

**CONVENTION BETWEEN
THE GOVERNMENT OF THE FEDERATIVE REPUBLIC OF BRAZIL AND
THE GOVERNEMENT OF THE CZECHOSLOVAK SOCIALIST REPUBLIC
FOR THE AVOIDANCE OF DOUBLE TAXATION AND
THE PREVENTION OF FISCAL EVASION
WITH RESPECT TO TAXES ON INCOME**

The Government of the Federative Republic of Brazil

and

The Government of the Czechoslovak Socialist 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
Personal scope**

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

**ARTICLE 2
Taxes covered**

1. This Convention shall apply to taxes on income imposed on behalf of each

Contracting State, irrespective of the manner in which they are levied.

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

a) in the case of Brazil:

- the federal income tax, excluding the supplementary income tax and the tax on activities of minor importance;

(hereinafter referred to as "Brazilian tax");

b) in the case of Czechoslovakia:

- the taxes on profits;

- the wages tax; .

- the tax on income from literary and artistic activities;

- the agricultural tax;

- the tax on population income; and

- the house tax

(hereinafter referred to as "Czechoslovak tax").

3. This Convention shall also apply to any identical or substantially similar taxes which are subsequently imposed in addition to, or in place of, the above-mentioned 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. In this Convention, unless the context otherwise requires:

a) the term "Brazil" means the territory of the Federative Republic of Brazil, that is, the continental and insular earth and its corresponding air space, as well as the territorial sea and its corresponding sea-bed and sub-soil, including the air space above the territorial sea, within which, in accordance with international law and the Brazilian laws, the rights of Brazil may be exercised;

b) the term "Czechoslovakia" means the Czechoslovak Socialist Republic;

c) the term "nationals" means:

I - all individuals possessing the nationality of a Contracting State;

II - all legal persons, partnerships and associations deriving their status as such from the law in force in a Contracting State;

d) the terms "a Contracting State" and "the other Contracting State" mean Brazil or Czechoslovakia as the context requires;

e) the term "person" comprises an individual, a company and any other body of persons;

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

g) the terms "enterprise of a Contracting State" and "enterprise of the other Contracting State" mean respectively an enterprise carried on by a resident of a Contracting State and an enterprise carried on by a resident or the other Contracting State;

h) 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;

i) the term "tax" means Brazilian tax or Czechoslovak tax, as the context requires;

j) the term "competent authority" means:

I - in Brazil: the Minister of Finance, the Secretary of Federal Revenue or their authorized representatives;

II - in Czechoslovakia: the Minister of Finance of the Czechoslovak Socialist Republic or his authorized representative.

2. As regards the application of this Convention by a Contracting State any term not otherwise defined shall, unless the context otherwise requires, have the meaning which it has under the laws of that Contracting State relating to the taxes which are the subject of this Convention.

ARTICLE 4
Fiscal domicile

1. For the purposes of this Convention, the term "resident of a Contracting State" means any person who, under the law of that State, is liable to taxation therein by reason of his domicile, residence, place of management or any other criterion of a similar nature.

1. Where by reason of the provisions of paragraph 1 an individual is a resident of both Contracting States then this case shall be determined in accordance with the following rules:
 - a) he shall be deemed to be a resident of the Contracting State in which he has a permanent home available to him; if he has a permanent home in both Contracting States, he shall be deemed to be a resident of the Contracting State with his personal and economic relations are closer (centre of vital interests);
 - b) if the Contracting State in which he has his centre or 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.
2. 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 purpose 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 six 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 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 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. a) Subject to the provisions of sub-paragraphs b) and c) the term "immovable property" shall be defined in accordance with the law of the Contracting State in which the property in question is situated;

b) the term shall in any case include property accessory to immovable property, livestock and equipment used in agriculture and forestry, rights to which the provisions of general law respecting landed property apply, usufruct of immovable property and rights to variable or fixed payments as consideration for the working of, or the right to work, mineral deposits, sources and other natural resources;

c) ships, boats and aircraft shall not be regarded as immovable property.

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

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

ARTICLE 7
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.
4. 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.
5. 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 a shipping enterprise 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. 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

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 if the recipient is the beneficial owner of the dividends the tax so charged shall not exceed 15 per cent of the gross amount of the dividends.

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

3. The 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, or performs in that other State, independent personal services from a fixed base situated therein, and the holding in respect of which the dividends are paid is effectively connected with such permanent establishment or fixed base. In such a case the provisions of Article 7 or Article 14, as the case may be, shall apply.

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

5. Where a resident of Czechoslovakia has a permanent establishment in Brazil, this permanent establishment may be subject to a tax withheld at source in accordance with Brazilian law. However, such a tax cannot exceed 15 per cent of the gross amount of the profits of that permanent establishment determined after the payment of the corporate tax related to such profits.

