

Act (1994:1617) on the double taxation treaty between Sweden and the United States

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1 § The agreement for the avoidance of double taxation and prevention of fiscal evasion with respect to taxes on income as Sweden and the United States signed on 1 September 1994 in the version Agreement by the Protocol amending the Agreement signed on 30 September 2005, together with Exchanges of Letters annexed to the Agreement and the Protocol and forming part thereof, apply as law in this country. Agreement and correspondence in the contents shown in the attachment to this law. *Act (2005:1088)*.

2 § Agreement taxation rules apply only to the extent that these entail reduction of the charge in Sweden that would otherwise exist.

3 § Repealed by *Act (2011:1368)*.

§ 4 Case, which according to Article 19 paragraph 4 of the Agreement shall be settled by the competent authority of a Contracting State shall, at the Swedish side dealt with by the Tax Agency. Is such a matter of special importance or otherwise of such a nature that it should be decided by the Government, shall Tax Agency with its own opinion to refer the matter to the Ministry of Finance.

Tax Board decision under this section may not be appealed. *Act (2003:710)* .

Transitional provisions

2005:1088

1. This Act comes into force on the day the Government.

2nd This Act applies in respect of

- a) tax on income referred to in Article 20.4 of the Agreement, on income received January 1, 1996 or later,
- b) taxes withheld at source, for amounts paid or credited on the first of the calendar month immediately following the calendar month in which the Act comes into force or later, and
- c) other taxes, for taxable years beginning January 1 of the year next following the year in which the Act comes into force.

Annex

CONVENTION BETWEEN THE GOVERNMENT OF SWEDEN AND THE GOVERNMENT OF THE UNITED STATES OF AMERICA FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME

The Government of Sweden and the Government of the United States of America, desiring to conclude a convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income, have agreed as follows:

Article 1

Personal scope

1. This Convention shall apply to persons who are residents of one or both of the Contracting States, except as otherwise provided in the Convention.
2. The Convention shall not restrict in any manner any exclusion, exemption, deduction, credit, or other allowance now or hereafter accorded
 - a) by the laws of either Contracting State; or
 - b) by any other agreement between the Contracting States.
3. Notwithstanding the provisions of paragraph 2 b):
 - a) Notwithstanding any other agreement to which the Contracting States may be parties, a dispute concerning whether a measure is within the scope of this Convention shall be considered only by the competent authorities of the Contracting States, as defined in subparagraph 1 e) of Article 3 (General Definitions) of this Convention, and the procedures under this Convention exclusively shall apply to the dispute.
 - b) Unless the competent authorities determine that a taxation measure is not within the scope of this Convention, the nondiscrimination obligations of this Convention exclusively shall apply with respect to that measure, except for such national treatment or mostfavored-nation obligations as may apply to trade in goods under the General Agreement on Tariffs and Trade. No national treatment or mostfavorednation obligation under any other agreement shall apply with respect to that measure.
 - c) For the purpose of this paragraph, a "measure" is a law, regulation, rule, procedure, decision, administrative action, or any other form of measure.
4. Notwithstanding any provision of the Convention except paragraph 5, the United

States may tax its residents [as determined under Article 4 (Residence)], and by reason of citizenship may tax its citizens, as if the Convention had not come into effect. Notwithstanding the other provisions of this Convention, a former citizen or long-term resident of the United States may, for the period of ten years following the loss of such status, be taxed in accordance with the laws of the United States.

5. The provisions of paragraph 4 shall not affect

- a) the benefits conferred by the United States under paragraph 2 of Article 9 (Associated enterprises), under paragraph 2 of Article 19 (Pensions and annuities), and under Articles 23 (Relief from double taxation), 24 (Nondiscrimination) and 25 (Mutual agreement procedure); and
- b) the benefits conferred by the United States under Articles 20 (Government service), 21 (Students and trainees) and 28 (Diplomatic agents and consular officers) upon individuals who are neither citizens of, nor have immigrant status in, the United States.

6. In the case of an item of income, profit or gain derived by or through a person that is fiscally transparent under the laws of either Contracting State, such item shall be considered to be derived by a resident of a State to the extent that the item is treated for the purposes of the taxation law of such State as the income, profit, or gain of a resident.

Article 2

Taxes covered

1. The existing taxes to which this Convention shall apply are

- a) in the United States: the Federal income taxes imposed by the Internal Revenue Code (but excluding the accumulated earnings tax, the personal holding company tax, and social security taxes), and the excise taxes imposed on insurance premiums paid to foreign insurers and with respect to private foundations. The Convention shall, however, apply to the excise taxes imposed on insurance premiums paid to foreign insurers only to the extent that the risks covered by such premiums are not reinsured with a person not entitled to the benefits of this or any other convention which exempts these taxes; and
- b) in Sweden:
 - (i) the national income tax;
 - (ii) the withholding tax on dividends;
 - (iii) the income tax on nonresidents;
 - (iv) the income tax on nonresident artistes and athletes;
 - (v) for the purpose of paragraph 3 of this Article, the national capital tax;
 - (vi) the excise tax imposed on insurance premiums paid to foreign insurers; and
 - (vii) the municipal income tax.

2. The Convention shall apply also to any identical or substantially similar taxes which are imposed after the date of signature of the Convention in addition to, or in

place of, the taxes referred to above. The competent authorities of the Contracting States shall notify each other of any significant changes which have been made in their respective taxation laws and of any officially published material of substantial significance concerning the application of the Convention, including explanations, regulations, rulings, or judicial decisions.

3. The following persons shall be subject to the Swedish State capital tax only in respect of real property situated in Sweden and movable property attributable to a permanent establishment of such person in Sweden or to a fixed base available to such person in Sweden for the purpose of performing independent personal service;
- a) a resident of the United States, as determined under Article 4 (Residence), who is a citizen of the United States but not a citizen of Sweden;
 - b) a resident of the United States, as determined under Article 4, whether or not a citizen of the United States, who has been such a resident for three successive years prior to the first taxable year for which the provisions of the Convention have effect, and for each taxable year thereafter;
 - c) a citizen of the United States, who is not a citizen of Sweden, who temporarily visits Sweden for a period not exceeding two years, and who is, or immediately prior to such visit was, a resident of the United States, as determined under Article 4;
 - d) an estate of a person described in subparagraph a), b) or c); or
 - e) a company that is a resident of the United States, as determined under Article 4.

