

1979 Income Tax Convention

Signed date: May 29, 1979

In force date: January 25, 1980

Effective date: January 1, 1978. See Article 26.

Status: In Force

CONVENTION BETWEEN THE GOVERNMENT OF THE REPUBLIC OF SINGAPORE AND THE GOVERNMENT OF THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME

The Government of the Republic of Singapore and the Government of the Democratic Socialist Republic of Sri Lanka,

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 of the Contracting States.

Article 2. Taxes Covered

1. The taxes which are the subject of this Convention are:

(a) In Singapore:

The income tax (hereinafter referred to as "Singapore tax").

(b) In Sri Lanka:

The income tax (hereinafter referred to as "Sri Lanka tax").

2. This Convention shall also apply to any identical or substantially similar taxes which are subsequently imposed in addition to, or in place of, the existing taxes. The competent authorities of the Contracting States shall notify to each other any important 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 "Singapore" means the Republic of Singapore and the term "Sri Lanka" means the Democratic Socialist Republic of Sri Lanka;

(b) the term "a Contracting State" and "the other Contracting State" means Singapore or Sri Lanka, as the context requires;

(c) the term "tax" means Singapore tax or Sri Lanka tax, as the context requires;

(d) the term "person" means an individual, a company, or any other body of persons which is treated as an entity for tax purposes;

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

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

(g) the term "competent authority" means, in the case of Singapore, the Commissioner of Inland Revenue and, in the case of Sri Lanka, the Commissioner-General of Inland Revenue;

(h) the term "national" means:

(aa) in respect of Singapore, any natural person who, under the law in force in Singapore, is a citizen of Singapore and any legal person, partnership and association deriving its status as such from the law in force in Singapore;

(bb) in respect of Sri Lanka, any natural person who, under the law in force in Sri Lanka, is a citizen of Sri Lanka and any legal person, partnership and association deriving its status as such from the law in force in Sri Lanka.

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. Residence

1. For the purposes of this Convention, the term "resident of a Contracting State" means any person who is resident in a Contracting State for tax purposes of that State.
2. 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 available to him in both Contracting States, he shall be deemed to be a resident of the Contracting State with which his personal and economic relations are closest ("centre of vital interests").
 - (b) If the Contracting State in which he has his centre of vital interests cannot be determined, or if he has not a permanent home available to him in either Contracting State, he shall be deemed to be a resident of the Contracting State in which he has an habitual abode.
 - (c) If he has an habitual abode in both Contracting States or in neither of them, 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 the control and management of its business is exercised.

Article 5. Permanent Establishment

1. For the purposes of this Convention, the term "permanent establishment" means a fixed place of business in which the business of the enterprise is wholly or partly carried on.
2. The term "permanent establishment" shall include especially:
 - (a) a place of management;
 - (b) a branch;
 - (c) an office;
 - (d) a factory;
 - (e) a workshop;
 - (f) a mine, oil or gas well, quarry or other place of extraction of natural resources;
 - (g) an installation or structure used for the exploration of natural resources which exists for more than 183 days;
 - (h) an agricultural or farming estate or plantation;
 - (i) a building site or construction or assembly project which exists for more than 183 days.
3. The term "permanent establishment" shall not be deemed to include:
 - (a) the use of facilities solely for the purpose of storage, display or delivery of goods or merchandise belonging to the enterprise;
 - (b) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage, display or delivery;
 - (c) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise;
 - (d) the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise; or for collecting information, for the enterprise;
 - (e) the maintenance of a fixed place of business solely for the purpose of advertising, for the supply of information, for scientific research or for similar activities which have a preparatory or auxiliary character, for the enterprise.
4. A person acting in a Contracting State on behalf of an enterprise of the other Contracting State -- other than an agent of an independent status to whom the provisions of paragraph (5) of this Article 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 of the enterprise.
5. An enterprise of a Contracting State shall not be deemed to have a permanent establishment in the other Contracting State merely because it carries on business in that other State through a broker, general commission agent or any other agent of an independent status, where such persons are acting in the ordinary course of their business.
6. The fact that a company which is a resident of a Contracting State controls or is controlled by a company which is a resident of the other Contracting State, or which carries on business in that other State (whether through a permanent establishment or otherwise), shall not of itself constitute either company a permanent establishment of the other.

Article 6. Income From Immovable Property

1. Income from immovable property may be taxed in the Contracting State in which such property is situated.

2. The term "immovable property" shall be defined in accordance with the law of the Contracting State in which the property in question is situated; ships, boats and aircraft shall not be regarded as immovable property.

