

# **SWEDEN - BRAZIL CONVENTION**

Date of Conclusion: 25 April 1975

Effective Date: 1 January 1976

## **CONVENTION**

### **Between Brazil and Sweden for the Avoidance of Double Taxation with Respect to Taxes on Income**

The Government of the Federative Republic of Brazil

And

The Government of the Kingdom of Sweden,

Desiring to conclude a Convention for the avoidance of double taxation 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 existing taxes to which the Convention shall apply are:

a) In the case of Sweden:

i) the State income tax, including sailors tax and coupon tax;

ii) the tax on the undistributed profits;

iii) the tax on the distribution in connection with reduction of share capital or winding-up of a company;

iv) the tax on public entertainers;

v) the communal income tax;

(hereinafter referred to as "Swedish tax").

b) in the case of Brazil:

-the federal income tax, excluding the tax on excess remittances and on activities of minor importance:

(hereinafter referred to as "Brazilian tax").

2. The Convention shall also apply to any identical or substantially similar taxes, which are subsequently imposed in addition to, or in place of, the afore-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 "Sweden" means the Kingdom of Sweden, and includes any area adjacent to the territorial waters of Sweden within which, under the laws of Sweden and in accordance with international law, the rights of Sweden with respect to the exploration and exploitation of the natural resources on the sea bed or in its sub-soil may be exercised;

b) the term "Brazil" means the Federative Republic of Brazil;

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

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

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 "international traffic" includes traffic between places in one country in the course of a journey, which extends over more than one country;

h) the term "competent authority" means:

i -in Sweden: the Ministry of Finance or his authorized representative;

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

2. As regards the application of the 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.

2. Where by reason of the provisions of paragraph 1 an individual is a resident of both Contracting States, then his 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 a habitual abode;

c) if he has an habitual abode in both Contracting States or in neither of them, he shall be deemed to be a resident of the Contracting State of which he is a national;

d) if he is a national of both Contracting States or of neither of them, the competent authorities of the Contracting States shall settle the question by mutual agreement.

3. Where by reason of the provisions of paragraph 1 a person other than an individual is a resident of both Contracting States, then it shall be deemed to be a resident of the Contracting State in which its place of effective management is situated.

## **ARTICLE 5**

### **Permanent establishment**

1. For the 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 an independent status to whom paragraph 5 applies -shall be deemed to be a permanent establishment in the first-mentioned State if he has, and habitually exercises in that State, an authority to conclude contracts in the name of the enterprise, unless his activities are limited to the purchase of goods or merchandise for the enterprise.

However, an insurance company of a Contracting State shall be deemed to have a permanent establishment in the other Contracting State provided that, through a representative other than the persons to whom paragraph 5 below applies, it receives premium or insures risks in that other State.

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 immovable 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. 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. With respect to profits derived by the Swedish, Danish and Norwegian air transport consortium, known as Scandinavian Airlines System (SAS) the provisions of this Article shall apply, but only to such part of the profits as corresponds to the shareholding in that consortium held by A. B. Aerotransport (ABA), the Swedish partner of Scandinavian Airlines System (SAS).

**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 also be taxed in the Contracting State of which the company paying the dividends is a resident, and according to the law of that State, but the tax so charged shall not exceed:
  - a. 15 per cent of the gross amount of the dividends if the recipient is a company (excluding a partnership);

- b. 25 per cent of the gross amount of the dividends in all other cases.

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

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

3. The provisions of paragraphs 1 and 2 shall not apply if the recipient of the dividends, being a resident of a Contracting State, has in the other Contracting State, of which the company paying the dividends is a resident, a permanent establishment with which the holding by virtue of which the dividends are paid is effectively connected. In such a case, the provisions of Article 7 shall apply.

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 Sweden 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. The tax rate limitations foreseen in paragraphs 2a 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 be taxed in the Contracting State in which it arises, and according to the law of that State, but the tax so charged shall not exceed:

- a. 25 per cent of the gross amount of the interest if the recipient is an individual or a partnership;
- b. 15 per cent of the gross amount of the interest in all other cases.

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

3. Notwithstanding the provisions of paragraphs 1 and 2, interest arising in a Contracting State and paid to the Government of the other Contracting State, a political subdivision or a local authority thereof or any agency (including a financial institution) wholly owned by that Government, or political subdivision or local authority or to the Central Bank of that other Contracting State shall be exempt from tax in the first-mentioned Contracting 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 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 and 2 shall not apply if the recipient of the interest, being a resident of a Contracting State, has in the other Contracting State in which the interest arises a permanent establishment with which the debt-claim from which the interest arises is effectively connected. In such a case the provisions of Article 7 shall apply.

6. The limitation established in paragraph 2 b 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 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 a 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 laws of that State, but the tax so charged shall not exceed:
  - a) 25 per cent of the gross amount of royalties arising from the use or the right to use trade marks;
  - b) 15 per cent in all other cases.

