

Ordinance ( 1993:64 ) on the double taxation treaty between  
Sweden and Mexico.

issued 4 February 1993. Government prescribes the following .

Act ( 1992:1196 ) on the double taxation treaty between Sweden and Mexico shall enter into force on 1  
March 1993 and shall apply to income derived on or after 1 January 1993 or later.

The Agreement entered into force on 18 December 1992. On behalf of the Government

BO LUNDGREN

Stefan Ersson

(Ministry of Finance )

Act ( 1992:1196 ) on the double taxation treaty between Sweden and Mexico ;

issued 10 December 1992.

According to the Parliamentary decision<sup>1</sup> states .

1 § The agreement to avoid double taxation and prevent fiscal evasion with respect to taxes on income  
as Sweden and Mexico signed September 21, 1992 , together with the Protocol annexed thereto and  
forming part thereof, apply as law in this country. The contract is written in Spanish and English. Both

texts are equally authentic . The English text is clear from bilaga2 to this Act. The Spanish text shall be announced by publication in the United Nations Treaty Series ( SE ) .

Applicable only in

2 § Agreement taxation rules apply only to the extent

restricting these causes restriction of the tax liability in Sweden  
direction would otherwise be present.

Non - progression

§ 3 If a person resident of Sweden derives income which

list under the Agreement shall be taxable only in Mexico shall such income is not taken for purposes of  
taxation in Sweden .

This Act comes into force on the day the Government. On behalf of the Government

Carl Bildt

ANNE Wibble (Ministry of Finance )

1.Prop . 1992/93: 45 , bet. 1992/93: SkU4 , rskr 1992/93: 80.

2.The English text has not been included in this booklet.

Annex

(Translation )

**AGREEMENT BETWEEN THE KINGDOM OF SWEDEN, THE UNITED MEXICAN STATES TO AVOID DOUBLE TAXATION AND THE PREVENTION OF FISCAL ESCAPE WITH RESPECT TO TAXES ON INCOME**

The Kingdom of Sweden and the United Mexican States , desiring to conclude an agreement to avoid double taxation and prevent fiscal evasion with respect to taxes on income, have agreed as follows :

## Article 1

Persons to whom this Agreement applies

Def . in nature . 4 p 1 This Convention shall apply to persons who are residents of a final agreement , the State or both of the Contracting States.

## Article 2

Taxes covered by the Agreement

See Art . 23 p 5 1. Existing taxes to which this Agreement applies is

Mexico a) in Mexico:

- 1) the income tax, and
- 2 ) the minimum tax on corporate assets ( the assets tax) ; ( hereinafter called "Mexican tax");

Sweden b) in Sweden :

- 1) the state income tax , the sailors' tax and withholding tax cluding ,
  - 2 ) the income tax on non-residents ,
  - 3) the income tax on non-resident artistes and
  - 4 ) the tax
- ( hereinafter referred to as " Swedish tax").

New taxes second Agreement shall also apply to any identical or substantially similar taxes imposed after the date of signature of this Agreement in addition to, or in place of, the taxes referred to in paragraph 11. They ask -

1. Se RAW 1986 ref . 74 and Govt. 1990/91: 54 p 288.

competent authorities of the Contracting States shall notify each other of any significant changes that have made in their respective taxation laws .

### Article 3

#### Terms and definitions

First , unless the context otherwise requires , the purposes of this Agreement the following terms as defined below :

Def . of Mexico a ) " Mexico " means the United Mexican States ; and including when used in a geographical sense, the United Mexican States for as well as the integral parts of the federation; islands including the reefs and banks of the islands adjacent waters ; islands of Guadalupe and Revillagigedo , the continental shelf and the seabed and islands , pews and reef substrate; extent of territorial waters in accordance with international law and internal waters ; and airspace over the national territory to the extent and in the manner imposed by international law ;

Def . of Sweden b ) the term "Sweden " means the Kingdom of Sweden and when used in a geographical sense, the Swedish territory , Sweden's territorial sea and other maritime areas over which Sweden in accordance with international law , exercises sovereign rights or jurisdiction;

Def . of a contract c ) "a Contracting State" and " the other Contracting State "

Contracting State refers to Mexico or Sweden, as the context requires;

Def . of personal d ) "person" includes an individual, a company and any other asso-ciation ;

Def . of the company e ) "company" means any body corporate or any entity which is taxable

Def . firms in

f) is treated as a legal person ;

"enterprise of a Contracting State" 1 and " enterprise of the other

a Contracting Contracting State " mean respectively an enterprise carried on by

State by a resident of a Contracting State and an enterprise

carried on by a resident of the other Contracting

State ;

Def . interracial g ) the term "international traffic" means any transport by a ship or air -

national transport vessel used by businesses that have effective management

in a Contracting State, except when the ship or air -

1.Se RAW 1991 note 228.

vessel is operated solely between places in the other Contracting State ;

Def . of citizen h) " national" means:

1) all natural persons who are nationals of a Contracting

tracting State;

2 ) all legal persons , partnerships and other associations incorporated under the laws in force in a Contracting State;

nance and Public Credit " , and

2 ) in Sweden , the Minister of Finance , his authorized representative or the authority which is designated as a competent authority for the purposes of this Agreement.

Interpretation Rule second Then one Contracting State applies the Agreement shall, unless the context otherwise requires , any term not defined therein shall have the meaning which it has under the law concerning the taxes to which the Convention applies.

#### Article 4

domicile

Def . the person first For the purposes of this Convention, the term " resident ... see resident of a Contracting State" means any person who under the law, even the minutes of that State, is liable to tax therein by reason of his domicile, residence , place of management or other similar circumstances. thereby

Cf species . 1 observed , however, that the term does not include persons who are tax - guilty in this state only of income from sources in that State .

Dual residence, second Where by reason of the provisions of paragraph 1 an individual is natural person is a resident of both Contracting staterna<sup>1</sup> , his status as follows:

a) He shall be deemed to be a resident of the State in which he has a permanent home available to him . If he has a permanent home available in both States, he shall be deemed to be a resident of the State with which his personal and economic - relations are closer ( center of vital interests );

b) if it can not be determined State in which he has his center of vital interests or if he is not in either State has a permanent home available to him ;

1.Se RAW 1987 note 309.

he is deemed to be a resident of the State where he usually resides ;

c) if he has an habitual abode in both States or if he

not habitual abode in either of them , he shall be deemed to be a resident of the State of which he is a national;

d ) if he is not a citizen of any state , or if he is under the Swedish national law must be regarded as a national of both States , the competent authorities of the Contracting States the question by mutual agreement.

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

## Article 5

### Permanent establishment

Definition 1. For the purposes of this Convention, the term "permanent es -le " means a fixed place of business through which the business of an enterprise is wholly or partly carried on.

Exemplified second term "permanent establishment" includes especially :

a) a place of management , b) branch ,

c) an office , d ) a factory;

e ) a workshop;

f) a mine , an oil or gas well, a quarry or any other place of extraction of natural resources.

Buildings - third term "permanent establishment" also includes the construction, facility operations , etc. translation , assembly or installation project or supervisory activities in connection therewith, but only if it lasts

for a period exceeding six months.

Exceptions fourth Notwithstanding the preceding provisions of this Article , the term "permanent establishment " shall not include :

a) the use of facilities solely for storage, out - position or delivery of goods or merchandise belonging ,

b ) the maintenance of a company belonging to the inventory exclusively for storage, display or delivery;

c) the maintenance of one belonging to the enterprise solely for the inventory of processing by another enterprise for - grief,

d) the maintenance of a fixed place of business solely for the purchase of goods or obtaining disclosures of the company,

e) the maintenance of a fixed place of business solely for dealing with advertising, for the enlightenment -ar , conduct scientific research, make arrangements for the placement of loans or any other similar activities which have a preparatory or auxiliary character for the enterprise,

f) the maintenance of a fixed place of business solely for any combination of activities mentioned in paragraphs ae , provided that the overall activity of the fixed place of business activity because of this combination is of a preparatory or auxiliary character.

Depending rep- fifth , if a person - other than an independent status to whom paragraph tentative 7 applies - is acting in a Contracting State for a company and of a Contracting State has , and habitually authority to conclude contracts in the name , this is regarded companies - notwithstanding the provisions of paragraphs 1 and 2 - have a permanent establishment in that State in respect of any activities which that person undertakes for the enterprise. This does not apply if the activities of such person are limited to those mentioned in paragraph 4 which, if exercised through a fixed place of business, would not make this fixed place of business a permanent establishment under the provisions in that paragraph.

Insurance 6. Notwithstanding the preceding provisions of this Article, an insurance enterprise of a Contracting State , except with regard to reinsurance , have a permanent establishment in the other Contracting State if

it collects premiums from that other territory or declare

risks situated therein through an employee representative or a representative who carries on business in that other Contracting State and who is not an agent of an independent status to whom paragraph 7 applies .

Independent rep- 7. Enterprises of a Contracting State is considered to have a permanent establishment in the other Contracting State tentative solely on the grounds that the company conducts business in that State through a broker ,

Commissioner or other agent of independent status , provided

ing that such persons are acting in the ordinary course of their business activities . When such an agent are devoted wholly or almost wholly for the enterprise , he is considered not as an independent representative referred to in this paragraph.

Associate 8th The fact that a company which is a resident of a Contracting companies the State controls or is controlled by a company resident in the other Contracting State , or which carries on business

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 real property

1st Income derived by a resident of a Contracting State acquires immovable property (including income from agriculture or forestry) situated in the other Contracting State may be taxed in that other State.

Def . of the second term "immovable property" shall have the meaning which it has property under the law of the Contracting State in which the property is located. The term includes accessory to immovable property

judgment , livestock and equipment used in agriculture and forestry , rights to which the provisions of general law respecting landed property apply, buildings, 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 . Ships, boats and aircraft shall not be immovable property.