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

7. The tax rate limitations provided for in paragraphs 2 and 5 shall not apply to dividends or profits paid or remitted before the expiration of the third calendar year following the year in which the Convention enters into force.

ARTICLE 11

Interest

1. Interest 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 interest may also be taxed in the Contracting State in which it arises, and according to the laws of that State, but if the recipient is the beneficial owner of the interest the tax so charged shall not exceed:

a) 10 per cent in respect of interest from loans and credits granted by a bank for a period of at least 10 years in connection with the selling of industrial equipment or with the study, the installation or the furnishing of industrial or scientific units, as well as with public works;

b) 15 per cent of the gross amount of interest in all other cases.

3. Notwithstanding the provisions of paragraphs 1 and 2:

a) interest arising in a Contracting State and paid to the Government of the other Contracting State, a political subdivision thereof or any agency (including a financial institution) owned by that Government or political subdivision shall be exempt from tax in the first-mentioned State, unless subparagraph "b" applies;

b) interest arising from securities, bonds or debentures issued by the Government of a Contracting State, a political subdivision thereof or by any agency (including a financial institution) owned by that Government or political subdivision shall be taxable only in that State.

4. 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 Contracting State in which the income arises.

5. The provisions of paragraphs 1, 2 and 3 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, or performs in that other State independent personal services from a fixed base situated therein, and the debt-claim in respect of which the interest is paid is effectively connected with such permanent establishment or fixed base. In such a case the provisions of Article 7 or Article 14, as the case may be, shall apply.

6. The limitation established in paragraph 2 shall not apply to interest arising in a Contracting State and paid to a permanent establishment of an enterprise of the other Contracting State which is situated in a third State.

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

8. 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 may be taxed in that other State.

2. However, such royalties may be taxed in the Contracting State in which they arise, and according to the law of that State, but if the recipient is the beneficial owner of the royalties, the tax so charged shall not exceed:

(a) 25 per cent of the gross amount of royalties arising from the use of, or the right to use, trade marks;

(b) 15 per cent of the gross amount of royalties in all other cases.

3. The term "royalties" as used in this Article means payments of any kind received as a consideration for the use of, or the right to use, any copyright of literary, artistic or scientific work (including cinematograph films, films or tapes for television or radio broadcasting), any patent, trade mark, design or model, plan, secret formula or process for the use of, or the right to use, industrial, commercial or scientific equipment, or for information concerning industrial, commercial or scientific experience.

4. Royalties shall be deemed to arise in a Contracting State when the payer is that 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 obligation to pay the royalties was incurred, and such royalties are borne by the permanent establishment, then such royalties shall be deemed to arise in the Contracting State in which the permanent establishment is situated.

5. The provisions of paragraphs 1 and 2 shall not apply if the 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, or performs in that other State independent personal services from a fixed base situated therein, and the right or property in respect of which the royalties are paid is effectively connected with such permanent establishment or fixed base. In such a case the provisions of Article 7 or Article 14, as the case may be, shall apply.

6. Where, owing to a special relationship between the payer and the recipient or between both of them and some other person, the amount of the royalties paid, having regard to the use, the 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.

7. The tax rate limitation referred to in paragraph 2 "b" of this Article shall not apply to royalties paid before the end of the fifth calendar year following the calendar year in which this Convention enters into force where such royalties are paid to a resident of a Contracting State which holds, directly or indirectly, at least 50 per cent of the voting capital of the company paying the royalties.

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 the immovable 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 professional services, including such gains from the alienation of such a permanent establishment (alone or together with the whole enterprise) or of such a fixed base, may be taxed in the other State. However, gains from the alienation of 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.

3. Gains from the alienation of any property or right other than those mentioned in paragraphs 1 and 2 may be taxed in both Contracting States.

ARTICLE 14

Independent personal service

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, unless the payment of such activities and services is borne by a permanent establishment situated in the other Contracting State or a company resident therein. In such a case, the income may be taxed in that other State.

2. The term "professional services" includes, especially, independent scientific, technical, 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, 19 salaries, wages and other similar remuneration derived by a resident of a Contracting State in respect of an employment shall be taxable only in that 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, remuneration derived by a resident of a Contracting State in respect of an employment exercised in the other Contracting State shall be taxable only in the first-mentioned State if:

a) the recipient is present in the other State for a period or periods not exceeding in the aggregate 183 days in the fiscal year concerned, and

b) the remuneration is paid by, or on behalf of, an employer who is not a resident of the other State, and

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

3. Notwithstanding the preceding provisions of this Article, remuneration 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.