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

4. The provisions of paragraphs (1) and (3) of this Article 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 of the enterprise which are incurred for the purposes of the permanent establishment, including executive and general administrative expenses so incurred, whether in the State in which the permanent establishment is situated or elsewhere.

4. In so far as it has been customary in a Contracting State, according to its law, to determine the profits to be attributed to a permanent establishment on the basis of an apportionment of the total profits of the enterprise to its various parts, nothing in paragraph (2) shall preclude that Contracting State from determining the profits to be taxed by such an apportionment as may be customary; the method of apportionment adopted shall, however, be such that the result shall be in accordance with the principles embodied in this Article.

5. No profits shall be attributed to a permanent establishment by reason of the mere purchase by that permanent establishment of goods or merchandise for the enterprise.

6. When profits include items 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. Income derived by an enterprise of a Contracting State from the operation of aircraft in international traffic shall be exempt from tax in the other Contracting State.

2. Income arising in a Contracting State and derived by an enterprise of the other Contracting State from the operation of ships in international traffic may be taxed in the first-mentioned Contracting State; but the tax so chargeable by the first-mentioned Contracting State shall not exceed 50 per cent of the tax otherwise imposed by the internal law of the first-mentioned Contracting State.

3. The provisions of paragraphs (1) and (2) shall likewise apply in respect of participation in pools, in a joint business or in an international operations agency of any kind by enterprises engaged in the operation of ships or aircraft in international traffic.

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 profits on which an enterprise of a Contracting State has been charged to tax in that State are also included in profits of an enterprise of the other Contracting State and taxed accordingly, and the profits so included are profits which would have accrued to that enterprise of the other State if the conditions made between the enterprises had been those which would have been made between

independent enterprises, then the first-mentioned State shall make an appropriate adjustment to the amount of tax charged on those profits in the first-mentioned State. In determining such an adjustment due regard shall be had to the other provisions of this Convention in relation to the nature of the income, and for this purpose 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 State.
2. However, in the case of Sri Lanka, if the beneficial owner of the dividends is a resident of Singapore, the tax so charged in Sri Lanka shall not exceed 15 per cent of the gross amount of the dividends paid in respect of any shares or other rights representing capital contributed from abroad to the company paying the dividends after the coming into force of this Convention.
3. If Singapore, subsequent to the signing of this Convention, imposes a tax on dividends paid by a company which is resident in Singapore in addition to the tax imposed on the profits of the company, the tax on such dividends paid to a resident of Sri Lanka, who is the beneficial owner of the dividends, shall not exceed 15 per cent of the gross amount of the dividends paid in respect of any shares or other rights representing capital contributed from abroad to the company paying the dividends after the coming into force of this Convention.
4. The provisions of paragraphs (1), (2) and (3) shall not affect the taxation of the company in respect of the profits out of which the dividends are paid.
5. The term "dividends" as used in this Article means income from shares, mining shares, founders' shares of other rights, not being debt-claims, participating in profits, as well as income assimilated to income from shares by the taxation law of the State of which the company making the distribution is a resident.
6. The provisions of paragraphs (1), (2) and (3) shall not apply if the beneficial owner of the dividends, being a resident of a Contracting State, has in the other Contracting State of which the company paying the dividends is a resident, a permanent establishment with which the holding by virtue of which the dividends are paid is effectively connected. In such a case, the provisions of Article 7 shall apply.
7. 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 outside that other Contracting State to persons who are not residents of that other Contracting State, or subject the company's undistributed profits to a tax on undistributed profits, even if the dividends paid on the undistributed profits consist wholly or partly of profits or income arising in that other Contracting State.
8. Dividends paid by a company which is resident in Singapore shall be deemed to include dividends paid by a company which is resident in Malaysia out of its profits derived from Singapore and declares itself to be a resident of Singapore for the purpose of paying the dividends in accordance with the provisions of Article VII of the Agreement between the Government of the Republic of Singapore and the Government of Malaysia for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income signed on 26th December, 1968.
9. Dividends shall be deemed to arise in a Contracting State if the dividends are paid by a company which is resident in that Contracting State.