Article 3

General definitions

1. For the purposes of this Convention, unless the context otherwise requires
 - a) the term "person" includes an individual, an estate, a trust, a partnership, a company, and any other body of persons;
 - b) the term "company" means any entity which is treated as a body corporate for income tax purposes;
 - c) the terms "enterprise of a Contracting State" and "enterprise of the other Contracting State" mean respectively an enterprise carried on by a resident of a Contracting State and an enterprise carried on by a resident of the other Contracting State;
 - d) the term "international traffic" means any transport by a ship or aircraft, except where such transport is solely between places within a Contracting State;
 - e) the term "competent authority" means
 - (i) in the case of the United States, the Secretary of the Treasury or his delegate; and
 - (ii) in the case of Sweden, the Minister of Finance, his authorized representative or the authority which is designated as a competent authority for the purposes of this Convention;
 - f) the term "United States" means the United States of America, but such term (i) does not include Puerto Rico, the Virgin Islands, Guam, or other United States possessions

or territories, and (ii) includes (A) the territorial sea of the United States and (B) the seabed and subsoil of the submarine areas adjacent to the territorial sea, over which the United States of America exercises sovereign rights, in accordance with international law, for the purpose of exploration for and exploitation of the natural resources of such areas;

g) the term "Sweden" means the Kingdom of Sweden and, when used in a geographical sense, includes the national territory, the territorial sea as well as other maritime areas over which Sweden, in accordance with international law, exercises sovereign rights or jurisdiction.

2. As regards the application of the Convention by a Contracting State any term not defined therein shall, unless the context otherwise requires or the competent authorities agree to a common meaning pursuant to the provisions of Article 25 (Mutual agreement procedure), have the meaning which it has under the laws of that State concerning the taxes to which the Convention applies.

Article 4

Residence

1. a) For the purposes of this Convention, the term "resident of a Contracting State" means any person who, under the laws of that State, is liable to tax therein by reason of his domicile, residence, place of management, place of incorporation, or any other criterion of a similar nature, and also includes that State and any political subdivision or local authority thereof. This term, however, does not include any person who is liable to tax in that State in respect only of income from sources in that State or of profits attributable to a permanent establishment in that State.

b) A United States citizen or an alien lawfully admitted for permanent residence in the United States is a resident of the United States, but only if such person has a substantial presence, permanent home, or habitual abode in the United States. If such person is also a resident of Sweden under this paragraph, such person will also be treated as a United States resident under this paragraph and such person's status shall be determined under paragraph 2.

c) The term "resident of a Contracting State" includes a legal person organized under the laws of that Contracting State and that is generally exempt from tax in that State and is established and maintained in that State either:

i) exclusively for religious, charitable, scientific, artistic, cultural, or educational purposes; or

ii) to provide pensions or other similar retirement benefits pursuant to a plan.

2. Where by reason of the provisions of paragraph 1 an individual is a resident of both Contracting States, then his status shall be determined 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 to him 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 the State in which he has his center of vital interests cannot be determined, or if he does not have a permanent home available to him in either State, he shall be deemed to be a resident of the State in which he has an habitual abode;
 - c) if he has an habitual abode in both States or in neither of them, he shall be deemed to be a resident of the State of which he is a citizen;
 - d) if he is a citizen of both States or of neither of them, the competent authorities of the Contracting States shall settle the question by mutual agreement.
3. Where by reason of the provisions of paragraph 1 a company is a resident of both Contracting States, then if it is created under the laws of a Contracting State or a political subdivision thereof, it shall be deemed to be a resident only of that State.
4. Where by reason of the provisions of paragraph 1 a person other than an individual or a company is a resident of both Contracting States, the competent authorities of the Contracting States shall settle the question by mutual agreement.

Article 5

Permanent establishment

- 1. For the purposes of this Convention, the term "permanent establishment" means a fixed place of business through which the business of an enterprise is wholly or partly carried on.
- 2. The term "permanent establishment" includes especially
 - a) a place of management;
 - b) a branch;
 - c) an office;
 - d) a factory;
 - e) a workshop; and
 - f) a mine, an oil or gas well, a quarry or any other place of extraction of natural resources.
- 3. A building site or construction or installation project constitutes a permanent establishment only if it lasts more than twelve months. The use of an installation or drilling rig or ship in a Contracting State to explore for or exploit natural resources constitutes a permanent establishment only if such use is for more than twelve months.
- 4. Notwithstanding the preceding provisions of this Article, the term "permanent establishment" shall be deemed not to include
 - a) the use of facilities solely for the purpose of storage, display or delivery of goods or merchandise belonging to the enterprise;
 - b) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage, display, or delivery;

- c) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise;
- d) the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise or of collecting information for the enterprise;
- e) the maintenance of a fixed place of business solely for the purpose of carrying on, for the enterprise, any other activity of a preparatory or auxiliary character;
- f) the maintenance of a fixed place of business solely for any combination of activities mentioned in subparagraphs a) to e).

5. Notwithstanding the provisions of paragraphs 1 and 2, where a person - other than an agent of an independent status to whom paragraph 6 applies - is acting on behalf of an enterprise and has and habitually exercises in a Contracting State an authority to conclude contracts in the name of the enterprise, that enterprise shall be deemed to have a permanent establishment in that State in respect of any activities which that person undertakes for the enterprise, unless 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 of that paragraph.

6. An enterprise shall not be deemed to have a permanent establishment in a Contracting State merely because it carries on business in that State through a broker, general commission agent or any other agent of an independent status, provided that such persons are acting in the ordinary course of their business.

7. The fact that a company which is a resident of a Contracting State controls or is controlled by a company which is a resident of the other Contracting State, or which carries on business in that other State (whether through a permanent establishment or otherwise), shall not of itself constitute either company a permanent establishment of the other.

Article 6

Income from real property

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

2. The term "real property" shall have the meaning which it has under the law of the Contracting State in which the property in question is situated. The term shall in any case include property accessory to real property, livestock and equipment used in agriculture and forestry, rights to which the provisions of general law respecting landed property apply, buildings, usufruct of real 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 regarded as real property.

3. The provisions of paragraph 1 shall apply to income derived from the direct use,

letting, or use in any other form of real property.

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

Article 7

Business profits

1. The profits of an enterprise of a Contracting State shall be taxable only in that State unless the enterprise carries on business in the other Contracting State through a permanent establishment situated therein. If the enterprise carries on business as aforesaid, the profits of the enterprise may be taxed in the other State but only so much of them as is attributable to that permanent establishment.

2. Subject to the provisions of paragraph 3, where an enterprise of a Contracting State carries on business in the other Contracting State through a permanent establishment situated therein, there shall in each Contracting State be attributed to that permanent establishment the profits which it might be expected to make if it were a distinct and separate enterprise engaged in the same or similar activities under the same or similar conditions.