The useful , out - third provisions of paragraph 1 shall apply to income derived

hiring from the direct use , letting, or other use of real property.

Immovable property in fourth provisions of paragraphs 1 and 3 shall also apply to nutrition activities of immovable property of an enterprise and to income from immovable property not they used for independent personal services.

## Article 7

### The profits

Def . in nature . 3 p 1 f 1. Profits of an enterprise of a Contracting State acquires taxable only in that State unless the enterprise carries on or has carried on business in the other Contracting State through a permanent establishment situated therein . If the enterprise carries on or has carried

motion on the aforesaid, the enterprise may be taxed in the other State but only so much of them as is attributable to that permanent establishment. If a company is a resident of a Contracting State a permanent establishment in the other Contracting State and over - let property, which is identical or similar to the assets sold by the permanent establishment , to people in the other State , the profits from such transfer, be attributed to that permanent establishment unless the company shows that such a sale could not have been undertaken by the permanent establishment .

Income Calculation second enterprise of a Contracting State carries on business in the other Contracting State through a permanent establishment situated therein , provision , unless the provisions of paragraph 3 to the contrary , in each Contracting State to that permanent establishment the profits which it might be assumed that establishment would have acquired if it were a stand-alone companies , 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 .

Deductions 3rd In determining the permanent establishment shall be allowed as deductions expenses which are incurred for the permanent establishment, including costs for executive and general administrative expenses, whether incurred in the State in which the permanent establishment is situated or elsewhere. However, no such deduction shall be allowed in respect of amounts ( otherwise than towards reimbursement of actual expenses ) which may have been paid by the permanent establishment to the company's head office or any of its other offices, by way of royal- ties, fees or other similar payments for the use of patents or other rights, or compensation for specific services performed or for management , or , except for the banking enterprise, by way of interest on moneys lent to the permanent establishment .

4th To the extent that income attributable to the permanent establishment has been customary in a Contracting State to determine , on the basis of a distribution of the company's total profits of the various parts of the company, does bes - tämmelserna in paragraph 2 shall preclude that Contracting State from the taxed by such a procedure. The method of apportionment adopted shall, however, be such that the result is consistent with the principles in this article.

5th profits shall be attributed to a permanent establishment of the reason that the goods purchased by that permanent establishment of merchandise for the enterprise

6th For the purposes of the preceding paragraphs, the profits attributable to the permanent establishment by the same method year

by year unless there is good and sufficient reason to the contrary .

Paragraph 7. Included in income by operating revenue which are dealt with separately in the suitability of other Articles of this Convention, then the provisions of those articles of the rules in this article.

## Article 8

### Sea and air transport

Def . in nature . 3 p 1 g 1. Profits from the operation of ships or aircraft in international traffic shall be taxable only in the Contracting State of which the company

NOTE protocol of effective management .

Exceptions , second income under paragraph 1 shall not include profits derived from cf. p 7-11 in the provision of accommodation or transport across other transportation OECD Communion . medium than the operation of ships or aircraft in international

traffic .

SAS 3rd provisions of paragraph 1 shall apply to profits derived by the air transport consortium Scandinavian Airlines System (SAS) in respect only of that part of the profits as corresponds to the

participation held in that consortium by AB Aero Transport ( ABA), the Swedish partner of Scandinavian Airlines System (SAS).

Actual line 4. If companies pursuing shipping of effective management board on board a ship, be deemed to be situated in the Contracting State in which the ship has its home port or , if no such home harbor,

in the Contracting State in which the ship is a resident .

Participation in the pool 5th provisions of paragraph 1 shall also apply as for -

etc. enlisted the participation in a pool, a joint business or an international operating agency.

## Article 9

### Associated Enterprises

Cf § 43 subsection 1 . 1. Where

KL d ) an enterprise of a Contracting State participates directly or indirectly in the management or control of an enterprise of the other Contracting State or own part of this company's capital, 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, or takes part in both their capital , observed the following .

Between the two enterprises in their commercial or financial fixed connections are made or imposed conditions, 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 conditions, have not so accrued, may be included in that enterprise and taxed accordingly.

2nd Where a Contracting State includes in the profits of a company in that State, and taxes accordingly, income and an enterprise of the other Contracting State taxed on in that other State and the profits so included are profits which would have accrued to the enterprise of the first-mentioned State if the conditions made between the enterprises had been those which would be made between independent enterprises, then that other State, whether they agree that the income have been included in the specified manner, shall make an appropriate adjustment to the amount of tax imposed for income in this state. In determining such adjustment, due Others ask -

Cf species . 3 p 1 in , and provisions of this Agreement and the competent authorities of the Con -  
species . 24 Contracting States shall if necessary consult each other .

Exceptions third provisions of paragraph 2 shall not apply in cases of fraud, willful misconduct or gross negligence.

## Article 10

dividend

See Art . 22 p 2 c 5 1. Dividends paid by a company resident in a Contracting State to  
and 6, a resident of the other Contracting State may be taxed in that other State.

Second, such dividends may also be taxed in the Contracting Company 5/15 % State of which the  
company paying the dividends is a resident individual shareholders 15% according to the laws of that  
State, but if the recipient is entitled

the dividends, the tax so charged shall not exceed:

a) 5 percent of the gross dividends if the beneficial owner of the dividends is a company (other than a trading company, the exemption does not include companies with limited liability partnership " la sociedad de responsabilidad limitada " ) which holds directly at least 10 percent of the company paying the votes PEAK ,

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

This paragraph shall not affect the company's taxable profits out of which dividends are paid.

Exemptions from third Such dividends shall - notwithstanding the provisions of paragraph p 2 2 - taxable only in the Contracting State of which the beneficial owner of the dividends is a resident if he is a company (other than

Companies 0 % for trading , except do not include private limited liability company " la sociedad de responsabilidad limitada " ) which holds directly at least 25 percent of the company paying the total voting power and at least 50 percent of the total voting power in the company who the dividends are held by residents of that Contracting State .

Def . of dividend fourth term "dividends " as used in this Article means income from acc. species . 10 shares , participation certificates , or other similar evidence of entitlement to a share in profits, mining shares, founders ' shares or other rights , not being

debt-claims, participating in profits , as well as income from other participations

in companies under the laws of the State in which the distributing company is resident for tax purposes be treated the same as income from shares .

Exemptions from 5th provisions of paragraphs 1 , 2 and 3 shall not apply if the p 1, 2 and 3 as the dividends is a resident of a Contracting State , carries on or has carried on business in the other Contracting State ,

which the company paying the dividends is a resident, through situated

permanent establishment or performs or has performed independent professional activity in that other State independent personal services from a fixed base -ment , and the holding in respect of which the dividends are paid is effectively connected with such permanent establishment or fixed base . In such case the provisions of Article 7 or Article 14.

Prohibition of extra - 6th Where a company which is a resident of a Contracting State derives - territorial  
ask - income from the other Contracting State, that other State estimate is not taxing dividends paid by  
the company , except insofar

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, even if the dividends paid or the undistributed profits consist wholly or partly of  
income arising in such other State.

## Article 11

interest rate

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

withholding tax ; Second , such interest may also be taxed in the Contracting State Bank 10% fr.om from  
which it arises and according to the laws of that State, but if the year 1998 , recipient of the interest the  
tax so charged , unless the provisions in the other 15 % in paragraph 3 to the contrary , does not exceed

a) 10 percent of the gross amount for banking , b) 15 per cent of the gross amount of all other cases.

Bank 15% , comes third , for a period of five years from the date on which the provisions of

even In 1997 this agreement was applicable, a tax rate of 15 percent applied in lieu of the rate specified  
in paragraph 2 a

Exceptions to the fourth Notwithstanding the provisions of paragraph 2 shall such interest as p 2 set out in paragraph 1 shall be taxable only in the Contracting State in which the recipient of the interest is a resident of one of the following requirements are up -

Withholding tax 0% filled ;

Alternative conditions a) Interest payable to the Government of a Contracting State ,

Central Bank of a Contracting State , a political subpart -

division or local authority of such State ;

b ) the interest is paid by a person specified in paragraph a;

c) the interest is paid in respect of a loan granted or ga-

See def . in proto- ranterat for a time not less than three years by a financial

col institution of a public character , contributing to the

export and development provided that it granted

or guaranteed loan contains an element of sub-

Convention.

Def . of interest acc. 5th term "interest " as used in this Article means income of each species. 11 types of debt , whether secured by mortgage on immovable property or not , and either carrying a right to participate in the debtor -

s profits or not. In particular, income of value -

paper, issued by the state, and income from bonds or debentures, including premiums and prizes attaching to such securities, bonds or debentures, and income that is subject to the same taxation as income from lending in the State in which the income is derived . The term "interest " does not include income to which the provisions of Article 10 are applicable .

Exceptions to the 6. Provisions of paragraphs 1 and 2 shall not apply if the p 1 and 2 of the interest is a resident of a Contracting State , carries on business or has carried on business in the other Contracting State ;

in which the interest arises, through a permanent establishment situated therein , or

performs or has performed independent personal services in that other State independent personal services from a fixed base, as well as the claim for which the interest is paid is effectively connected with such permanent establishment -let or fixed base . In such case the provisions of Article 7 or Article 14.

See Protocol 7. 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. If, 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 or habitual base in connection with which the indebtedness on which the interest is paid , and such interest is borne by such permanent establishment or fixed base , interest shall be deemed to arise in the State in which the permanent establishment or fixed base is situated.

Intressegemens - 8th Where by reason of a special relationship between the payer and the chap who has the interest, or between both of them and some other person , for any reason, exceed the amount that would

have been made between the payer and the beneficial owner of

such relationship existed , the provisions of this Article shall apply only to the last mentioned amount. In such case, the excess amount under the laws of each Contracting State, due to the other provisions of this Agreement.

Avoidance Rule , 9. Provisions of this Article shall not apply if the loan

see protocol was granted with the main aim to achieve the benefits of this article.