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

3. The term "royalties" as used in this Article means payments of any kind received as a consideration for the use of, or the right to use, any copyright of literary, artistic or scientific work (including cinematograph films, films or tapes for television or radio 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.

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 recipient of the royalties, being a resident of a Contracting State, has in the other Contracting State in which the royalties arise, a permanent establishment with which the right or property-giving rise to the royalties is effectively connected. In such a case, the provisions of Article 7 shall apply.

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 or information for which they are paid, exceeds the amount

which would have been agreed upon by the payer and the recipient in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In that case, the excess part of the payments shall remain taxable according to the law of each Contracting State, due regard being had to the other provisions of this Convention.

### **ARTICLE 13**

#### **Capital gains**

1. Gains from the alienation of immovable property, as defined in paragraph 2 of Article 6, may be taxed in the Contracting State in which 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 services**

1. Income derived by a resident of a Contracting State in respect of professional services or other independent activities of a similar nature shall be taxable only in that State, 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 16,18,19,20 and 21, 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 a "Conselho Fiscal" 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 any other provisions of this Convention, income derived by public 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 the services mentioned in paragraph 1 of this Article are provide 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.

## **ARTICLE 18**

### **Pensions and annuities**

1. Subject to the provisions of paragraphs 1 and 3 of Article 19, pensions and other similar remuneration not exceeding an amount equivalent to US\$ 4,000 in a calendar year, and annuities paid to a resident of a Contracting State shall be taxable only in that State.

The amount of pensions which exceeds the above-mentioned limit 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 "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 (other than services rendered).

## **ARTICLE 19**

### **Governmental services**

1. Remuneration, including pensions, paid by, or out of funds created by, a Contracting State, a political subdivision or a local authority thereof to any individual in respect of services rendered to that State, a political subdivision or local authority thereof in the discharge of functions of a governmental or other public nature may be taxed in that State. Such remuneration shall, however, be taxable only in that Contracting State if the recipient is a national of that State.

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

3. Pensions paid out under the Social Security Scheme of a Contracting State may be taxable in that State.

**ARTICLE 20**  
**Teachers and 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 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 he is subject to tax thereon in the other Contracting State.

**ARTICLE 21**  
**Students**

1. 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 Contracting State solely:
  - a. as a student at a university, college or school in that first-mentioned Contracting State,
  - b) as a trainee, or
  - c) 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, shall be exempt from tax in that first-mentioned Contracting State in respect of remittances from abroad for the purposes of his maintenance, education or training.

2. A student or trainee who is, or was immediately before visiting a Contracting State, a resident of the other Contracting State and who is present in the first-mentioned Contracting State solely, for the purposes of his education or training shall be exempt from tax in that first-mentioned Contracting State for a period not exceeding three consecutive fiscal years in respect of remuneration from employment in that State, provided that the remuneration does not exceed in the fiscal year an amount corresponding to US\$ 2.000.

**ARTICLE 22**  
**Income not expressly mentioned**

Items of income of a resident of a Contracting State which are not expressly mentioned in the foregoing Articles of this Convention may be taxed in both Contracting States.

**ARTICLE 23**  
**Method for avoiding double taxation**

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

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

2. Dividends paid by a company being a resident of Brazil to a company which is a resident of Sweden shall be exempt from tax in Sweden to the extent that the dividends would have been exempt under Swedish law if both companies had been Swedish companies. This exemption shall not apply unless the principal part of the profits of the company paying the dividends arises, directly or indirectly, from business activities other than the management of securities and other similar property and such activities are carried on within Brazil by the company paying the dividends or by a company in which it owns at least 25 per cent of the voting power.
3. In the application of paragraph 1 of this Article, as respects dividends referred to in Article 10 paid by a company resident in Brazil to a company (excluding a partnership) resident in Sweden which dividends are not exempt from tax in Sweden under paragraph 2 of this Article and on royalties as referred to in paragraph 2 b of Article 12, Brazilian tax shall be considered as having been paid at a rate of 25 per cent. With regard to interest referred to in paragraph 2 b of Article 11 Brazilian tax shall be considered as having been paid at a rate of 20 per cent.
4. Where a resident of Brazil derives income which, in accordance with the provisions of this Convention, may be taxed in Sweden, Brazil, when applying its tax, shall allow a credit corresponding to the amount of the tax paid in Sweden. The amount of this credit, however, shall not exceed the part of the Brazilian tax corresponding to the participation of such income in the income which taxable in Brazil.
5. Where under this Convention a resident of a Contracting State is exempt from tax in that Contracting State in respect of income derived from the other Contracting State, then the first-mentioned Contracting State may, in

calculating the tax on the remaining income of that person, apply the rate of tax which would have been applicable if the income exempted from tax in accordance with this Convention had not been so exempted.