ARTICLE 16
Directors' fees

Directors' fees and similar payments derived by a resident of a Contracting State in his capacity as a member of the board of directors or of any council of a company which is a resident of the other Contracting State may be taxed in that other State.

ARTICLE 17
Artistes and athletes

1. Notwithstanding the provisions of Articles 14 and 15, income derived by 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 those activities are exercised.

2. Where the services mentioned in paragraph 1 of this Article are provided in a Contracting State by an enterprise of the other Contracting State, then the income derived from providing those services by such an enterprise may, notwithstanding any other provision of this Convention, be taxed in the first-mentioned Contracting State.

The income derived from providing those services by such enterprise shall be exempt from tax in the first-mentioned Contracting State, if the enterprise is directly or indirectly supported, wholly or substantially, from public funds of the Government of that other Contracting State.

3. Notwithstanding the provisions of paragraphs 1 and 2, the income derived from such activities, as defined in paragraph 1, performed within the framework of cultural exchange between the Contracting States, shall be exempt from tax in the Contracting State in which those activities are exercised.

ARTICLE 18
Pensions and annuities

1. Subject to the provisions of Article 19, pensions and other similar remuneration not exceeding an amount equivalent to US\$ 3,000 in a calendar year, alimony not exceeding US\$ 3,000 in a calendar year, and annuities not exceeding US\$ 3,000 in a calendar year paid to a resident of a Contracting State shall be taxable only in that State

The amount which exceeds the above-mentioned limits may be taxed in both Contracting States.

2. As used in this Article:

a) the term "pensions and other similar remuneration" means periodic payments made after retirement in consideration of past employment or by way of compensation for injuries received, in connection with past employment;

b) the term "annuities" means stated sums 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 (other than services rendered).

ARTICLE 19 **Government service**

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

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:

a) is a national of that State; or

b) did not become a resident of that State solely for the purpose of rendering the services.

2. Any pension paid by, or out of funds created by, a Contracting State or a political subdivision or a local authority thereof to an individual in respect of services rendered to that State or subdivision or authority shall be taxable only in that State.

However, such pension shall be taxable only in the other Contracting State if the individual is a resident of, and a national of, that State.

3. Any pension paid out under the Social Security Scheme of a Contracting State to a resident of the other Contracting State shall be taxable only in the first-mentioned State.

4. The provisions of Articles 15, 16 and 18 shall apply to remuneration and pensions in respect of services rendered in connection with a business carried on by a Contracting State or a political subdivision or a local authority thereof.

ARTICLE 20 **Teachers or researchers**

An individual who is, or was immediately before visiting a Contracting State, a resident of the other Contracting State and who, at the invitation of the first-mentioned Contracting State or of a university, college, school, museum or other cultural institution in that first-mentioned Contracting State or under an official program of cultural exchange, is present in that State for a period not exceeding two years solely for the purpose of teaching, giving lectures or carrying out research at such institution shall be exempt from tax in that State on his remuneration for such activity, provided that the payment of such remuneration is derived by him from outside that State.

ARTICLE 21
Students and business apprentices

An individual 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

- a) as a student at a university, college or school in that first-mentioned State;
- b) as the recipient of a grant, allowance or award for the primary purpose of study or research from a religious, charitable, scientific or educational organization;
- c) as a member of a technical cooperation program entered into by the Government of the other Contracting State, or;
- d) as a business apprentice, shall be exempt from tax in the first-mentioned State in respect of remittances from abroad for the purpose of his maintenance, education or training.

ARTICLE 22
Other income

Items of income of a resident of a Contracting State, arising in the other Contracting State and not dealt with in the foregoing Articles of this Convention, may be taxed in that other State.

ARTICLE 23
Methods for the elimination of double taxation

1. Where a resident of Brazil derives income which, in accordance with the provisions of this Convention, may be taxed in Czechoslovakia, Brazil shall allow as a deduction from the tax on the income of that resident, an amount equal to the income tax paid in Czechoslovakia.

The deduction shall not, however, exceed that part of the income tax as computed before the deduction is given, which is appropriate to the income which may be taxed in Czechoslovakia.

2. Where a resident of Czechoslovakia derives income not mentioned in paragraph 3 which, in accordance with the provisions of this Convention, may be taxed in Brazil, the first-mentioned State shall exempt such income from tax.

3. Where a resident of Czechoslovakia derives income which, in accordance with the provisions of Articles 11, 12, 16 and 17 may be taxed in Brazil, Czechoslovakia shall allow as a deduction from the tax on the income of that person an amount equal to the tax paid in Brazil.

Such deduction shall not, however, exceed that part of the income tax, as computed before the deduction is given, which is appropriate to the income derived from Brazil.