## Article 12

### Royalty

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

Withholding 10 % 2. Royalties may also be taxed in the Contracting State in which it arises and according to the laws of that State,

See item 3 , 5 pcs. users . but if the recipient of the royalties , the tax may not

53 § KL exceed 10 percent of gross royalties .

Def . of royalty

Third term "royalties " as used in this Article means payments

acc. species . 12 ment received as consideration for the use of or the right to use, any copyright of literary, artistic or scientific work including cinematograph films , any patent, trade mark, design or model, plan, secret formula or to -

- Lease Fee effective method for the use of or the right to use

industrial, commercial or scientific equipment or for information concerning industrial , commercial or

- Gain on over - scientific nature. The term "royalties " also includes gain obtained forgiveness , cf art . 13 smooth the transfer of any such right or property which are p 6 resulting from the use thereof.

Exceptions to the 4th provisions of paragraphs 1 and 2 shall not apply if the p 1 and 2 of the royalties is a resident of a Contracting State and conducts business or has carried 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, 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 case the provisions of Article 7 or Article

14.

See Minutes 5. Royalties shall be deemed to arise in a Contracting State when the payer is that State itself, a political subdivision, a local authority or a resident of that State. If, 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 or habitual base in connection with which the liability to pay the royalties was incurred, and such royalties are borne by such permanent establishment or fixed base deemed to arise in the State in which the permanent establishment or fixed base is situated.

Intressegemens - 6. Where by reason of a special relationship between the payer and the chap who is entitled to the royalties or between both of them and some other person for any reason, exceed the amount

would have been agreed upon by the payer and the beneficial

royalties on such relationship, the provisions of this Article shall apply only to the last mentioned amount. In such case, the excess amount under the laws of each Contracting State, due to the other provisions of this Agreement.

Avoidance Rule, 7. Provisions of this Article shall not apply if the right see Minutes or property for which the royalties are paid, agreed or stipulated with the main aim to achieve the benefits of this article.

## Article 13

### Capital gain

Realty 1. Gains derived by a resident of a Contracting State from the alienation of immovable property referred to in Article

6 and situated in the other Contracting State may be taxed in that other State.

Shares etc. in the second Gains from the alienation of shares or other rights of property of a company whose assets primarily, directly or indirectly, consist of immovable property situated in a Contracting State or rights

not attributable to real property may be taxed in that State.

Real property used by a company in its industrial or commercial activity or agricultural activity or the exercise of independent personal services shall not count for purposes of this paragraph .

Shares ; > 25% of third Gains from the alienation of shares, which represents more capital than 25 percent of the share capital of a company which is a resident of a Contracting State may be taxed in that State. The thus charge -

the tax shall not exceed 20 percent of the taxable profit.

Movable property in the fourth , gains from the alienation of movable property forming part of the establishment , etc. 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 for the practice

independent capacity as a resident of a Contracting State has in the other Contracting State may be taxed in that other State. The same applies to profits from the alienation of such a permanent establishment (alone or with the whole enterprise ) or of such fixed base.

Ships , aircraft fifth Gains from the alienation of ships or aircraft operated in international traffic or movable property pertaining

Subject to tax - to the operation of such ships or aircraft shall be taxable only

rule in the protocol in the Contracting State in which its place of effective management.

The provisions of this paragraph apply to gains SAS acquired by the air transport consortium Scandinavian Airlines System ( SAS), but only in respect of the portion of the gain equal to the

share in the consortium held by AB Aero Transport (ABA), the Swedish partner of Scandinavian Airlines System ( SAS).

Exceptions to the 6. Provisions of Article 12 of this Agreement shall also apply to profits

p 1-5 from the alienation of any property or right referred to in the article.

Other property 7. Gains from the alienation of any property other than that referred to in the above paragraphs shall be taxable only in the Contracting State of which the alienator is a resident.

Equity / share , etc. 8th In the case of a natural person acquires profit because of over - after relocation transfer of shares or other rights in a company resident in a Contracting State and the individual was resident in

Cf § 53 subsection 1 . a this state and become a resident of the other Contracting State may ,

KL and 6 § 1 subsection . Notwithstanding the provisions of paragraph 7 , the first-mentioned State a SIL taxing profits on transfer of the shares or rights occurs at any time during the ten years immediately following the

the person ceased to be a resident of the first-mentioned State.

## Article 14

independent personal

1st of income of an individual who is a resident of a Contracting State from the performance of professional services or other independent activities may be taxed in that State. Such income may, however, also be taxed in the other Contracting State if

Fixed base

or a) the natural person in that other State has a steady commodity -de base regularly available to him in order to practice, but only so much of them as is attributable to that fixed base , or

183 days b ) the natural person is present in the other Contracting State for a period or periods exceeding 183 days in any twelve month period , but only so much of the income as is attributable to activities taking place there.

Examples of free second term "professional services " includes especially independent scientific profession lies , literary, artistic , educational or teaching activities as well as the independent activities of heal -

re , lawyers, engineers , architects, dentists and accountants.

## Article 15

individual business

First to the provisions of Articles 16, 18 and 19, salaries , wages and other similar remuneration derived by a resident of a Contracting State in respect of employment only in that State unless the employment is exercised in the other Contracting State . If services are rendered in that other State , such remuneration as is derived therefrom may be taxed there.

Exceptions to the second Notwithstanding the provisions of paragraph 1, remuneration , p 1; as a resident of a Contracting State in respect of an employment exercised in the other Contracting State , only in the first -

mentioned State if:

183 -day rule a) the recipient is present in the other State for a period or periods exceeding in the aggregate 183 days in any twelve month period , and

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

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

Exemptions from third Notwithstanding the preceding provisions of this Article may p. 1 and 2; compensation for work performed aboard a ship or aircraft operated in international traffic by an enterprise of a Contracting

Crews of State may be taxed in the Contracting State of which the company has its

effective management . Where a resident of Sweden derives income SAS of an employment exercised aboard an aircraft operated in international traffic by the air transport consortium Scandinavian Airlines System (SAS) , taxable only in Sweden .

## Article 16

### Directors' fees

Directors' fees and other similar remuneration derived by a resident of a Contracting State in his capacity as a member of the Board, and in the case of Mexico as the " administrador " or " comisario " in a company resident in the other Contracting State may be taxed in that other State.

## Article 17

### Artistes and Athletes

First Notwithstanding the provisions of Articles 14 and 15, in income, as a resident of a Contracting State from his personal activities in the other Contracting State , one as an entertainer , such as theater , motion picture, radio or television artiste, or a musician, or be taxed in that other State. The income of an entertainer or a sports - sman resident of a Contracting State from his personal activities performed in the other Contracting State and who is related to his reputation as an artist or athlete, may be taxed in that other State.

2nd Where income in respect of personal activities of an entertainer or an athlete in his capacity as such accrues not to the entertainer or athlete himself but to another person, that income may, notwithstanding the provisions of Articles 7, 14 and 15, be taxed in the Contracting State where the entertainer or athlete are exercised .

Exemptions from third Notwithstanding the provisions of paragraphs 1 and 2 shall in- p 1 and 2 occurrence acquired by an entertainer or an athlete through his personal activities as such exempt from tax in the

Contracting State in which such activity if the activity is pursued in the context of a visit to any considerable extent financed by the other Contracting State , a political subdivision, a local authority or other public institution in this state.

## Article 18

Pensions, annuities and similar payments

First to the provisions of Article 19, paragraph 2 , salaries pensions and other similar remuneration, disbursements under the social security legislation and annuities arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in the first-mentioned State .

Def . of annuity second term "annuity " means a stated sum disbursed las periodically at stated times during life or during a specified or ascertainable period of time based on the basic obligation to make the payments in return for adequate and full consideration in money or money .

## Article 19

public service

Salary etc. 1.a) 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 a political subdivision or local authority ningars taxable only

in this state.

Exceptions to the p 1 a locally hired b) such remuneration shall be taxable only in the other Contracting State if the services are rendered in that other State and the individual is a resident of that State and

1) is a citizen of this State , or

2) is not a resident of that State solely for the work.

Pension 2.a) 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 political subdivision or authority shall be taxable only in that State.

Exemptions from

p 2 a b ) However, such pension shall be taxable only in the other Contracting State if the individual is a resident and a national of that State.

Exemptions from third provisions of Articles 15 , 16 and 18 shall apply to remuneration p. 1 and 2 tion and pensions in respect of services rendered in connection with a business carried on by a Contracting State or a

political subdivisions or local authorities.

Article 20

students

Support from the student or business apprentice who is or was immediately before

another state visiting a Contracting State a resident of the other Contracting State and who is present in the first -mentioned State solely for his education or training shall not be taxed in that State for the amount he receives for his maintenance, education or training provided that such payments arise from sources outside that State .

other income

1st of income of a resident of a Contracting State acquires and not dealt with in the foregoing Articles of this Convention shall be taxable only in that State regardless of where the income arises .

Exceptions to the second Paragraph 1 shall not apply to income, except p 1 while income from immovable property as defined in Article 6, paragraph 2 , if the recipient of such income, being a resident of a Contracting State,

carries on business in the other Contracting State through a

permanent establishment situated therein, or performs in that other State independent personal services from a fixed base, and the right or property in respect of which the income is paid is effectively connected with such permanent establishment or fixed base . In such case the provisions of Article 7 or Article 14.

Exceptions to the third income which are not addressed in previous articles of this Agreement , pp. 1 and 2 as a resident of a Contracting State and derived by the other Contracting State may , notwithstanding

provisions of paragraphs 1 and 2 , may be taxed in that other State.

## Article 22

### Method Obsolete Elimination of double taxation

Mexico 1. Regarding Mexico , in accordance with the conditions prescribed by Mexican law, double taxation be avoided as follows :

Settlement a) persons resident in Mexico may deduct Swedish tax to an amount not exceeding the tax payable in Mexico on such income ; and

- For the under-lying -b ) companies resident in Mexico receive from the Mexican tax

the corporation ten on dividend deduct the Swedish tax on the profits out of which the company is a resident of Sweden paid the dividend.