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 be taxed in the Contracting State in which it arises, and according to the law of that State; but if the recipient is the beneficial owner of the interest, the tax so charged shall not exceed 10 per cent of the gross amount of the interest paid in respect of any debt-claim, bond, debenture or other security arising from money received from abroad after the coming into force of this Convention.
3. Notwithstanding the provisions of paragraph (2) --
 - (a) interest arising in a Contracting State and paid to the Government of the other Contracting State shall be exempt from tax of the first-mentioned Contracting State; and
 - (b) interest derived and beneficially owned by a banking or financial institution of a Contracting State shall be exempt from tax in the other State.
4. The term "interest" as used in this Article means income from Government and other securities, bonds or debentures whether or not secured by mortgage and whether or not carrying a right to

participate in profits, and debt-claims of every kind as well as all other income assimilated to income from money lent by the taxation law of the State from which the income is derived.

5. The provisions of paragraphs (1) to (4) 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 case the provisions of Article 7 shall apply.

6. Interest 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 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.

7. 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 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 the first-mentioned State.

2. The term "royalties" as used 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 and tapes for television or broadcasting, any patent, trade mark, design or model, plan, secret formula or process, or for the use of, or the right to use, industrial, commercial or scientific equipment or for information concerning industrial, commercial or scientific experience.

3. Notwithstanding the provisions of paragraph (1) of this Article, royalties received as consideration for the use of, or the right to use, any patent, trade mark, design or model, plan, secret formula or process, or industrial, commercial or scientific equipment or for information concerning industrial, commercial or scientific experience may be taxed in, and according to the law of, the Contracting State in which they arise, but if the recipient is the beneficial owner of the royalty the tax so charged shall not exceed 15 per cent of the gross amount of any royalty paid in respect of any contract of new technology entered into after the coming into force of this Convention.

4. The provisions of paragraphs (1), (2) and (3) of this Article shall not apply if the beneficial owner of the royalties, being a resident of a Contracting State, has in the other Contracting State in which the royalties arise a permanent establishment with which the right or property giving rise to the royalties is effectively connected. In such a case, the provisions of Article 7 shall apply.

5. Royalties shall be deemed to arise in a Contracting State when the payer is that State itself, a political subdivision, a local authority, a statutory body 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 directly borne by such permanent establishment, then such royalties shall be deemed to arise in the Contracting State in which the permanent establishment is situated.

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, right, property 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 laws of each Contracting State, due regard being had to the other provisions of this Convention.

Article 13. Personal Services

1. Subject to the provisions of Articles 14, 16, 17, 18 and 19, remuneration or income derived by an individual who is a resident of a Contracting State in respect of personal (including professional) services shall be taxable only in that Contracting State, unless the services are performed in the other

Contracting State. If the services are so performed, such remuneration or income as is derived therefrom may be taxed in that other Contracting State.

2. Notwithstanding the provisions of paragraph (1), remuneration or income derived by a resident of a Contracting State for personal (including professional) services performed in the other Contracting State shall be exempt from tax of that other Contracting State if --

(a) the recipient is present in the other Contracting State for a period or periods not exceeding in the aggregate 183 days in the income year or the basis period for the year of assessment, as the case may be, of that other Contracting State;

(b) the remuneration or income is paid by or on behalf of a person who is a resident of that first-mentioned Contracting State; and

(c) the remuneration or income is not borne by a permanent establishment which that person has in the other Contracting State.

3. Notwithstanding the preceding provisions of this Article, remuneration derived by a resident of one of the Contracting States in respect of an employment exercised aboard a ship or aircraft in international traffic shall be exempt from tax in the other Contracting State.

Article 14. 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 of a company which is a resident of the other Contracting State may be taxed in that other State.

Article 15. Artistes and Athletes

1. Notwithstanding the provisions of Article 13, income derived by entertainers, such as theatre, motion picture, radio or television artistes, and musicians, and by athletes, from their personal activities as such may be taxed in the Contracting State in which these activities are exercised.

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

3. The provisions of paragraphs (1) and (2) shall not apply to income derived from activities performed in a Contracting State by entertainers or athletes if the visit to that Contracting State is wholly or substantially supported by public funds of the other Contracting State, including any political subdivision, local authority or statutory body thereof.

Article 16. Pensions

Any pension or annuity derived from sources within a Contracting State may be taxed in that State.

Article 17. Governmental Functions

1. Remuneration (other than a pension) paid by or out of public funds of a Contracting State or a political subdivision or local authority or statutory authority thereof to --

(a) a citizen of that Contracting State;

(b) an individual who is not a citizen of the other Contracting State and who goes to the other State solely in pursuance of his employment by the first-mentioned State, for services rendered to that State in the discharge of functions of a governmental nature shall be exempt from tax in the other State.

2. The provisions of paragraph (1) shall not apply to remuneration (other than a pension) paid in respect of services rendered in connection with any trade or business carried on by a Contracting State or a political subdivision or local authority or statutory authority thereof.