3. In determining the profits of a permanent establishment, there shall be allowed as deductions expenses which are incurred for the purposes of the permanent establishment, including a reasonable allocation of executive and general administrative expenses, research and development expenses, interest, and other expenses incurred for the purposes of the enterprise as a whole (or the part thereof which includes the permanent establishment), whether incurred in the State in which the permanent establishment is situated or elsewhere.

4. Profits shall not be attributed to a permanent establishment by reason of the mere purchase by that permanent establishment of goods or merchandise for the enterprise.

5. For the purposes of this Convention, the profits to be attributed to the permanent establishment shall include only the profits derived from the assets or activities of the permanent establishment and shall be determined by the same method year by year unless there is good and sufficient reason to the contrary.

6. Where profits include items of income which are dealt with separately in other Articles of the Convention, then the provisions of those Articles shall not be affected by the provisions of this Article.

7. The term "profits" as used in this Article means income derived from any trade or business whether carried on by an individual, company or any other person, or group of persons, including the rental of tangible movable property.

8. a) The United States tax on insurance premiums paid to foreign insurers shall not be imposed on insurance and reinsurance premiums which are the receipts of a business of insurance carried on by a resident of Sweden whether or not that business is carried on through a permanent establishment in the United States (but only to the extent that

the relevant risk is not reinsured, directly or indirectly, with a person not entitled to relief from such tax).

b) The Swedish tax on insurance premiums paid to foreign insurers shall not be imposed on insurance premiums which are the receipts of a business of insurance carried on by a resident of the United States whether or not that business is carried on through a permanent establishment in Sweden.

9. Notwithstanding paragraph 6 of this Article, for the implementation of paragraphs 1 and 2 of this Article, paragraph 3 of Article 13 (Gains), Article 14 (Independent personal services) and Article 22 (Other income) any income, gain, or expense attributable to a permanent establishment or a fixed base during its existence is taxable or deductible in the Contracting State where such a permanent establishment or fixed base is situated even if the payments are deferred until such permanent establishment or fixed base has ceased to exist.

Article 8

Shipping and air transport

1. Profits of an enterprise of a Contracting State from the operation of ships or aircraft in international traffic shall be taxable only in that State.

2. For the purposes of this Article, profits from the operation of ships or aircraft in international traffic include profits derived from the rental of ships or aircraft if such rental profits are incidental to other profits described in paragraph 1.

3. Profits of an enterprise of a Contracting State from the use, maintenance, or rental of containers (including trailers, barges, and related equipment for the transport of containers) used in international traffic shall be taxable only in that State.

4. The provisions of paragraphs 1 and 3 shall also apply to profits from participation in a pool, a joint business, or an international operating agency. With respect to profits derived by the air transport consortium Scandinavian Airlines System (SAS) the provisions of paragraphs 1 and 3 shall apply, but only to such part of the profits as corresponds to the participation held in that consortium by AB Aerotransport (ABA), the Swedish partner of Scandinavian Airlines System (SAS).

Article 9

Associated enterprises

1. Where

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

b) the same persons participate directly or indirectly in the management, control, or capital of an enterprise of a Contracting State and an enterprise of the other Contracting State,

and in either case conditions are made or imposed between the two enterprises in their

commercial or financial relations which differ from those which would be made between independent enterprises, then any profits which would, but for those conditions, have accrued to one of the enterprises, but by reason of those conditions have not so accrued, may be included in the profits of that enterprise and taxed accordingly.

2. Where a Contracting State includes in the profits of an enterprise of that State, and taxes accordingly, profits on which an enterprise of the other Contracting State has been charged to tax 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 two enterprises had been those which would have been made between independent enterprises, then that other State shall make an appropriate adjustment to the amount of the tax charged therein on those profits. In determining such adjustment, due regard shall be paid to the other provisions of this Convention and the competent authorities of the Contracting States shall if necessary consult each other.

3. The provisions of paragraph 1 shall not limit any provisions of the law of either Contracting State which permit the distribution, apportionment, or allocation of income, deductions, credits, or allowances between persons, whether or not residents of a Contracting State, owned or controlled directly or indirectly by the same interests when necessary in order to prevent evasion of taxes or clearly to reflect the income of any of such persons.

Article 10

Dividends

1. Dividends paid by a company that is a resident of a Contracting State to a resident of the other Contracting State may be taxed in that other State.

2. However, such dividends may also be taxed in the Contracting State of which the company paying the dividends is a resident, and according to the laws of that State, but if the beneficial owner of the dividends is a resident of the other Contracting State, the tax so charged shall not exceed:

a) 5 percent of the gross amount of the dividends if the beneficial owner is a company that owns shares representing at least 10 percent of the voting power in the company paying the dividends;

b) 15 percent of the gross amount of the dividends in all other cases.

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

3. Notwithstanding the provisions of paragraph 2, such dividends shall not be taxed in the Contracting State of which the company paying the dividends is a resident if the beneficial owner is:

a) a company that is a resident of the other Contracting State that has owned, directly or indirectly through one or more residents of either Contracting State, shares

representing 80 percent or more of the voting power in the company paying the dividends for a 12-month period ending on the date on which entitlement to the dividends is determined, and:

- i) satisfies the conditions of clause i) or ii) of subparagraph c) of paragraph 2 of Article 17 (Limitation on benefits);
 - ii) satisfies the conditions of clauses i) and ii) of subparagraph e) of paragraph 2 of Article 17, provided that the company satisfies the conditions described in paragraph 4 of that Article with respect to the dividends;
 - iii) is entitled to benefits with respect to the dividends under paragraph 3 of Article 17; or
 - iv) has received a determination pursuant to paragraph 6 of Article 17 with respect to this paragraph; or
- b) a pension fund that is a resident of the other Contracting State, provided that:
- i) such dividends are not derived from the carrying on of a trade or business by the pension fund or through an associated enterprise; and
 - ii) such pension fund does not sell or make a contract to sell the holding from which such dividend is derived within two months of the date such pension fund acquired such holding.

For the purposes of determining whether a company is entitled to benefits with respect to the dividends under paragraph 3 of Article 17, within the meaning of clause iii) of subparagraph a) of this paragraph, the determination of whether a person owning shares, directly or indirectly, in the company claiming the benefits of this Convention is an equivalent beneficiary shall be made by treating such person as holding the same voting power in the company paying the dividends as the company claiming the benefits holds in such company.