- Limited settlement then a resident in Mexico derives income referred to in Article 18, Mexico under the domestic laws limit the deductible amount to 15 percent of the resulting bruttobelop

-

pet .

Sweden second case of Sweden , double taxation shall be avoided in the following manner :

Settlement

NOTE p. 3, 4 and 6 a) Where a resident of Sweden derives income which, under Mexican law and in accordance with the provisions of this Agreement may be taxed in Mexico , the Sweden

- Having regard to the provisions of Swedish legislation concerning credit for foreign tax (as amended or supplemented in future can get by altered without changing the general principle hereof ) - from the Swedish tax on such income , an amount equal to the tax paid in Mexico for income.

progressions -

subject

NOTE 3 § Act b) Where a resident of Sweden derives income which, in accordance with Article 19 shall be taxable only in Mexico , Sweden may - in determining the Swedish pro - progressive taxation - consider the income which is taxable only in Mexico.

Tax exemption for

dividend

NOTE p 5 and 6 c) Notwithstanding the provisions of paragraph a above , dividends paid by a company resident in Mexico to companies resident in Sweden shall be exempt from Swedish tax under the regulations of the Swedish law on tax exemption for dividends which are obtained by Swedish companies from subsidiaries abroad.

Creditable third the purposes of paragraph 2 shall , in Article 2 paragraph 1 a

assets dachshund mentioned Mexican " assets tax" is considered as an income tax.

Matching creditable fourth the purposes of paragraph 2a of this Article shall mexican regarding royalty tax, which is paid on account of royalties obtained as empty 2002-12-31 , compensation for the use of patents , trademarks, design or mo - see item 6 model , plan, secret formula or process, or for information concerning industrial, commercial or

See Minutes scientific nature, when that has been used in the context of country -

transportation within Mexican territory , as well as in an industrial process , manufacturing operations , farming ( cattle farming cluding ), forestry , fisheries, tourism ( hotel and restaurant business cluding ) and telecommunications on the condition that the business has been conducted in Mexico except the Mexican tax actually paid , be deemed to have been paid by an additional 5 percent , or if no such tax has not been charged , is considered to have been paid by 5 per cent , of the gross royalties .

Matching exempt fifth the purposes of paragraph 2 c of this Article , a tax on empty 2002-12-31 , 15 percent are considered to have been paid on the profits out of which dividends are paid , see item 6 of the Company who are resident in Mexico has acquired profits mainly from land-based transport within the Mexican

territory , as well as in an industrial process , manufacturing operations

activities, agriculture ( ranching cluding ), forestry , fisheries, tourism ( hotel and restaurant operations cluding ) , provided that the business has been conducted in Mexico.

Timeout 6. Provisions of paragraphs 4 and 5 shall apply only in respect of those of sections 4 and 5 of the first ten years during which this Agreement applies . This period may be extended by mutual agreement between the competent bod -

ga authorities.

## Prohibition of discrimination

Citizenship, 1st Nationals of a Contracting State shall not 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.

Permanent establishment . Second taxation on a permanent establishment which an enterprise of a Contracting State has in the other Contracting State shall, in that other State

See § 6 subsection 1 . not be less favorable than the taxation levied on enterprises of that

1 pc. c SFL other State carrying on the same activities . This provision shall not be construed as obliging a Contracting State to grant to residents of the other Contracting State any personal allowances , reliefs and reductions for taxation purposes on account of civil status or family responsibilities which it grants to residents of their own state .

Cost Deduction third Except where the provisions of Article 9, paragraph 1 , Article 11, paragraph 8 of Article 12, paragraph 6 apply, interest , royalties and other disbursements paid by an enterprise of a Contracting State to a resident of the other Contracting State shall be deductible under determination of offenders , the taxable profits of such enterprise on the same basis as paid to a resident of the first - mentioned State.

Mexican ownership fourth Enterprises of a Contracting State, the capital wholly or partly owned by the Swedish pre - or controlled, directly or indirectly, by one or more persons hold a resident of the other Contracting State shall not in the

1. See RAW 1986 note 785 and RAW 1988 ref . 154. 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 underkastat.1

The article applies fifth Notwithstanding the provisions of Article 2, apply the provi-

All taxes provisions of the present article to taxes of every kind and description -ness .

## Article 24

### Mutual Agreement Procedure

Taxation in battle first , if a person believes that a Contracting State or both - with the agreement Contracting States made arrangements for him in result or will result in taxation not in accordance with the provisions

in this Agreement, he may, without prejudice to his right to make use of the remedies available under the domestic legal order ,

Def . in nature . 3 p 1 to present his case to the competent authority of the Contracting

State of which he is a resident or , if his case comes under Article

23, paragraph 1 , of the Contracting State of which he is a national. The case must be presented within four and a half years from the end of the year in which the action was taken resulting in taxation not in accordance with the provisions of the agreement.

Understanding the second case the competent authority finds the objection founded but in individual cases is not itself able to arrive at a satisfactory solution , the authority to resolve the case by mutual agreement with

the competent authority of the other Contracting State for the purpose of avoiding taxation not in accordance with the Agreement.

General agree - third the competent authorities of the Contracting States shall meet by mutual agreement any difficulties or doubts arising as to the interpretation or application

of the Agreement.

4th The competent authorities of the Contracting States may communicate directly with each other in order to reach agreement in the sense of the preceding paragraphs . The competent authorities shall , through consultation , develop appropriate bilateral procedures , conditions , methods and techniques to facilitate the procedure of mutual agreements .

1. See eg RAW 1987 ref . 158.

Article 25

Exchange of information

RSV authorized first by the competent authorities of the Contracting States shall by official exchange such information as is necessary to implement the provisions of this Agreement or of the Contracting States

Cf Act ( 1990:314 ) the domestic laws concerning taxes established by the by -

Mutual Contracting States , insofar as the taxation under this Act - Administrative Assistance in legislation is not contrary to the Agreement . The exchange of information is limited to tax matters , not of Article 1. Disclosures as a Contracting State Govt. 1989/90 : 14 shall be treated as secret in the same manner as information obtained under the domestic laws of that State and shall be

disclosed only to persons or authorities (including court

chairs and administrative authorities ) setting , or collection or prosecution or appeal in respect of taxes imposed on behalf of a Contracting State . Such persons or authorities shall use the information only for

tax purposes. They may disclose the information in public court proceedings or in actions of a court - doings.

Integrity 2nd provisions of paragraph 1 be construed so as to impose on a Contracting State the

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

b ) to supply information which is not obtainable under

laws or in the normal administrative practice of that Contracting State 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 26

Diplomatic agents and consular officers

See the Act ( 1976:661 ) The provisions of this Agreement shall affect the privileges of immunity and taxation under international law or privileges in certain provisions of special agreements where diplomatic representation -are or consular officials.

## Article 27

Entry into force

1. The Contracting States shall notify in writing each other agreement entered into when the actions taken by its law force 1992-12-18 , required for the agreement to enter into force . The Agreement shall enter into force on see regulation after the last of these notifications .

Second contract provisions shall apply to income derived from 1 January of the year next following that in which the Agreement enters into force.

## Article 28

cessation

The agreement may be , this Agreement shall remain in force until terminated by a Contracting - up no earlier than the Contracting Government . Either Contracting State may terminate the Convention , in 1998, in writing to terminate the Agreement by giving notice of termination at least six months before the end of any calendar year following a time -

space of five years from the date of its entry into force . In such event, the Agreement shall cease to have effect in respect of income acquired from 1 January of the year immediately following dismissal .

Done at Washington, D. C. September 21, 1992 , in duplicate in the Spanish and English languages , both texts being equally authentic .

For the Kingdom of Sweden for the United Mexican States

Anders Thunborg Pedro Aspe

MINUTES

At the signing of the Agreement between the Kingdom of Sweden and the United Mexican States to avoid double taxation and prevent fiscal evasion with respect to taxes on income , the undersigned have agreed that the following provisions shall form an integral part thereof.

To Article 4

For def . of personal respect to Article 4 paragraph 1 , the Contracting States agree resident ... that, as regards partnership, estate or trust , the term "resident of a Contracting State " such per -

son only to the extent that the income is taxable in that State

same manner as the income of a resident , either in , the estate or the Foundation or its partner respective beneficiaries.

On Article 8 and 13

Subject to tax - If a Contracting State has the right to tax income under the rule of Article 8 paragraph 1 or Article 13, paragraph 5 , under its law is prevented in its entirety taxing such income taxed such

Maritime and air transport income only in the Contracting State of which the taxpayer has residence.

Re Article 11

Def . of Financial Contracting States agree that in respect of Article 11 institution of paragraph 4 , the term " financial institution of state char- state character depletes " in Sweden SWEDECORP ( Swedish International Economy - slivsbistånd ) and Swedfund or every Swedish

institution established by the Swedish government to achieve the same purpose for which the aforementioned institutions, and in Mexico BancoMext SNC (Banco Nacional de Comercio Exterior , Sociedad Nacional de Crédito ) , Nafin , SNC ( Nacional Financi era , Sociedad Nacional de Crédito ) and BANOBRAS , SNC (Banco Nacional de Obras y Servicios, Sociedad Nacional de Crédito ) .

Re Article 11 and 12

Regarding the application of Article 11 paragraph 7 and Article 12 paragraph 5 of the Contracting States agree to apply these provisions

- Art. 11 , item 7 of the law of the States and
- Art. 12 p 5 in accordance with the comments to the articles of the 1977

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Model Tax Convention on Income and on 's assets prepared by the OECD's Committee on Fiscal Affairs . The Contracting States also agree to extend the application of the provisions of the said paragraphs to the conditions specified in paragraph 25 c commentary on Article 11.