Article 18. Students and Trainees

1. An individual, who immediately before visiting a Contracting State, is a resident of the other Contracting State and is temporarily present in the first-mentioned Contracting State solely as a student at a recognised university, college or school in the first-mentioned Contracting State, or as a business apprentice therein, shall be exempt from tax in the first-mentioned Contracting State in respect of --

(a) all remittances from the other Contracting State for the purposes of his maintenance, education, or training; and

(b) any remuneration up to 4,000 Singapore dollars or its equivalent in Sri Lanka rupees during any income year for personal services rendered in the first-mentioned Contracting State with a view to supplementing the resources available to him for such purposes.

2. An individual, who immediately before visiting a Contracting State, is a resident of the other Contracting State and is temporarily present in the first-mentioned Contracting State for a period not exceeding three years for the purpose of study, research or training solely as a recipient of a grant,

allowance or award from a scientific, educational, religious or charitable organisation or under a technical assistance programme entered into by one of the Contracting States, shall be exempt from tax in the first-mentioned Contracting State on --

(a) the amount of such grant, allowance or award; and

(b) any remuneration up to 4,000 Singapore dollars or its equivalent in Sri Lanka rupees during any income year for personal services rendered in the first-mentioned Contracting State provided such services are in connection with his study, research or training or are incidental thereto.

3. An individual, who immediately before visiting a Contracting State, is a resident of the other Contracting State and is temporarily present in the first-mentioned Contracting State for a period not exceeding twelve months solely as an employee of, or under contract with, the second-mentioned Contracting State or an enterprise thereof for the purpose of acquiring technical, professional or business experience shall be exempt from tax in the first-mentioned Contracting State on --

(a) all remittances from the second-mentioned Contracting State for the purposes of his maintenance, education or training; and

(b) any remuneration up to 12,000 Singapore dollars or its equivalent in Sri Lanka rupees during any income year for personal services rendered in the first-mentioned Contracting State, provided such services are in connection with his studies or training or are incidental thereto.

4. For the purposes of this Article the term "Contracting State" shall include any local authority or statutory body of either of the Contracting States.

Article 19. Teachers

A professor or teacher who visits a Contracting State for a period not exceeding two years for the purpose of teaching at a university, college, school or other educational institution (not operated or conducted for profit) in that Contracting State and who was immediately before that visit a resident of the other Contracting State, shall be exempt from tax in the first-mentioned Contracting State on remuneration for such teaching up to the sum of 15,000 Singapore dollars or its equivalent in Sri Lanka rupees for each respective year of assessment.

Article 20. Elimination of Double Taxation

1. The laws in force in either of the Contracting States shall continue to govern the taxation of income in the respective Contracting States except where express provision to the contrary is made in this Convention. Where income is subject to tax in both Contracting States, relief from double taxation shall be given in accordance with the following paragraphs of this Article.

2. In the case of Sri Lanka, Singapore tax payable in respect of income derived from Singapore shall be allowed as a credit against Sri Lanka tax payable in respect of that income. Where such income is a dividend paid by a company which is a resident of Singapore to a company which is a resident of Sri Lanka and which owns not less than 25 per cent of the voting shares of the company paying the dividend, the credit shall take into account Singapore tax payable by that company in respect of its income out of which the dividend is paid. The credit shall not, however, exceed that part of the Sri Lanka tax, as computed before the credit is given, which is appropriate to such item of income.

3. In the case of Singapore, subject to the laws of Singapore regarding the allowance as a credit against Singapore tax of tax payable in any country other than Singapore, Sri Lanka tax payable in respect of income derived from Sri Lanka shall be allowed as a credit against Singapore tax payable in respect of that income. Where such income is a dividend paid by a company which is a resident of Sri Lanka to a company which is a resident of Singapore and which owns not less than 25 per cent of the voting shares of the company paying the dividend, the credit shall take into account Sri Lanka tax payable by that company in respect of its income out of which the dividend is paid. The credit shall not, however, exceed that part of the Singapore tax, as computed before the credit is given, which is appropriate to such item of income.

4. For the purposes of paragraph (3), the term "Sri Lanka tax" shall be deemed to include, as regards --

(a) 15 per cent Sri Lanka tax on dividends under Article 10, and

(b) 10 per cent Sri Lanka tax on interest under Article 11,

the amount of such Sri Lanka tax which would have been paid if the Sri Lanka tax had not been exempted or reduced in accordance with the special incentive laws designed to promote economic development in Sri Lanka, effective on the date of signature of this Convention or which may be introduced hereinafter in modification of, or in addition to the existing laws.