4. a) Subparagraph a) of paragraph 2 and subparagraph a) of paragraph 3 shall not apply in the case of dividends paid by a U.S. Regulated Investment Company (RIC) or a Real Estate Investment Trust (REIT). In the case of dividends paid by a RIC, subparagraph b) of paragraph 2 and subparagraph b) of paragraph 3 shall apply. In the case of dividends paid by a REIT, subparagraph b) of paragraph 2 and subparagraph b) of paragraph 3 shall apply only if:

- i) the beneficial owner of the dividends is an individual or pension fund, in either case holding an interest of not more than 10 percent in the REIT;
 - ii) the dividends are paid with respect to a class of shares that is publicly traded and the beneficial owner of the dividends is a person holding an interest of not more than 5 percent of any class of the REIT's shares; or
 - iii) the beneficial owner of the dividends is a person holding an interest of not more than 10 percent in the REIT and the REIT is diversified.
- b) For purposes of this paragraph, a REIT shall be "diversified" if the value of no single interest in real property exceeds 10 percent of its total interests in real property. For the purposes of this provision, foreclosure property shall not be considered an

interest in real property. Where a REIT holds an interest in a partnership, it shall be treated as owning directly a proportion of the partnership's interests in real property corresponding to its interest in the partnership.

5. The term "dividends" as used in this Article means income from shares or other rights, not being debt-claims, participating in profits, as well as income from other corporate rights that is subjected to the same taxation treatment as income from shares by the laws of the State of which the company making the distribution is a resident, and income from arrangements, including debt obligations, carrying the right to participate in profits to the extent so characterized under the laws of the Contracting State in which the income arises, as well as, in the case of the United States, contingent interest of a type that would not qualify as portfolio interest.

6. The provisions of paragraphs 2 and 3 shall not apply if the beneficial owner of the dividends, being a resident of a Contracting State, carries on business in the other Contracting State, of which the company paying the dividends is a resident, through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the dividends are attributable to such permanent establishment or fixed base. In such case, the provisions of Article 7 (Business profits) or Article 14 (Independent personal services), as the case may be, shall apply.

7. A Contracting State may not impose any tax on dividends paid by a company which is not a resident of that State, except insofar as:

- a) the dividends are paid to a resident of that State; or
- b) the dividends are attributable to a permanent establishment or a fixed base situated in that State.

8. A religious, scientific, literary, educational, or charitable organization that is resident in Sweden and that has received substantially all of its support from persons other than citizens or residents of the United States shall be exempt in the United States from the United States excise taxes imposed with respect to private foundations.

9. A company that is a resident of a Contracting State and that has a permanent establishment in the other Contracting State, or that is subject to tax in that other Contracting State on items of income that may be taxed in that other State under Article 6 (Income from real property) or under paragraph 1 of Article 13 (Gains), may be subject in that other Contracting State to a tax in addition to the tax allowable under the other provisions of this Convention. Such tax, however, may:

- a) in the case of the United States be imposed only on:
 - i) the portion of the business profits of the company attributable to the permanent establishment, and
 - ii) the portion of the income referred to in the preceding sentence that is subject to tax under Article 6 or paragraph 1 of Article 13,
that represents the "dividend equivalent amount" of those profits and income; the term

"dividend equivalent amount" shall, for the purposes of this subparagraph, have the meaning that it has under the law of the United States as it may be amended from time to time without changing the general principle thereof; and

b) in the case of Sweden be imposed only on that portion of the income described in subparagraph a) that is comparable to the amount that would be distributed as a dividend by a locally incorporated subsidiary.

10. The tax referred to in subparagraphs a) and b) of paragraph 9 shall not be imposed at a rate exceeding the rate specified in paragraph 2 a). In any case, it shall not be imposed on a company that:

a) satisfies the conditions of clause i) or ii) of subparagraph c) of paragraph 2 of Article 17;

b) satisfies the conditions of clauses i) and ii) of subparagraph e) of paragraph 2 of Article 17, provided that the company satisfies the conditions described in paragraph 4 of that Article with respect to an item of income, profit, or gain described in paragraph 9;

c) is entitled under paragraph 3 of Article 17 to benefits with respect to an item of income, profit, or gain described in paragraph 9; or

d) has received a determination pursuant to paragraph 6 of Article 17 with respect to this paragraph.

11. The term "pension fund" as used in this Article means any person that:

a) is organized under the laws of a Contracting State;

b) is established and maintained in that Contracting State primarily to administer or provide pensions or other similar remuneration, including social security payments; and

c) is exempt from tax in that Contracting State with respect to the activities described in subparagraph b).

Article 11

Interest

1. Interest arising in a Contracting State which is derived and beneficially owned by a resident of the other Contracting State shall be taxable only in that other State.

2. The term "interest" as used in this Article means income from debt-claims of every kind, whether or not secured by mortgage, and whether or not carrying a right to participate in the debtor's profits, and in particular, income from government securities, and income from bonds or debentures, including premiums or prizes attaching to such securities, bonds, or debentures and including an excess inclusion with respect to a residual interest in a real estate mortgage investment conduit. Penalty charges for late payment shall not be regarded as interest for the purposes of the Convention. However, the term "interest" does not include income dealt with in Article 10 (Dividends).

3. The provisions of paragraph 1 shall not apply if the beneficial owner of the interest,

being a resident of a Contracting State, carries on business in the other Contracting State, in which the interest arises, through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the interest is attributable to such permanent establishment or fixed base. In such case the provisions of Article 7 (Business profits) or Article 14 (Independent personal services), as the case may be, shall apply.

4. Interest shall be deemed to arise in a Contracting State when the payer is that State itself or a political subdivision, local authority, or resident of that State. Where, however, the person paying the interest, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment or a fixed base and such interest is borne by such permanent establishment or fixed base, then such interest shall be deemed to arise in the State in which the permanent establishment or fixed base is situated.

5. Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the interest, having regard to the debt- claim for which it is paid, exceeds the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case the excess part of the payments shall remain taxable according to the laws of each Contracting State, due regard being had to the other provisions of the Convention.

6. A Contracting State may not impose any tax on interest paid by a resident of the other Contracting State, except insofar as

- a) the interest is paid to a resident of the first-mentioned State;
- b) the interest is attributable to a permanent establishment or a fixed base situated in the first-mentioned State; or
- c) the interest arises in the first-mentioned State and is not paid to a resident of the other State.

7. Notwithstanding the provisions of paragraph 1 of this Article an excess inclusion with respect to a residual interest in a real estate mortgage investment conduit may be taxed in the Contracting State where the excess inclusion arises according to the laws of that State.

Article 12

Royalties

1. Royalties arising in a Contracting State which are derived and beneficially owned by a resident of the other Contracting State shall be taxable only in that other State.