The application of the Contracting States agree that in relation to Article 11, paragraph 9 , and Article 12, paragraph 7 , where a Contracting State

- Art. 11 p.9 intends to refuse a resident of the other Contracting State benefits, the competent authorities of the Contracting
- Art. 12 p.7 ing States to consult each other .

Article 22

The application of the Contracting States agree that in relation to Article 22, paragraph 4, the provisions of paragraph 4 shall also apply to any

- Art. 22 Paragraph 4 of research and development conducted in Mexico by a company belonging to a group which in Mexico significantly conducts business of the kind referred to in that paragraph.

Done at Washington, D. C. September 21, 1992 , in duplicate in the Spanish and English languages , both texts being equally authentic .

For the Kingdom of Sweden for the United Mexican States

Anders Thunborg Pedro Aspe

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Govt. 1992/93: 45 p

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Bill on double taxation treaty between  
Sweden and Mexico

## 1 Introduction

History of Swedish companies have long been operating in Mexico.

Requests for opening of negotiations on double taxation agreement was made in the mid -1950s by several companies and have subsequently been made repeatedly . Mexico has not been prepared to enter into such negotiations. Only after Mexico a few years ago changed its economic policy was set to

conclude double taxation agreements more favorable. Through the changed economic policy, foreign investments in Mexico doubled since the late 1980s. The growth rate of the economy has since been high. Inflation has fallen from 160 to 19 % in 1991. During 1992, an estimated inflation to fall further. One factor in the future are likely to have significant economic importance for Mexico is also the conclusion of the Free Trade Agreement between the United States and Canada (North American Free Trade Agreement, NAFTA).

Mexico now has signed double taxation treaties with the United States, Canada, France and Italy. Negotiations for the conclusion of contracts in progress including the Netherlands, Norway and Germany. Currently, however, Mexico is no double taxation agreement

effect.

Double taxation agreement always involves commitments limitations on tax liability. It is therefore from a competition perspective is very important to Sweden as soon as possible may reach an agreement with Mexico. Negotiations for an agreement began in Stockholm in September 1991 and ended giving through to a draft agreement was initialed on 20 March this year in

Mexico City. The initialed draft was drawn up in Spanish. An English text and a Swedish translation has subsequently been prepared and referred to the Court of Appeal in Jönköping and the National Tax. In addition to requests for some clarification in the bill from both reviewing bodies of Appeal questioned unless tax concessions from the Swedish side in some cases granted too often. In relation to the other countries with which Mexico has signed agreements Sweden, however, time managed very well. Mexico waives example of the century Sweden, in most cases, from the right to levy a withholding tax on

Govt. 1992/93: 45 P. dividends between companies. Withholding taxes on interest and royalties is

39 also relatively low (see Art. 10-12). The timely approval of the Agreement will therefore operate to help enforce

the Swedish investment competitiveness.

The Agreement was signed on 21 September 1992. A draft law on double taxation treaty between Sweden and Mexico has been established within the Treasury Department.

Closest under section 2 presents the bill. Section 3 treatment

lar overview of the income tax system in Mexico. Content of the agreement are presented in Section 4.

## 2 The law of double taxation treaties

The bill consists of paragraphs 1-3, and an annex containing the agreement English text and a Swedish translation. The agreement consists, apart from the English text is also a Spanish text. Both texts are equally authentic. Experience shows that an agreement is published in Swedish Statutes in several texts can be difficult to grasp. Only the English version and the Swedish translation has therefore in this case attached to the bill.

The law The draft law provides that the agreement shall apply as law in this country (§ 1). Furthermore regulated where the issue of the applicability of the Agreement in relation to other tax law (§ 2). This provision means that taxation can not be done because of the agreement's rules. Only if it is in another tax code such as the Municipal Tax Act (1928:370), KL, Act (1947:576) on state income tax, SIL, etc. imposed a tax liability may tax eligible. In § 3 of the draft provides that where a here-resident receives income under the Agreement shall be taxable only in Mexico such income shall not be taken

with during taxation here, ie. some progressivity must

then not happen.

Not progressions - Sweden by progression rule in nature. 22, paragraph 2 b where the enumeration specified cases the right to raise the tax on a person's other income. Sweden refrains, however, now regularly from exploiting

the right to progressivity given in double tax -

agreements. The reasons for this include: the reduced workload of the tax authorities and the simplification of the regulatory environment as the abolition of progression list implies. These reasons motivated rar a waiver of progressivity also in relation to Mexico. Furthermore, in the present agreement only a few incomes that Sweden applies the exemption method on. This means that the tax losses resulting from a waiver of progressivity should be completely negligible from governmental financial standpoint.

According to Art. 27, this Agreement shall enter into force when the Contracting States shall notify each other of the measures taken in accordance with the respective

State legislation is required for the agreement to come into force. It is thus not possible to now determine at what point the agreement will enter into force. The draft law on double taxation

agreement between Sweden and Mexico has stipulated that it will enter into force on the day the Government.

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### 3 An overview of the income tax system in Mexico

In Mexico, based both federal and local taxes. The local BES

Taxes cat ing right is limited and local taxes are based mainly on fixed assets such as property taxes and stamp duties .

The current federal income tax law regulates both ask the taxation of corporate income as income received by an individual .

Individuals An individual who resides in Mexico ( resident individual) is subject to tax on all income, regardless of where they originate. Resident , it is considered that have permanent residence in Mexico or staying there for more than 183 days during a calendar year. Natural person who is not resident in Mexico ( non-resident ) , are taxed only on their income derived from Mexico. The tax rate is progressive and is located in the layer 3-35 % . The tax rate on employment income of persons who are not resident in Mexico is normally 30 % . In some cases, however, such income to be completely tax-exempt . The tax is a final withholding tax . One-off payments such as severance pay under certain conditions, tax free. Directors' fees , etc. treated as employment income . Capital gains are taxable . In calculating the profit is adjusted for inflation. Including capital gain on sale of listed securities and private property in certain cases as well as the sale of property as in- nehafts least two years , however, is tax free. The tax on interest for individuals resident in Mexico is generally 20%. The tax is a final withholding tax . Certain interest payments , however, is tax exempt . On interest paid to persons not resident in Mexi -co deleted withholding rule by 15-35 % . On the royalty withholding tax is also charged at the rate of either 15% or 35%. The higher tax rate relates in particular payments for patents, goodwill and trademarks.

Bolagsbeskatt - Annual tax system is fully implemented enkelbeskattnings -tion system . Tax on company profits thus takes place only at the company , not the shareholder. The companies must maintain a separate accounting

tion of how much taxed profit that the company has available for

dividend ( cuenta de utilidad fiscal neta ) . Takes place of interim dividends

that is not taxed , the company must pay tax at 35% ( bolagss - cat kit) of the dividend . Nor when the dividend is paid to shareholders abroad paid no tax on dividend is paid by taxed earnings . However, it has been considered to introduce a special withholding tax on dividends paid to foreign countries. Chain taxation of company profits in respect of dividends from foreign subsidiaries are avoided by offsetting the foreign part corporation . Companies established in Mexico are taxed there for virtually all income regardless of whether it originates from Mexico or from abroad. International double taxation is avoided by the foreign tax credit . When a company formed in Mexico by Mexican law as the residents there. A legal entity that has its main vudsakliga administration in Mexico is also considered resident there. Companies which are part of a group can choose to be taxed as a corporation.

Non -resident one in Mexico non -resident companies operating company through a permanent establishment where taxed in virtually the same way as one in which resident company for the portion of its income that is attributable

uted to the permanent establishment. The concept of permanent establishment in Mexi -

swine law conforms in principle with the definition in

OECD Model Convention.

Govt. 1992/93: 45 P. A natural person who is not resident in Mexico but trading

41 activities through a permanent establishment there, taxed on that income in the same manner as natural person residing in Mexico engaged in busi-

Non- resident physical ring activity . No further tax is payable when income from the individual establishment is transferred to the trader's home country if the transfer is made of taxed earnings .

Otherwise paid taxes of 35% of the transferred

amount.

Deductible from income receive the necessary expenses acquisition costs, etc. regulatory deducted in the calculation of the tax base. Interest paid to related parties is abroad , however in some cases out -

sharing. The deductibility of entertainment expenses is limited. Costs for the use of imported cars are not deductible unless the cars are considered equivalent to cars produced in Mexico. Nor is the cost of housing , aircraft or boats deductible unless certain conditions are met . Losses may be deducted from the next four years gains ( carry- forward) . In contrast, losses can not be offset against previous years' profits ( the carry -back) . Deduction for depreciation may take place according to the linear method by

between 5 % (eg buildings ) and 35% ( environmental investments , research and development costs, etc. ) . Companies exhibiting loss or only a small profit has to pay a minimum tax calculated on the value of the company's assets.

The tax rate for companies and permanent establishments is 35% .

## 4 double taxation agreement content

### 4.1 Background

OECD model agreement connects closely to the model of the Organisation for Economic model agreement Cooperation and Development (OECD ) guideline for bilateral double taxation agreement , but it is also influenced by the

Mexico is less developed than Sweden at an industrial level . Thus , Sweden has accepted the contract on the so-called matching credit and matching- exempt (Article 22 paragraphs 4 and 5). This means that Sweden , in some cases accepts deduction for notional tax and allows tax exemption for dividends received , even though the normal requirement for tax exemption in that case - a tax of at least 15% - have not been met . An important provision of the Swedish company with subsidiaries in Mexico 's nature . 10th It means that Mexico is in most cases completely waives the right to levy a withholding tax on dividends.

### 4.2 This Agreement applies

Persons of -Art . 1 indicates the persons covered by the agreement. Only person missing of the agreement that the agreement can be entitled to the incentives provided under the agreement. According to this article , which is in -

consistent with the OECD model agreement , the contract shall apply to

being a resident of a Contracting State or of both Contracting States . For the agreement to be applicable it is necessary , first, that question is about the person referred to in Art. 3 paragraph 1, d and

e , and that person in accordance with the provisions of Art . 4 paragraph 1 is a resident of a Contracting State , that is . according to the internal

Govt. 1992/93: 45 P. laws of a Contracting State, is liable to tax therein by reason

42 of his domicile, residence, place of management or any other similar circumstances.