## **ARTICLE 24**

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

This provision shall not be construed as obliging a Contracting State to grant to residents of the other Contracting State any personal allowances, relief and reductions for taxation purposes on account of civil status or family responsibilities which it grants to its own residents.

4. Enterprises of a Contracting State, the capital of which is wholly or partly owned or controlled, directly or indirectly, by one or more residents of the other Contracting State, shall not be subjected in the first-mentioned Contracting State to any taxation or any requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which other similar enterprises of the first-mentioned State, are or may be subjected.

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

## **ARTICLE 25**

### **Mutual agreement procedures**

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

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

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

4. The competent authorities of the Contracting States may communicate with each other directly for the purpose of reaching an agreement in the sense of the preceding paragraphs. When it seems advisable in order to reach agreement to have an oral exchange of opinions, such exchange may take place through a Commission consisting of representatives of the competent authorities of the Contracting States.

## **ARTICLE 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 and 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 (including a court) concerned with the assessment or collection of the taxes which are the subject of the Convention.

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

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

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

c) to supply information which would disclose any 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 Stockholm as soon as possible.

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

I -as respects taxes withheld at source to amounts paid or remitted on or after January 1 of the calendar year immediately following the year in which the Convention enters into force;

II -as respects other taxes on income, to income derived on or after January 1 of the calendar year immediately following the year in which the Convention enters into force.

3. The Agreement between Sweden and Brazil for the avoidance of double taxation with respect to taxes on income and capital, signed at Rio de Janeiro on 17th September 1965, shall cease to have effect as regards taxes withheld at source and other taxes on income, from the date on which the present Convention becomes effective in accordance with paragraph 2 of this Article. With respect to the Swedish capital tax, the Agreement shall be applied for the last time in respect of capital owned at the expiration of the year in which the present Convention enters into force.

**ARTICLE 29**  
**Termination**

This Convention shall remain in force indefinitely, but either Contracting State may, on or before 30th June in any calendar year beginning after the expiration of a period of three years from the date of the entry into force, give to the other Contracting State,

through diplomatic channels, written notice of termination . In such a case, the Convention shall cease to have effect:

I -as respects taxes withheld at source, to amounts paid or remitted after the expiration of the calendar year in which the notice of termination is given;

II -as respects other taxes on income, to income derived after the expiration of the calendar year in which the notice of termination is given.

In witness whereof the undersigned duly authorized thereto have signed this Convention and have affixed thereto their seals

Done at Brasília this 25th day of April 1975, in duplicate in the Portuguese, the Swedish and the 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 for the avoidance of double taxation with respect to taxes on income, between the Government of the Federative Republic of Brazil and the Government of the Kingdom of Sweden; the undersigned, being duly authorized thereto by their respective Governments, have agreed upon the following provisions which constitute an integral part of the Convention.

1. Ad/Article 10, paragraphs 2 a and 5, Article 11, paragraph 2 b, Article 12, paragraph 2 b and Article 23, paragraph 3.

a) The provisions of the above-mentioned paragraph 3 of Article 23 shall apply only for the first ten years during which the Convention is effective .

b) The tax rate limitations foreseen in paragraphs 2 a and 5 of Article 10, paragraph 2 b of Article 11, paragraph 2 b of Article 12 shall apply only for the first ten years during which the Convention is effective.

c) After the expiration of the period of ten years mentioned in sub-paragraphs a) and b) above, the competent authorities may consult each other in order to determine whether this period shall be extended.

2. Ad/Article 10, paragraph 5.

It is understood that the provisions of the above-mentioned paragraph are not conflictant with the provisions of paragraph 3 of Article 24.

### 3.Ad/Article 24, paragraph 4 .

In the event that Brazil, after the signature of the Convention, would allow that royalties, as defined in paragraph 3 of Article 12, paid by an enterprise which is a resident of Brazil to an enterprise which is a resident of a third State not locate in Latin-America, and which holds at least 50 per cent of the capital of the enterprise which is a resident of Brazil, be deductible at the moment of the determination of the taxable profits of this enterprise, an equal deduction will be automatically applicable under similar conditions, to an enterprise which is a resident of Brazil paying royalties to an enterprise which is a resident of Sweden .

It is understood that the present disposition of the Brazilian law regarding the non-deductibility of royalties as indicated above are not conflictant with paragraph 4 of Article 24 of the Convention

In witness whereof the undersigned, duly authorized thereto, have signed the present Protocol and have affixed thereto their seals.

Done at Brasília this 25th day, of April 1975, in duplicate in the Portuguese, the Swedish and the English languages, all three texts being equally authentic. In case of any divergence of interpretation the English text shall prevail.

**NOTE:** The tax rate limitations and the tax sparing provisions dealt with in Article 10, paragraphs 2a and 5, Article 11, paragraph 2b, Article 12, paragraph 2b, and Article 23, paragraph 3, have been ineffective since January 1<sup>st</sup>, 1998 according to the Exchange of Notes of 19 and 26 March 1996.