2. The term "royalties" as used in this Article means payments of any kind received as a consideration for the use of, or the right to use, any copyright of literary, artistic or scientific work (including motion pictures and works on film, tape or other means of reproduction used for radio or television broadcasting), any patent, trade mark, design

or model, plan, secret formula or process, or other like right or property, or for information concerning industrial, commercial or scientific experience. The term "royalties" also includes gains derived from the alienation of any such right or property which are contingent on the productivity, use, or disposition thereof.

3. The provisions of paragraph 1 shall not apply if the beneficial owner of the royalties, being a resident of a Contracting State, carries on business in the other Contracting State, in which the royalties arise, through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the royalties are attributable to such permanent establishment or fixed base. In such case the provisions of Article 7 (Business profits) or Article 14 (Independent personal services), as the case may be, shall apply.

4. Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the royalties, having regard to the use, right, or information for which they are paid, exceeds the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case, the excess part of the payments shall remain taxable according to the laws of each Contracting State, due regard being had to the other provisions of this Convention.

Article 13

Gains

1. Gains derived by a resident of a Contracting State from the disposition of real property situated in the other Contracting State may be taxed in that other State.

2. For purposes of paragraph 1

a) the term "real property situated in the other Contracting State", where the United States is the other Contracting State, includes real property referred to in Article 6 (Income from real property) which is situated in the United States, a United States real property interest, and an interest in a partnership, trust or estate, to the extent attributable to a United States real property interest situated in the United States;

b) the term "real property situated in the other Contracting State", where Sweden is the other Contracting State, includes property that is real property under the law of Sweden situated in Sweden, and, without limiting the foregoing, shall include

(i) real property referred to in Article 6 which is situated in Sweden; and

(ii) shares or similar rights in a company the assets of which consist, directly or indirectly, mainly of such real property.

3. Gains from the disposition of movable property which are attributable to a permanent establishment which an enterprise of a Contracting State has in the other Contracting State, or which are attributable to a fixed base available to a resident of a Contracting State in the other Contracting State for the purpose of performing independent personal services, and gains from the disposition of such a permanent

establishment (alone or with the whole enterprise) or such a fixed base, may be taxed in that other State.

4. Gains derived by an enterprise of a Contracting State from the disposition of ships or aircraft operated by the enterprise in international traffic or movable property attributable to the operation of such ships or aircraft shall be taxable only in that State. The provisions of this paragraph shall apply to gains derived by the air transport consortium Scandinavian Airlines System (SAS), but only to such part of the gains as corresponds to the participation held in that consortium by AB Aerotransport (ABA), the Swedish partner of Scandinavian Airlines System (SAS).

Gains derived by an enterprise of a Contracting State from the disposition of containers used in international traffic and movable property attributable to the operation of such containers (including trailers, barges, and related equipment for the transport of containers) shall be taxable only in that State.

5. Gains described in Article 12 (Royalties) shall be taxable only in accordance with the provisions of Article 12.

6. Except as provided in paragraph 7, gains from the disposition of any property other than property referred to in paragraphs 1 through 5 shall be taxable only in the Contracting State of which the person disposing of the property is resident.

7. In the case of an individual who had been a resident of Sweden and who has become a resident of the United States, the provisions of paragraph 6 shall not affect the right of Sweden to tax gains from the disposition of any property derived by such individual at any time during the ten years following the date on which the individual has ceased to be a resident of Sweden.

Article 14

Independent personal services

Income derived by an individual who is a resident of a Contracting State from the performance of personal services in an independent capacity shall be taxable only in that State. However, such income may also be taxed in the other Contracting State to the extent that such services are or were performed in that other State and the income is attributable to a fixed base regularly available to the individual in that other State for the purpose of performing his activities.

Article 15

Dependent personal services

1. Subject to the provisions of Articles 16 (Directors' fees), 19 (Pensions and annuities) and 20 (Government service), salaries, wages and other similar remuneration derived by a resident of a Contracting State in respect of an employment shall be taxable only in that State unless the employment is exercised in the other

Contracting State. If the employment is so exercised, such remuneration as is derived therefrom may be taxed in that other State.

2. Notwithstanding the provisions of paragraph 1, remuneration derived by a resident of a Contracting State in respect of an employment exercised in the other Contracting State shall be taxable only in the first-mentioned State if

- a) the recipient is present in the other State for a period or periods not exceeding in the aggregate 183 days in any consecutive twelve month period;
- b) the remuneration is paid by, or on behalf of, an employer who is not a resident of the other State; and
- c) the remuneration is not borne by a permanent establishment or a fixed base which the employer has in the other State.

3. Notwithstanding the preceding provisions of this Article, remuneration derived by a resident of a Contracting State in respect of an employment as a member of the regular complement of a ship or aircraft operated in international traffic, including an aircraft operated in international traffic by the air transport consortium Scandinavian Airlines System (SAS), shall be taxable only in that State, except that remuneration derived in respect of an employment as a member of the regular complement of a ship operated in international traffic by a Swedish enterprise may be taxed in Sweden.

Article 16

Directors' fees

Directors' fees derived by a resident of a Contracting State in his capacity as a member of the board of directors of a company which is a resident of the other Contracting State may be taxed in that other State. However, such fees shall be taxable only in the first-mentioned Contracting State to the extent such fees are derived in respect of services performed in that State.

Article 17

Limitation on benefits

1. A resident of a Contracting State shall be entitled to benefits otherwise accorded to residents of a Contracting State by this Convention only to the extent provided in this Article.

2. A resident of a Contracting State shall be entitled to all the benefits of this Convention if the resident is:

- a) an individual;
- b) a Contracting State or any political subdivision or local authority thereof;
- c) a company, if:
 - i) its principal class of shares (and any disproportionate class of shares) is regularly traded on one or more recognized stock exchanges, and either

A) its principal class of shares is primarily traded on a recognized stock exchange located in the Contracting State of which the company is a resident (or, in the case of a company resident in Sweden, on a recognized stock exchange located within the European Union or in any other European Economic Area state or in Switzerland or, in the case of a company resident in the United States, on a recognized stock exchange located in another state that is a party to the North American Free Trade Agreement); or

B) the company's primary place of management and control is in the Contracting State of which it is a resident; or

ii) at least 50 percent of the aggregate voting power and value of the shares (and at least 50 percent of any disproportionate class of shares) in the company are owned directly or indirectly by five or fewer companies entitled to benefits under clause i) of this subparagraph, provided that, in the case of indirect ownership, each intermediate owner is a resident of either Contracting State;

d) a person described in subparagraph c) of paragraph 1 of Article 4 (Residence), provided that, in the case of a person described in clause ii) of that subparagraph, either:

(i) more than 50 percent of the person's beneficiaries, members or participants are individuals resident in either Contracting State; or

(ii) the organization sponsoring such person is entitled to the benefits of this Convention pursuant to this Article; or

e) a person other than an individual, if:

i) on at least half the days of the taxable year at least 50 percent of each class of shares or other beneficial interests in the person is owned, directly or indirectly, by residents of the Contracting State of which that person is a resident that are entitled to the benefits of this Convention under subparagraph a), subparagraph b), clause i) of subparagraph c), or subparagraph d) of this paragraph; and

ii) less than 50 percent of the person's gross income for the taxable year, as determined in the person's State of residence, is paid or accrued, directly or indirectly, to persons who are not residents of either Contracting State entitled to the benefits of this Convention under subparagraph a), subparagraph b), clause i) of subparagraph c), or subparagraph d) of this paragraph in the form of payments that are deductible for purposes of the taxes covered by this Convention in the person's State of residence (but not including arm's length payments in the ordinary course of business for services or tangible property and payments in respect of financial obligations to a bank that is not related to the payor).

3. A company that is a resident of a Contracting State shall also be entitled to the benefits of the Convention if:

a) at least 95 percent of the aggregate voting power and value of its shares (and at least 50 percent of any disproportionate class of shares) is owned, directly or indirectly, by seven or fewer persons that are equivalent beneficiaries; and

b) less than 50 percent of the company's gross income, as determined in the company's State of residence, for the taxable year is paid or accrued, directly or indirectly, to persons who are not equivalent beneficiaries, in the form of payments (but not including arm's length payments in the ordinary course of business for services or tangible property and payments in respect of financial obligations to a bank that is not related to the payor), that are deductible for the purposes of the taxes covered by this Convention in the company's State of residence.

4. a) A resident of a Contracting State will be entitled to benefits of the Convention with respect to an item of income derived from the other Contracting State, regardless of whether the resident is entitled to benefits under paragraph 2 or 3, if the resident is engaged in the active conduct of a trade or business in the first-mentioned State (other than the business of making or managing investments for the resident's own account, unless these activities are banking, insurance, or securities activities carried on by a bank, insurance company or registered securities dealer), and the income derived from the other Contracting State is derived in connection with, or is incidental to, that trade or business.

b) If a resident of a Contracting State or any of its associated enterprises carries on a trade or business activity in the other Contracting State which gives rise to an item of income, subparagraph a) of this paragraph shall apply to such item only if the trade or business activity in the first- mentioned State is substantial in relation to the trade or business activity in the other State. Whether a trade or business activity is substantial for purposes of this paragraph will be determined based on all the facts and circumstances.

c) In determining whether a person is "engaged in the active conduct of a trade or business" in a Contracting State under subparagraph a) of this paragraph, activities conducted by persons connected to such person shall be deemed to be conducted by such person. A person shall be connected to another if one possesses at least 50 percent of the beneficial interest in the other (or, in the case of a company, at least 50 percent of the aggregate voting power and at least 50 percent of the aggregate value of the shares in the company or of the beneficial equity interest in the company) or another person possesses, directly or indirectly, at least 50 percent of the beneficial interest (or, in the case of a company, at least 50 percent of the aggregate voting power and at least 50 percent of the aggregate value of the shares in the company or of the beneficial equity interest in the company) in each person. In any case, a person shall be considered to be connected to another if, based on all the relevant facts and circumstances, one has control of the other or both are under the control of the same person or persons.

5. Notwithstanding the preceding provisions of this Article, where an enterprise of Sweden derives insurance premiums, interest, or royalties from the United States, and, pursuant to a tax convention between Sweden and a third state, the income consisting of such premiums, interest, or royalties is exempt from taxation in Sweden because it

is attributable to a permanent establishment which that enterprise has in that third state, the tax benefits that would otherwise apply under the other provisions of the Convention will not apply to such income if the tax that is actually paid with respect to such income in the third state is less than 60 percent of the tax that would have been payable in Sweden if the income were earned in Sweden by the enterprise and were not attributable to the permanent establishment in the third state. Any interest or royalties to which the provisions of this paragraph apply may be taxed in the United States at a rate that shall not exceed 15 percent of the gross amount thereof. Any insurance premiums to which the provisions of this paragraph apply will be subject to tax under the provisions of the domestic law of the United States, notwithstanding any other provision of the Convention. The provisions of this paragraph shall not apply if:

- a) in the case of interest, as defined in Article 11 (Interest), the income from the United States is derived in connection with, or is incidental to, the active conduct of a trade or business carried on by the permanent establishment in the third state (other than the business of making, managing, or simply holding investments for the enterprise's own account, unless these activities are banking, or securities activities carried on by a bank, or registered securities dealer); or
- b) in the case of royalties, as defined in Article 12 (Royalties), the royalties are received as compensation for the use of, or the right to use, intangible property produced or developed by the permanent establishment itself.

6. A resident of a Contracting State that is not entitled to benefits pursuant to the preceding paragraphs of this Article shall, nevertheless, be granted benefits of the Convention if the competent authority of the other Contracting State determines that the establishment, acquisition, or maintenance of such person and the conduct of its operations did not have as one of its principal purposes the obtaining of benefits under the Convention. The competent authority of the other Contracting State shall consult with the competent authority of the first-mentioned State before denying the benefits of the Convention under this paragraph.

7. For the purposes of this Article:

- a) the term "principal class of shares" means the ordinary or common shares of the company, provided that such class of shares represents the majority of the voting power and value of the company. If no single class of ordinary or common shares represents the majority of the aggregate voting power and value of the company, the "principal class of shares" are those classes that in the aggregate represent a majority of the aggregate voting power and value of the company;
- b) the term "disproportionate class of shares" means any class of shares of a company resident in a Contracting State that entitles the shareholder to disproportionately higher participation, through dividends, redemption payments, or otherwise, in the earnings generated in the other Contracting State by particular assets or activities of the company when compared to its participation in overall assets or activities of such company;