The agreement does not apply to person who is taxable only because of income from sources in a Contracting State , See Art . 4 in 1.

Taxes on -Art . 2 lists the taxes to which the Convention applies. Neither the agreement made by the State capital tax or the state property tax covered by the agreement ( paragraph 1 b ) . Paragraph 2 that the contract

shall also apply to any identical or substantially similar taxes imposed in the future Convention in addition to, or in place of, the taxes referred to in paragraph 1. Notwithstanding species 2 , the provisions on the prohibition of discrimination (Article 23) and the exchange of information (Art.

25 ) also in taxes other than those listed in nature . 2, for example in the VAT .

#### 4.3 Definitions etc.

Part. 3 contains definitions of certain expressions occurring in the agreement. The contents of this article are broadly consistent with the OECD Model Convention. Definitions also occurs in other Article clear example species . 10, 11 and 12 , where the income is treated in each article is defined .

RSV comment for the understanding of those in paragraph 1 f defined terms enterprise of a Contracting State and enterprise of the other Contracting State is RAW 1991 note 228 of interest. In this crucial states namely that the term business includes natural or legal person who carries on business . This means that if an individual who is domiciled in Sweden carries on business in Mexico , it is this individual in its application to be considered as a company in Sweden .

Govt. 1992/93: 45 As regards the interpretation of double tax treaties and then including P. 42 on the species . 3 paragraph 2 inmates rule , I refer to what Interpretation of contracts stated in the bill about double taxation agreement between the

Nordic countries (Government Bill 1989/90 : 33 P. 42 ff . ) .

RSV comment In Govt. 1992/93: 177 s 51 has been head of department - as regards the interpretation of tax treaties - also referred to the National Tax Hand - line for international taxation and Sweden's contribution to the IFA Congress in Florence in October 1993. Department Head stated that the Vienna

Convention on the Law of Treaties provides rules for interpreting of agreements in cases of disagreement between the parties, ie. States if contracted pellets meaning. However regulates the Convention does not - in terms of double taxation agreement - the relationship between taxpayers and the state. The Bill also pronounced that double taxation agreement in principle to be interpreted as another Swedish tax law, ie. the wording and with the support of public preparatory work.

Govt. 1992/93: 45 p Art. 4 contains rules intended to determine where a person is

42 deemed to be domiciled in the application of the agreement. The rules are usually in

among termed tiebreak rules and are intended to solve cases of so-called Domicile Rules separation, ie. determine where a person shall be deemed to be a resident when the rules of the Agreement shall apply. Article is in -

true, save for the in the Protocol to the inmates provision regarding a partnership, estate and trust, with the corresponding provisions of the OECD Model Convention.

The terms residence residence rules in the agreement therefore has no bearing on each resident a person shall be deemed to be a resident under the domestic tax law, but only regulates the issue of residency for the purposes of the agreement.

The specified means that the contract domiciled rules irrelevant eg when it comes to deciding whether dividends from Swedish companies to be subject to withholding tax. Dividends paid by a Swedish company to a natural person for tax purposes is resident in Sweden according to

internal Swedish tax law, but that is a resident of another country under a double taxation agreement, must therefore not be subject to withholding tax but will as usual be taxed on dividend income from capital.

Dual residency Paragraphs 2 and 3 regulates cases of dual residence, ie. cases where the taxpayer according to Swedish taxation rules are considered resident in Sweden, under the rules of taxation in Mexico is considered a resident of Mexico. For the purposes of this Agreement shall in such cases the taxpayer is deemed to be a resident only of the Contracting State of which he is a resident under the agreement. A person who is resident in Sweden and Mexico in accordance with their respective internal legislation, but that the application of the Agreement is domiciled in Mexico must be in respect of the income to which Sweden has

Govt. 1992/93: 45 p taxing rights under the contract, for purposes of taxation in Sweden for tax purposes

43 according to the rules that apply to this residence, which entails the right to eg allowance and general deductions.

Agreement application for the agreement to be applicable to a partnership, estate, or accordingly the foundation for certain of the Protocol to the conditions specified therein. an

- Partnerships , partnerships resident in one of the Contracting States is

- Estate and example of application of the provision relied ask -

- Foundation rättigad obtaining reduction of eg withholding tax on dividends in accordance with the rules of nature . 10 , to the extent the partnership's income is subject to tax in that State in the same way as income as temporary or a person who is a resident there. It does thereby not matter whether it is trading or its owners who are taxpayers . Have a trading company based in one of the Contracting States such as three owners of which only two have been tax resident in the State , while the third is a resident of a third State, has handelsbo team - if its income as in Sweden for tax purposes of the shareholders

- The right to obtain the reductions of withholding taxes imposed by the agreement

rules concerning two -thirds of the income derived from the other Contracting State .

RSV : S comment Because Swedish partnerships are not taxable entities , they are covered by a tax treaty only if - as in this agreement - is an express provision in the agreement to that effect.

Govt. 1992/93: 45 P. The provisions of paragraph 2 is different from the corresponding provisions

43 ment of the OECD Model Convention. The reason for the dual citizenship only stated to occur on the Swedish side is that this is prohibited in Mexico.

Permanent establishment Art. 5 defines "permanent establishment " . The expression in the present agreement with a slightly different content than the OECD Model Convention. These include the provisions of paragraph 4 e , see below. Paragraph 2 contains only a list by no means exhaustive of examples , each of which may constitute a permanent establishment . These exam- ple should be read in light of the general definition in paragraph

1st The terms listed in paragraph 2 " place of management " , " branch " , " office " , etc. . should therefore be interpreted in such a way that these places of business constitute permanent establishments only if they meet the conditions in paragraph 1. Paragraph 4 provides some activities which, although they carried on through a fixed place of business, yet not to be regarded operations conducted through a permanent establishment . In paragraph 4 th down 'scientific research' and preparation for placement of loans as an example of such an activity of a preparatory and auxiliary character that does not constitute a permanent establishment . Under normal usage the scientific research does not constitute activity of a preparatory - or auxiliary character , but in the agreement , the parties have so agreed . Preparation for placement of the loan was initiated by Mexico to clarify that although such activities are of preparatory and auxiliary character . Item 6 follows the United Nations' recommendations for negotiations between

developed and less developed countries at an industrial level (United Nations Model Double Convention between Developed and Developing Countries, 1980).

The provisions on "permanent establishment" in Swedish legislation at Section 3 of the instructions to § 53 KL. For a company in Mexico to be taxed on business income from a permanent establishment in Sweden in accordance with Art. 7 of the Agreement requires that such a place exists pursuant to the Agreement. Of course, this assumes that tax liability exists even under Swedish tax law - tiftning (cf. § 2 of the proposed law on double taxation agreement

Govt. 1992/93: 45 p with Mexico). In the majority of cases, a permanent establishment in the specified situation to exist even under the provisions of KL.

#### 4.4 Agreement taxation rules

Part. 6:21 a.m., the Agreement's rules on allocation of taxation rights of different incomes. Agreement grouping of different incomes is only relevant for the purposes of the agreement and therefore, in determining to which types of income and the acquisition reason -la income shall be assigned according to Swedish internal tax legislation. When taxing rights allocated under the contract, taxation in Sweden according to Swedish law. Has the right to tax certain income in Sweden curtailed by agreement, this restriction is observed.

The term "Where a capital may be taxed" in a Contracting State shall be taxable under the provisions of Art. 6:21 a.m., this does not mean that the other is deprived of the right to tax the income. Taxation may in such

cases also occur in the other state (usually the home State), if it is

possible under its domestic tax law, but the double taxation that arise in such cases must be eliminated (this is normally a resident of the state). How the elimination of double taxation in this agreement seen in nature. 22.

Realty Income from immovable property may under Art. 6 be taxed in the State where the property is located. Under §§ 21 and 22 KL taxable income derived from property, in some cases capital business operations. For the purposes of this Agreement is determined, however, the right to tax the income of property on the basis of Art. 6, ie. the State in which such property is situated may tax the income. This does not prevent Sweden from taxing the income as business income for purposes of taxation here.

Royalty income from immovable property or for the use of or the right to work, mineral deposits, sources and other natural resources are also treated as income from real property pursuant to the Agreement . Other royalties are taxed under Art. 12.

RSV 's Comments As stated in paragraph 1 , the provisions of this Article shall apply only when the immovable property is situated in a Contracting State and the owner is domiciled in another Contracting State. If the real property is located in the state where the owner is domiciled or in a third State is not this article but Article 21 ( other income ) applies.

Govt. 1992/93: 45 p Art. 7 contains rules on the taxation of business profits . such

44 Income is taxed under the general rule in paragraph 1 only in the state where the company is resident. If the enterprise carries on business from firm

The profits of permanent establishment in the other Contracting State , may be income that is attributable

Resistant to a permanent establishment may be taxed in that State. The expression or activities - term has white movement has on the Mexican initiative to come to clarify carried on business as yet certainly at the law , namely, that provi-sion also includes income derived from operations obtained

after the movement ceased. Such a view is natural in

Given that , for example, a business transaction is usually regarded as the last business event in the business. The second sentence of

The term force of the same point is a so-called force of attraction rule. Force of

attraction attraction referred briefly to the fact that all the profits that arise in the State linked to the permanent establishment . The rule essentially follows the UN model convention, but in relation to this model agreement is limited solely to profit from the sale of goods of the same or similar kind as those sold by the operation instead. Furthermore, in the present agreement plausibility barrier introduced. This provision means that even if the issue is whether the sale of goods of the same or similar kind , the profits are not attributable to the

Govt. 1992/93: 45 P. permanent establishment if the company can prove that the sale had not

45 have been carried out by the permanent establishment in the context of its customary

league business.