4. For the deduction indicated in paragraph 3 made in connection with the taxation of interest and royalties, Brazilian tax shall always be considered as having been paid at a rate of 25 per cent.

5. Non-distributed profits of a company 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 taxable in the last-mentioned State.

6. The value of the shares issued by a company 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 subject to income tax in the last-mentioned State.

ARTICLE 24
Non-discrimination

1. The nationals of a Contracting State shall not be subject 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 favorably 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, relief and reductions for taxation purposes on account of civil status or family responsibilities which it grants to its own residents.

3. Enterprises of a Contracting State, the capital of which is wholly or partly owned or controlled, directly or indirectly, by one or more residents of the other Contracting State, shall not be subjected in the first-mentioned 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.

4. In this Article, the term "taxation" means taxes which are the subject of this Convention.

ARTICLE 25
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 endeavor, 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 endeavor to resolve by mutual agreement any difficulties or doubts arising as to the interpretation or application of the Convention.

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

ARTICLE 26
Exchange of information

1. The competent authorities of the Contracting States shall exchange such information as is necessary for the carrying out of this Convention. Any information so exchanged shall be treated as secret and shall not be disclosed to any persons, authorities or courts other than those concerned with the assessment or collection of the taxes which are the subject of this Convention or the determination of appeals or the prosecution of offences in relation thereto.

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 trade, business, industrial, commercial or professional secret or trade process, or information, the disclosure of which would be contrary to public policy.

ARTICLE 27 **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 28 **Entry into force**

1. This Convention shall be ratified and the instruments of ratification shall be exchanged at Prague, 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) as respects taxes withheld at source, to amounts paid or credited on or after January 1st of the calendar year immediately following that in which the Convention enters into force;

b) as respects other taxes covered by this Convention, for any taxable year beginning on or after January 1st of the calendar year immediately following that in which the Convention enters into force.

ARTICLE 29 **Termination**

Either Contracting State may terminate this Convention after a period of three years from the date on which this Convention enters into force by giving to the other Contracting State, through diplomatic channels, a written notice of termination, provided that any such notice shall be given only on or before the thirtieth day of June in any calendar year.

In such a case this Convention shall apply for the last time:

a) as respects taxes withheld at source, to amounts paid or credited before the expiration of the calendar year in which the notice of termination is given;

b) as respects other taxes covered by this Convention, to amounts received during the taxable year beginning in the calendar year in which the notice of termination is given.

Done in the city of Brasilia, this 26 of August 1986, in duplicate, each one in the Portuguese, Czech and English languages, all three texts being equally authentic. In case of any divergence of interpretation the English text shall prevail.

PROTOCOL

At the moment of the signature of the Convention between the Government of the Federative Republic of Brazil and the Government of the Czechoslovak Socialist Republic for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income the undersigned, being duly authorized thereto, have agreed upon the following provisions which constitute an integral part of the present Convention.

1. With reference to Article 7, paragraph 3

It is understood that the provisions of paragraph 3 of Article 7 shall be construed to mean that expenses incurred for the purpose of the permanent establishment including those for executive and general administrative expenses shall be allowed as a deduction whether incurred in the State where the permanent establishment is situated or elsewhere.

2. With reference to Article 11, paragraph 3 "a"

It is understood that the term "agency owned by the Government" means:

a) in the case of Brazil, the Central Bank of Brazil ("Banco Central do Brasil) and the Bank of Brazil ("Banco do Brasil");

b) in the case of Czechoslovakia, Czechoslovak Commercial Bank ("Ceskoslovenska Obchodni Banka").

3. With reference to Article 12, paragraph 3

It is understood that the provisions of paragraph 3 of Article 12 shall apply to income derived from the rendering of technical assistance and technical services.

4. With reference to Article 14

It is understood that the provisions of Article 14 shall apply even if the activities are exercised by a Civil Company ("Sociedade Civil").

5. With reference to Article 24, paragraph 2

It is understood that the provisions of paragraph 5 of Article 10 are not in conflict with the provisions of paragraph 5 of Article 24.

6. With reference to Article 24, paragraph 3

The provisions of the Brazilian law which do not allow royalties as defined in paragraph 3 of Article 12, paid by a company resident of Brazil to a resident of the Czechoslovak Socialist Republic which holds at least 50 per cent of the voting capital of that company, be deductible at the moment of the determination of the taxable income of the company resident of Brazil, are not in conflict with the provisions of paragraph 3 of Article 24 of the present Convention.

Done in the city of Brasilia, this 26 of August 1986, in duplicate, each one in the Portuguese, Czech and English languages, all three texts being equally authentic. In case of any divergence of interpretation the English text shall prevail.

(*) Nota: The original convention entered into with the Czechoslovak Socialist Republic applies currently to the Czech Republic and the Slovak Republic.