- c) the term "shares" shall include depository receipts thereof;
- d) the term "recognized stock exchange" means:
 - i) the NASDAQ System owned by the National Association of Securities Dealers, Inc. and any stock exchange registered with the U.S. Securities and Exchange Commission as a national securities exchange under the U.S. Securities Exchange Act of 1934;
 - ii) the Stockholm Stock Exchange (Stockholmsbörsen), the Nordic Growth Market, and any other stock exchange subject to regulation by the Swedish Financial Supervisory Authority;
 - iii) the Irish Stock Exchange and the stock exchanges of Amsterdam, Brussels, Copenhagen, Frankfurt, Hamburg, Helsinki, London, Madrid, Milan, Oslo, Paris, Reykjavik, Riga, Tallinn, Toronto, Vienna, Vilnius and Zurich; and
 - iv) any other stock exchanges agreed upon by the competent authorities of the Contracting States;
- e) a class of shares is considered to be regularly traded on one or more recognized stock exchanges in a taxable year if the aggregate number of shares of that class traded on such stock exchange or exchanges during the preceding taxable year is at least 6 percent of the average number of shares outstanding in that class during that preceding taxable year;
- f) a company's primary place of management and control will be in the Contracting State of which it is a resident only if executive officers and senior management employees exercise day-to-day responsibility for more of the strategic, financial, and operational policy decision making for the company (including its direct and indirect subsidiaries) in that State than in any other state, and the staffs conduct more of the day-to-day activities necessary for preparing and making those decisions in that State than in any other state;
- g) the term "equivalent beneficiary" means a resident of a member state of the European Union or of any other European Economic Area state or of a party to the North American Free Trade Agreement, or of Switzerland, but only if that resident:
 - i) A) would be entitled to all the benefits of a comprehensive tax convention between any member state of the European Union or any other European Economic Area state or any party to the North American Free Trade Agreement, or Switzerland, and the State from which the benefits of this Convention are claimed under provisions analogous to subparagraph a), subparagraph b), clause i) of subparagraph c) or subparagraph d) of paragraph 2, provided that if such convention does not contain a comprehensive limitation on benefits provision, the resident would be entitled to the benefits of this Convention by reason of subparagraph a), subparagraph b), clause i) of subparagraph c), or subparagraph d) of paragraph 2 if such person were a resident of one of the Contracting States under Article 4 (Residence); and
 - B) with respect to insurance premiums and to income referred to in Article 10 (Dividends), 11 (Interest), or 12 (Royalties), would be entitled under such convention to a rate of tax with respect to the item of income for which benefits are being claimed

under this Convention that is at least as low as the rate applicable under this Convention; or

ii) is a resident of a Contracting State that is entitled to the benefits of this Convention by reason of subparagraph a), subparagraph b), clause i) of subparagraph c), or subparagraph d) of paragraph 2;

h) with respect to dividends, interest, or royalties arising in Sweden and beneficially owned by a company that is a resident of the United States, a company that is a resident of a member state of the European Union will be treated as satisfying the requirements of subparagraph g) i) B) for purposes of determining whether such United States resident is entitled to benefits under this paragraph if a payment of dividends, interest, or royalties arising in Sweden and paid directly to such resident of a member state of the European Union would have been exempt from tax pursuant to any directive of the European Union, notwithstanding that the tax convention between Sweden and that other member state of the European Union would provide for a higher rate of tax with respect to such payment than the rate of tax applicable to such United States company under Article 10, 11, or 12.

Article 18

Artistes and athletes

1. Notwithstanding the provisions of Articles 14 (Independent personal services) and 15 (Dependent personal services), income derived by a resident of a Contracting State as an entertainer, such as a theatre, motion picture, radio, or television artiste, or a musician, or as an athlete, from his personal activities as such exercised in the other Contracting State, may be taxed in that other State, except where the amount of the gross receipts derived by such entertainer or athlete, including expenses reimbursed to him or borne on his behalf, from such activities does not exceed six thousand United States dollars (6,000 \$) or its equivalent in Swedish kronor for any 12 month period.

2. Where income in respect of activities exercised by an entertainer or an athlete in his capacity as such accrues not to the entertainer or athlete but to another person, that income of that other person may, notwithstanding the provisions of Articles 7 (Business profits) and 14, be taxed in the Contracting State in which the activities of the entertainer or athlete are exercised, unless it is established that neither the entertainer or athlete nor persons related thereto participate directly or indirectly in any profits of that other person in any manner, including the receipt of deferred remuneration, bonuses, fees, dividends, partnership distributions or other distributions.

Article 19

Pensions and annuities

1. Subject to the provisions of Article 20 (Government service) and of paragraph 2 of

this Article, pensions and other similar remuneration in consideration of past employment and annuities derived and beneficially owned by a resident of a Contracting State shall be taxable only in that Contracting State.

2. Notwithstanding the provisions of paragraph 2 of Article 20, pensions (including the Swedish "allmän tilläggspension") and other benefits paid out under provisions of the social security or similar legislation of a Contracting State to a resident of the other Contracting State or a citizen of the United States shall be taxable only in the first-mentioned State.

3. The term "annuities" as used in this Article means a stated sum paid periodically at stated times during life or during a specified or ascertainable number of years, under an obligation to make the payments in return for adequate and full consideration (other than services rendered or to be rendered).

4. a) In determining the taxable income of an individual who renders personal services and who is a resident of a Contracting State but not a national of that State, contributions paid by, or on behalf of, such individual to a pension or other retirement arrangement that is established and maintained and recognized for tax purposes in the other Contracting State shall be treated in the same way for tax purposes in the first-mentioned State as a contribution paid to a pension or other retirement arrangement that is established and maintained and recognized for tax purposes in that first-mentioned State, provided that:

(i) contributions were paid by, or on behalf of, such individual to such arrangement before he became a resident of the first-mentioned State; and

(ii) the competent authority of the first-mentioned State agrees that the pension or other retirement arrangement generally corresponds to a pension or other retirement arrangement recognized for tax purposes by that State.

b) A pension or other retirement arrangement is recognized for tax purposes in a State if the contributions to the arrangement would qualify for tax relief in that State.

Article 20

Government service

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 subdivision or authority shall be taxable only in that State.

b) However, such remuneration shall be taxable only in the other Contracting State if the services are rendered in that State and the individual is a resident of that State who

(i) is a citizen of that State; or

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

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 subdivision or authority shall be taxable only in that State.

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

3. The provisions of Articles 14 (Independent personal services), 15 (Dependent personal services), 16 (Directors' fees), 18 (Artistes and athletes) and 19 (Pensions and annuities) shall apply to remuneration and pensions in respect of services rendered in connection with a business carried on by a Contracting State or a political subdivision or a local authority thereof.

4. Notwithstanding paragraph 2, Sweden shall not tax a pension, paid by the U.S. Government to Swedish citizens and residents (and those beneficiaries entitled to survivors benefits), if the relevant individual was hired prior to 1978 by the U.S. Government to work for the United States embassy in Stockholm or the United States consulate general in Gothenburg and was covered under the United States Civil Service Retirement pension plan.