In determining the distribution of income between the Arm 's length - establishment and headquarters must arm's length principle used , the principle ie . to the permanent establishment shall be assigned the income that this establishment would have acquired it in place to finish the busi -

tors with headquarters had completed transactions with a completely inde-

only companies that engaged in the same or similar activities under the same or similar conditions and dealing wholly on normal commercial terms (paragraph 2) .

Expenses / costs Paragraph 3 contains some rules for how expenditures incurred by a permanent establishment shall be treated . In doing so, clarifies that eg general administrative expenses incurred at the corporate headquarters of a permanent establishment is an expense that may be deducted by the permanent establishment.

Included in income by operating revenue which are dealt with separately in other Articles of this Agreement is governed taxing rights to that income in the separate articles ( section 7).

RSV comment concept of capital movement in this article are not consistent with the concept of business income under domestic law. As stated in paragraph 7 is not this article applies to incomes which are dealt with separately in other articles. If e.g. a Swedish AB receives dividends , interest, royalties and capital gains from Mexico is not this article applies to such income . At taxation in Sweden, however, this revenue income by business activity .

Govt. 1992/93: 45 p Art. 8 deals with the taxation of business income in the form of naval

45 and aircraft in international traffic . Such income is taxed under paragraph 1 only in the state where the company conducts angi -

Maritime and aviation vein activity of effective management . The minutes , however, that in some cases, such income shall be taxable only in the domiciled state (cf. art . 13, paragraph 5). Paragraph 2 has been launched on the initiative of Mexico. This provision restricts the scope of paragraph 1 to real income through the operation of ships or aircraft in international traffic. The special rules for SAS in paragraph

3 implies that agreement only governs the taxation of the portion of

SAS income that is attributable to the Swedish partner . Companies with Art. 9 contains customary rules on the conversion of income in privity unauthorized transfer of profits between associated enterprises .

Those listed in paragraph 1 rules mean no restriction

a Contracting State entitled to under the domestic laws take the translation of a company's performance but merely as cases where specified in paragraph 2 adjustment is intended to be done. Paragraph 2 contains a clarification of the corresponding provision in the OECD Model Agreement by the approval requirement for adjustment

ing explicitly stated. The provision in paragraph 3 has no counterpart in the OECD Model Convention. It was initiated by Mexico and is intended to apply in obvious cases through deliberate acts or gross negligence of the terms agreed upon has deviated from what would have been made by independent companies .

Dividend Art. 10 deals with the taxation of dividend income. The definition of 'dividend' , as found in paragraph 4 , agree -

The definition refers to compliance with the OECD Model Convention. The definition applies only species . 10 customary only on the application of Art. 10th If the expression occurred - more in other articles , it may have a different meaning. For dividend

from companies in Mexico to be tax exempt for a Swedish company , is required

the question is whether the dividend by Swedish tax law . Part. 10 or the corresponding provisions of the OECD Model Agreement can not be used to determine the meaning of the term in other contexts . The reason that the term defined in the art . 10 is that payments in respect of which there is a right to levy a tax

Govt. 1992/93: 45 p , according to the article quoted rates must be bounded

46 from other payments. The same principle also applies to interest and royalties (see Art . 11 and 12).

According to paragraph 2, dividends from a company resident in a Contracting State to a resident of the other Contracting State may also be taxed in the State in which the company paying the dividends is a resident ( the source country ) . The rate shall be in accordance with paragraph 2 is not to exceed 5% of the gross dividends if the beneficial owner of the dividends is a company (other than a partnership) which holds directly at least 10% of the company paying the interleave da votes. In other cases, the tax so charged shall not exceed 15 % of out -

Sociedad de res department's gross amount ( paragraph 2 b ) . With the partnership referred to here

pensabilidad lim-its not in Mexico ordinary statute Sociedad de responsabi - tada corresponds lidad limitada . This statute corresponds functionally a Swedish AB Swedish company , ie . shareholders are only liable for the capital invested. The provisions of paragraph 3, however, that the source

Tax not to be levied on dividends received by a company of a

Contracting State of which owns at least 25 % v of the paying company's voting power and at least 50% of the total voting power of the Company who is entitled to the dividend is held by persons resident in that Contracting State . To voting

instead of capital specified as requirements associated with the

in Mexico - as in Sweden - it is possible to apply a differentiated voting rights on the shares. For Swedish companies with subsidiaries abroad, the provisions on limitation of the source State's right to levy a withholding tax on dividends the central provisions of Swedish DTCs. Because Sweden is normally tucked - taking dividends from foreign subsidiaries paid to Swedish

parent from tax decreases each percent withholding direct net return on investment abroad. The conditions in paragraph

3 are met by virtually all Swedish companies with subsidiaries abroad. This means that the vast majority of Swedish companies with subsidiaries in Mexico will not have to pay any withholding tax on profit taking from Mexico.

The term counter- They now recognized the limitations of the source State taxing rights taker has the right only applies when " the recipient of the dividends ." For this to dividend policy, as set out in the case of interest (Article 11 paragraph 2), and royalties (Article 12 paragraph 2), it follows that the specified limit of

tax in the source state does not apply when an intermediary, such as a

representative or a deputy, is inserted between inkomstta - beneficiary and the payer. The condition is favorable to the cases where the beneficial owner of the dividends is not a resident of the other Contracting State.

Part. 10 of the OECD Model Agreement contains a provision on a formula for the source state's limited powers of taxation. In the present agreement has meant that agreements on procedure - procedure, the need thereof shall be concluded on the basis of Art. 24 governing procedure at mutual agreements.

In some cases, the right to tax dividends distributed with the application of contract rules for the taxation of business income or of independent personal services. These cases are presented in section 5.

Extra - territorial Paragraph 6 prohibits so-called extra - territorial taxation

taxation of dividends (for this kind of taxation see paragraphs

33 39 of the Commentary on Art. 10 paragraph 5 of the OECD Model Convention).

Govt. 1992/93: 45 P. In Section 4.5.2 describes the provisions of Art. 22 indicating

47 cases in which Swedish companies are exempt from tax on received dividends from companies in Mexico.

RSV comment provisions of this Article shall not apply to dividends from a company resident in a third State or where the distributing company and recipient of the dividends is a resident of the same State. I

now and in cases apply in place the provisions of Article 21 ( other income ) . Nor is - as mentioned above - the limitation provisions of this Article apply to dividends from a company resident in a Contracting State when the dividends are attributable to a permanent establishment or a fixed base which the recipient undertakings in the Contracting State in which the distributing company is resident . The taxation in the source State shall in such cases be made in accordance with the provisions of Article 7 or Article 14. See paragraphs 30 and 31 of the Commentary on Article 10 of the OECD model tax convention . Also note that the article does not contain any provisions on the taxation in the source state will occur. It is thus the source State free to apply its own laws and to levy taxes

TEN eg by deduction at source or by assessment . Whether Sweden as the source State shall levy withholding tax on dividends or income tax on the SIL is therefore something to be assessed on the basis of internal Swedish legislation. Agreement hemvistreg variables was therefore of no importance in this assessment .

Govt. 1992/93: 45 p Art. 11 deals with interest. According to paragraph 1, interest is taxed in the

47 state where the recipient is a resident . What is meant by interest rate specified in paragraph 5 (cf. what has been said concerning dividend during

Interest species . 10). Although the source State may, under paragraph 2 tax rate, but the tax so charged shall in that case not exceed 15% of the gross amount . If the bank receives the interest rate applicable instead 10%. During a transitional period of five years from the time the agreement was applicable, however, even in these cases, 15% is applied. In some cases refrain from the source state to levy taxes . These cases specified in paragraph 4 and relate, inter alia when the interest is paid by the government or central bank of a Contracting State . The expression financial institution of a public character has been defined in the protocol.

RSV comment Article 11 paragraph 4 c talk of financial institution of public ligrättslig character. As stated above, this expression been defined in the Agreement annexed (For Article 11). In the minutes are spoken , however, if a financial institution of public ligrättslig character without financial institution of public character. The Bill and the English text of the agreement - that is the text that has precedence - is, however, clear that there is one and the same expression provided.

Govt. 1992/93: 45 P. The provisions of paragraphs 1 and 2 shall not apply in cases

47 referred to in paragraph 6 , that is . when the interest is attributable to the claim that is effectively connected with a permanent establishment or a fixed base which the beneficial interest is in the other Contracting State . In such cases, the right to tax the interest, instead allocated pursuant to Art. 7 species. 14 which deals with capital movement and independent personal services. According to Swedish internal tax legislation represents both business income as income from independent personal services in general business income. This described the taxation law of the source State may be

applicable in Sweden in cases of residence in Sweden, according to internal taxation rules may not be present, the interest rate under paragraph 2 of the instructions to § 22 KL be attributed to revenue from business activities. In addition, it is required that permanent establishment -le exists under internal Swedish law or that the income relates to this situated property ( § 53 subsection 1 . Text KL and 6 § 1 subsection . SIL ) . Regarding point 7 in the minutes that the Contracting States agree to apply these provisions in conformity with the legislation of the States and in over -

compliance with the law with the comments on the article of the 1977 Model Tax Convention concerning and fortune established by the OECD's Committee on Fiscal Affairs . States also agree to extend the application of the provisions to the circumstances mentioned in paragraph 25 c commented Feeder to species. 11 of the Model Convention (cf. art . 12, paragraph 5).

Tax evasion Paragraph 9 has been initiated from Mexico. The Contracting - they can agree to only clear cases of tax evasion must be covered by the provision . To the minutes, that the competent authorities shall consult each other when a Contracting State intends to refuse a resident of the other state benefits under this article (cf. art . 12 paragraph 7).