Article 21. Non-Discrimination

1. The nationals of a Contracting State shall not be subjected in the other Contracting State to any taxation or any requirement connected therewith which is other or more burdensome than the

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

2. The taxation on a permanent establishment which an enterprise of a Contracting State has in the other Contracting State shall not be less favourably levied in that other State than the taxation levied on enterprises of that other State carrying on the same activities.

3. Nothing in this Article shall be construed as obliging a Contracting State to grant to --

(a) residents of the other Contracting State any personal allowances, reliefs and reductions for tax purposes which it grants to its own residents, or

(b) nationals of the other Contracting State any personal allowances, reliefs and reductions for tax purposes which it grants to its own citizens who are not resident in that Contracting State or to such other persons as may be specified in the taxation laws of that Contracting 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. In this Article, the term "taxation" means taxes which are the subject of this Convention.

Article 22. Mutual Agreement Procedure

1. Where a resident of a Contracting State considers that the actions of one or both of the Contracting States results or will result for him in taxation not in accordance with this Convention, he may, notwithstanding the remedies provided by the national laws of those States, present his case to the competent authority of the Contracting State of which he is a resident.

2. The competent authority shall endeavour, if the objection appears to it to be justified and if it is not itself able to arrive at an appropriate solution, to resolve the case by mutual agreement with the competent authority of the other Contracting State with a view to the avoidance of taxation not in accordance with the Convention.

3. The competent authorities of the Contracting States shall endeavour, to resolve by mutual agreement any difficulties or doubts arising as to the interpretation or application of the Convention. They may also consult together for the elimination of double taxation in cases not provided for in this Convention.

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

Article 23. Exchange of Information

1. The competent authorities of the Contracting States shall exchange such information as is necessary for the carrying out of this Convention and of the domestic laws of the Contracting States concerning taxes covered by this Convention insofar as the taxation thereunder is in accordance with this Convention. Any information so exchanged, shall be treated as secret and shall not be disclosed to any persons or authorities other than those concerned with the assessment or collection of the taxes which are the subject of the Convention.

2. In no case shall the provisions of paragraph (1) be construed so as to impose on one of the Contracting States the obligation:

(a) to carry out administrative measures at variance with the laws and administrative practice of that or of the other Contracting State;

(b) to supply particulars which are not obtainable under the laws or in the normal course of the administration of that or of the other Contracting State;

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

Article 24. Diplomatic and Consular Officials

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

2. This Convention shall not apply to international organisations, to organs or officials thereof and to persons who are members of a diplomatic or consular mission of a third State, being present in a Contracting State and not being taxed in either Contracting State as residents in respect of taxes on income.

Article 25. Limitation of Relief

Where this Convention provides (with or without other conditions) that income from sources in a Contracting State shall be exempt from tax, or taxed at a reduced rate in that Contracting State and

under the laws in force in the other Contracting State the said income is subject to tax by reference to the amount thereof which is remitted to or received in that other Contracting State and not by reference to the full amount thereof, then the exemption or reduction of tax to be allowed under this Convention in the first-mentioned Contracting State shall apply to so much of the income as is remitted to or received in that other Contracting State.

Article 26. Entry Into Force

This Convention shall enter into force upon the exchange of instruments of ratification and its provisions shall have effect in each Contracting State in respect of taxes which are levied on income of the basis period for the year of assessment beginning on or after the first day of January, 1978, and subsequent years of assessment.

Article 27. Termination

This Convention shall remain in force indefinitely but either of the Contracting States may terminate the Convention, through diplomatic channels, by giving to the other Contracting State notice of termination not later than the 30th June of any calendar year from the fifth year from the year in which the Convention entered into force. In such event, the Convention shall cease to have effect for the income of the basis period for the year of assessment beginning on or after the first day of January of the calendar year following that in which the notice is given.

IN WITNESS WHEREOF the undersigned, being duly authorised thereto by their respective Governments, have signed this Convention.

Done at Singapore this 29th day of May, 1979 in the English and Sinhala languages, both texts being equally authoritative.

FOR THE GOVERNMENT OF THE REPUBLIC OF SINGAPORE:

Hon Sui Sen

FOR THE GOVERNMENT OF THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA:

Canagaratnam Gunasingham

Made this 25th day of January, 1980.

J. Y. M. Pillay,

Permanent Secretary,

Ministry of Finance,

Singapore.