such State will come to an agreement with the competent authority of the other State with a view to equitable avoidance of the double taxation in question.

2. — For the settlement of difficulties or doubts in the interpretation or application of this Convention or in respect of its relations to Conventions of the Contracting States with third States, the competent authorities of the Contracting States shall consult together to reach a mutual agreement as soon as possible.

Article 21

1. — The competent authorities of the two Contracting States may prescribe regulations necessary to carry into effect this Convention within their respective countries.

2. — The competent authorities of the two Contracting States may communicate with each other directly for the purpose of giving effect to the provisions of this Convention.

Article 22

1. — The present Convention shall be ratified and the instruments of ratification shall be exchanged at Rome as soon as possible.

2. — The present Convention shall enter into force upon the exchange of instruments of ratification.

Article 23

Upon the entry into force of the present Convention, its provisions shall apply:

a) as regards Italian taxes:

- i) to the taxes imposed on persons other than companies for the calendar year 1962;
- ii) to the taxes imposed on companies for the social year beginning on or after the 1st July 1962.

b) As regards United Arab Republic taxes:

- i) to the tax on income derived from immovable property, tax on income from movable capital, and tax on wages, salaries, indemnities and pensions which taxes are payable or due on or after the 1st January 1962;
- ii) to the tax on commercial and industrial profits for any financial period beginning on or after the 1st July 1962 and for the unexpired portion of any fiscal period current at that date;
- iii) to the tax on profits from liberal professions and all other non-commercial professions, and the general income tax for the calendar year 1962 and subsequent taxation years.

The rules in subparagraph *b)* will apply respectively to the defence tax and the supplementary taxes.

Article 24

1. — The present Convention shall continue in effect indefinitely but either of the Contracting States may, on or before the 30th day of June in any calendar year not earlier than the year 1970

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give to the other Contracting State, through the diplomatic channels, written notice of termination and, in such an event, the present Convention shall cease to be effective.

a) As regards Italian taxes:

i) for the taxes imposed on persons other than companies for the calendar year next following that in which the written notice is given;

ii) for the taxes imposed on companies for the social year beginning on or after the 1st July of the year next following that in which the written notice is given.

b) As regards United Arab Republic taxes:

i) for the tax on income derived from immovable property, tax on income from movable capital, and tax on wages, salaries, indemnities and pensions, which taxes are payable or due on or after the 1st of January in the calendar year next following that in which the notice is given;

ii) for the tax on commercial and industrial profits for any financial period beginning on or after the 1st of July in the calendar year next following that in which the notice is given and for the unexpired portion of any fiscal period current at that date;

iii) for the tax on profits from liberal professions and all other non commercial professions and the general income tax for the calendar year next following that in which the notice is given.

The rules in subparagraph b) will apply respectively to the defence tax and the supplementary taxes.

In witness whereof the undersigned, duly authorised thereto, have signed the present Convention.

Done in duplicate in Cairo in the English language on the twenty-six day for March, 1966.

For the Italian
Republic

GIANVINCENZO SORO

For the United Arab
Republic

AHMED EL SAYED CHABAN