RSV comment Article 11 deals only interest arising from a contractual end -ing State and paid to a resident of the other Contracting State. The article does not apply in respect of interest which has been the source of a third State , or to interest from a Contracting State and paid to a resident or a permanent establishment in that State. In such cases , rather than the provisions of an-other income in Article 21 or capital movement in Article 7.

Govt. 1992/93: 45 p Royalty referred to in Art. 12 paragraph 3 that originates from one of -

47 Contracting State ( the source state ) and paid to a resident of the other Contracting State may be taxed in accordance with paragraph 1 of

Royalty that other State. The definition of the term " royalty " (cf. what has been said with respect to dividends under Art.10 ) covers as well as the corresponding provision in the OECD Model Agreement of 1977 leasing fees . Under paragraph 2 may also be the source country to tax on royaltybe payments but this tax may not exceed 10 % of the royalties

Govt. 1992/93: 45 P. gross amount if the recipient of the royalties . royalties

48 paid from Sweden to a resident in Mexico thus may be taxed here, but the tax so charged shall not exceed 10% of gross royalties .

From the reported provisions of paragraphs 1 and 2 are in section 4 except for cases in which the right or property in respect of which the royalties are paid is effectively connected with a permanent establishment or a fixed base which the beneficial owner of the royalties has in the other Contracting

State. In such cases, the taxation law of the royalties between states with the application of the provisions of Art . 7 respectively . species . 14 which deals with capital movement and independent personal services.

Like what was stated in reporting the r ntebest mmel -visions of nature . 11 in the minutes of paragraph 5 shall apply and that the competent authorities shall consult with each other in paragraph 7 are considered to apply.

RSV comment Article 12 deals only with royalties arising in a Contracting State and paid to a resident of the other Contracting State. The article does not apply in the case of royalties from sources in the third State or royalty by a Contracting State paid to a resident or a permanent establishment in that State. In such cases , rather than the provisions of other income in Article 21 or capital movement in Article 7.

Govt. 1992/93: 45 p Art. 13 deals with the taxation of capital gains . provisions

48 provisions differ from the corresponding provisions of the OECD Model Agreement. The term 'shares or other rights in a company in para-

Capital gain graphs 2 and 8 takes for Swedish part sight of an interest in a partnership;

shares or other financial instruments mentioned in § 27 subsection 1 . SIL . Paragraph 3 shall apply to the transfer of shares in companies in which the holding is at least 25 % of the share capital. Be- correlation is to some extent a concession to Mexico, but the maximum tax of 20 % is there only on the real net profits . after inflation correction. Upon transfer of the patent or any such right or property to which the provisions of Art . 12 apply own source state tax profits according to the rules

in nature . 12th The tax shall not exceed 10% of the gross amount , ie .

sale proceeds (art. 12 paragraph 3, second sentence, and the nature . 13 paragraph 6). Gain on sale of ships or aircraft that are used in international traffic or movable property pertaining to the operation of such ships or aircraft are normally taxed only in the State where it has real leadership . The minutes , however, to impose taxes in some cases released to the domiciled state (cf. Art. 8 point 1). The provision of paragraph 8 enables Sweden to tax individual for capital gains arising from transfer of shares etc. in Swedish companies if the transfer takes place during the ten years immediately following the person in question has ceased to be a resident of Sweden .

RSV comment definition of the term immovable property in Article 6, paragraph 2 includes use of immovable property and thus including Swedish condominiums. Sweden can thus tax capital gains accruing to a resident of Mexico sells a Swedish housing (cf. RAW 1989 ref . 37).

Govt. 1992/93: 45 p

According to Art. 14 taxable income of independent personal

48 rule only where the practitioner is domiciled. , Activities from a fixed base situated in that other State  
Saab regularly

Independent mentally available to him or if the individual is present in the

occupation other Contracting State for a period or periods exceeding in the aggregate 183 days in any  
twelve month period may be income liable to tax in the State . The portion of income in such cases may  
be taxed in the State is limited to that which is attributable to the fixed base which respectively to what  
is acquired by it in the State of venture activity.

The term free Meanings of "professional services" is highlighted in point 2 with some professional  
typical example. This list is explanatory only and are not exhaustive. It should be noted that this article  
deals with "free

Govt. 1992/93: 45 p professional services or other independent activities " . Article must therefore

49 does not apply in the case of employment , such as physician serving as an employee service doctor  
or engineer who is employed in one of his owned limited company . This Article does not apply to the  
independent activities of artists or athletes exercising. Such activities are covered by Art. 17.

Individual business Species . 15 deals with the taxation of individual service . Point 1 means that such  
income generally may be taxed in the State where the work is performed. Exceptions to this rule apply  
to certain short-term employment under the conditions specified in paragraph 2. In such cases, taxable  
only in income earner's domicile. Paragraph 3 has taken a special tax scheme of work on board ships or  
aircraft in international traffic.

RSV comment Pursuant to paragraph 5 of the Commentary on Article 15 of the OECD Model Agreement  
of 1992 shall , in calculating the number of days in the working state only include the days that the  
employee in question had in fact been in the working state. Part of the day is counted as a full day. The  
duration of stay included an arrival date , departure date and days spent in labor law, including  
Saturdays, Sundays and public holidays , vacation and sick days. This calculation should not, however,  
stopovers or transit during transport between two other countries included. Some flexibility is  
acceptable in terms of vacation spent in labor law and that will usually be included. Neither counted on  
days which the taxpayer

spends in working state due . acute illness or accident

occurs when he is about to return to the country of residence .

Govt. 1992/93: 45 p Directors' fees and other similar remuneration shall under Art. 16

49 be taxed in the State where the company is a resident . The route of Directors' fees strador or comisario referred functionaries in Mexico are treated as directors. In order to clarify matters , these therefore expli -

cit mentioned in this article.

RSV comment According to the rules in SINK owns Sweden taxing board fees that Swedish companies pay to non-resident board member whether he attended the meeting or not .

Govt. 1992/93: 45 Taxation of income that artists and athletes receiving give - P. 49 through its activity is regulated in Art. 17. The provisions of paragraph 1 differs from the corresponding provision in the OECD Model Agreement

Artists and to the extent that it includes a provision also for compensation

athletes as entertainers or athletes carrying of personal activities associated with his reputation as an artist or athlete - sman . This refers to payment for commercial assignments and the like. While such income may be taxed in the State where the business is carried on. According to paragraph 2, the income may be taxed in the state where the artis -ten or athlete are exercised , even if compensation is paid to another person (for example, an employer with which the entertainer or sportsman is employed ) than the entertainer or athlete himself. Notwithstanding paragraphs 1 and 2 , however, exempted under paragraph

3 income as an artist or athlete acquires through its

personal activities from taxation in the State , if the operation is performed in the context of a visit to any considerable extent financed by the other Contracting State , a political subdivision, a local authority or public institution in this state.

RSV comment Abroad resident artists and sportsmen and foreign residents denominated artist companies and organizers taxed in Sweden under the rules of LSI . Taxation Authority is in these cases Special Tax in Kopparberg County , 771 83 Ludvika.

Govt. 1992/93: 45 p Art. 18 deals with the taxation of pensions , annuities and similar

49 payments. Unless the provisions of Art . 19 paragraph 2 of

Pension etc. otherwise, the specified payments are taxed in the source state .

Public services Income from public services than a pension described

- Salary etc. underestimated under Art. 19 rule only in the State which pays the incomes in question ( 1a) . This provision is consistent with the OECD Model Convention. Under certain in paragraph 1 b specified conditions are taxed , however such compensation only in in-

- Pension komsttagarens residence. Section 2 sets out rules

concerning the taxation of retirement because of prior public service. However, such pension shall be taxable only in the source state (point 2 a) , unless the person is a resident and a national of the other State ( paragraph 2 b ) . In such cases, the taxable only in that State . Under paragraph 3 shall be taxable in some cases replacement of public service under the rules of nature . 15 ( personal services ), Art. 16 ( Directors' fees , etc.) species. 18 ( Pension , etc.) .

Students and Others Part. 20 contains rules for students and business trainees. Other income Income not addressed specifically in nature . 6:20 a.m. taxed under Art. 21 (Other Income ) generally only income earner's domicile -

Govt. 1992/93: 45 p State, except in cases where the income derived from sources within the other of - 50 Contracting State . In the latter case, likewise the source State taxing rights.

#### 4.5 Methods for elimination of double taxation

##### 4.5.1 General

Method Obsolete provisions that specifies the methods to eliminate double taxation found in nature . 22. Sweden pursuant to paragraph 2a of sheet method ( "credit of tax" ) as the main method of avoiding double taxation. Regarding Mexico used avräkningsmeto - on to avoid double taxation (paragraph 1) .

Deduction Meaning of imputation method is that a resident method of one State which are taxed even for such income under the Agreement may be taxed in the other State. The computed tax

then reduced in principle with the tax under the Agreement

levied in that other State . For the purpose of income tax in Sweden apply the provisions of the Act ( 1986:468 ) on the foreign tax credit . Thereby calculated Swedish income tax on incomes ten as usual.

Matching creditable As with most other agreements with developing countries contain this Agreement rules on deduction in certain cases in Sweden of higher amount of tax than that actually paid in that other State. The agreement thus permits Sweden settlement for Mexican tax on certain royalty payments by five percentage points in excess actually paid

Matching exempt tax. The agreement also contains rules about dividends received in

some cases, tax-free even though the normal requirements for obtaining tax -tions have not been met . The provisions contained in paragraph 4 respectively 5th rules apply only in respect of the first ten years during which this Agreement applies. This period may be extended by mutual agreement between the competent authorities ( paragraph 6).

#### 4.7 Final Provisions

Entry into Art. 27 and 28 provides for its entry into force and termination. and termination. The Agreement shall enter into force on the date on which the Contracting States shall notify each other of the measures taken under

The agreement came into their law required that the agreement to enter into force 1992-12-18 force. The agreement is intended to apply to income derived fr.om January 1 of the year following entry into force. The agreement may

terminated only after five years have elapsed since the effective date.