Article 21

Students and trainees

Payments received for the purpose of maintenance, education, or training by a student, apprentice, or business trainee who is or was immediately before visiting a Contracting State a resident of the other Contracting State and who is present in the first-mentioned State for the purpose of his fulltime education or training shall not be taxed in that State, provided that such payments arise from sources outside that State.

Article 22

Other income

1. Items of income of a resident of a Contracting State, wherever arising, not dealt with in the foregoing Articles of this Convention shall be taxable only in that State.

2. The provisions of paragraph 1 shall not apply to income, other than income from real property as defined in paragraph 2 of Article 6 (Income from real property), if the beneficial owner of the 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 situated therein, and the income is attributable to such permanent establishment or fixed base. In such case the provisions of Article 7 (Business profits) or Article 14 (Independent personal services), as the case may be, shall apply.

Article 23

Relief from double taxation

1. In accordance with the provisions and subject to the limitations of the law of the

United States (as it may be amended from time to time without changing the general principle hereof), the United States shall allow to a resident or citizen of the United States as a credit against the United States tax on income

a) the income tax paid to Sweden by or on behalf of such citizen or resident; and
b) in the case of a United States company owning at least 10 percent of the voting stock of a company which is a resident of Sweden and from which the United States company receives dividends, the income tax paid to Sweden by or on behalf of the distributing company with respect to the profits out of which the dividends are paid. For the purposes of this paragraph and paragraphs 3 and 4, the taxes referred to in paragraphs 1 b) and 2 of Article 2 (Taxes covered) shall be considered income taxes except for the taxes referred to in paragraphs 1 b) v) and vi).

2. a) Where a resident of Sweden derives income which may be taxed in the United States in accordance with the provisions of this Convention [except when income is taxed only in accordance with the provisions of paragraph 4 of Article 1 (Personal scope)], Sweden shall allow - subject to the provisions of the law of Sweden (as it may be amended from time to time without changing the general principle hereof) - as a deduction from Swedish tax on the income of that resident an amount equal to the income tax paid in the United States.

The provisions of this subparagraph shall apply equally to the computation of tax on income of an individual resident of the United States from gains taxed in Sweden in accordance with paragraph 7 of Article 13 (Gains).

b) Where a resident of Sweden derives income which shall be taxable only in the United States in accordance with the provisions of paragraph 2 of Article 19 (Pensions and annuities) and Article 20 (Government service) Sweden may, when determining the graduated rate of Swedish tax, take into account the income which shall be taxable only in the United States.

c) Dividends paid by a company being a resident of the United States to a company which is a resident of Sweden shall be exempt from Swedish tax to the extent that the dividends would have been exempt under Swedish law if both companies had been Swedish companies. This provision shall not apply unless the profits out of which the dividends are paid have been subjected to the normal corporate tax in the United States.

3. Where a United States citizen or former citizen or former long-term resident is a resident of Sweden, the following rules shall apply

a) Sweden shall allow, subject to the provisions of the law of Sweden (as it may be amended from time to time without changing the general principle thereof), as a deduction from Swedish tax the income tax paid to the United States in respect of profits, income or gains which arise in the United States, except that such deduction shall not exceed the amount of the tax that would be paid to the United States according to this Convention if the resident were not a United States citizen or former citizen or former long-term resident;

b) for the purpose of computing the United States tax, the United States shall allow, subject to the limitations of the law of the United States (as it may be amended from time to time without changing the general principle hereof), as a credit against United States income tax the income tax paid or accrued to Sweden after the deduction referred to in subparagraph a), provided that the credit so allowed shall not reduce that portion of the United States tax that is deductible from Swedish tax in accordance with subparagraph a); and

c) for the purposes of subparagraph b) profits, income or gains shall be deemed to arise in Sweden to the extent necessary to avoid double taxation of such income.

4. For the purposes of allowing relief from double taxation pursuant to this Article and subject to such source rules in the domestic laws of the Contracting States as apply for the purpose of limiting the foreign tax credit, income shall be deemed to arise exclusively as follows

a) income derived by a resident of a Contracting State shall be deemed to arise in the other Contracting State if it may be taxed in that other State in accordance with this Convention unless it is taxable in that other State solely by reason of (i) citizenship or former citizenship or former long-term residency in accordance with paragraph 4 of Article 1 (Personal scope) or (ii) former residency in accordance with paragraph 7 of Article 13;

b) income derived by a resident of a Contracting State which may not be taxed in the other Contracting State in accordance with the Convention shall be deemed to arise in the first-mentioned State.

The rules of this paragraph shall not apply in determining credits against United States tax for foreign taxes other than the taxes referred to in paragraphs 1 b) and 2 of Article 2.

Article 24

Non-discrimination

1. A citizen of a Contracting State or a legal person, partnership or association deriving its status as such from the laws in force in a Contracting State shall not be subjected in the other Contracting State to any taxation or any requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which a citizen of that other State or a legal person, partnership or association deriving its status as such from the laws in force in that other State in the same circumstances is or may be subjected. This provision shall, notwithstanding the provisions of Article 1 (Personal scope), also apply to persons who are not residents of one or both of the Contracting States. However, for the purposes of United States tax, a United States citizen who is not a resident of the United States and a Swedish citizen who is not a resident of the United States are not in the same circumstances.

2. The taxation on a permanent establishment which an enterprise of a Contracting State has in the other Contracting State shall not be less favorably levied in that other

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

3. Except where the provisions of paragraph 1 of Article 9 (Associated enterprises), paragraph 5 of Article 11 (Interest), or paragraph 4 of Article 12 (Royalties) apply, interest, royalties, and other disbursements paid by a resident of a Contracting State to a resident of the other Contracting State shall, for the purposes of determining the taxable profits of the first-mentioned resident, be deductible under the same conditions as if they had been paid to a resident of the first- mentioned State. Similarly, any debts of a resident of a Contracting State to a resident of the other Contracting State shall, for the purposes of determining the taxable capital of the first-mentioned resident, be deductible under the same conditions as if they had been contracted to a resident of the first-mentioned State.

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

5. Nothing in this Article shall be construed as preventing imposition of a tax described in paragraph 9 of Article 10 (Dividends).

6. The provisions of this Article shall, notwithstanding the provisions of Article 2 (Taxes covered), apply to taxes of every kind and description imposed by a Contracting State or a political subdivision or local authority thereof.

Article 25

Mutual agreement procedure

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

2. The competent authority shall endeavor, if the objection appears to it to be justified and if it is not itself able to arrive at a satisfactory solution, to resolve the case by mutual agreement with the competent authority of the other Contracting State, with a view to the avoidance of taxation which is not in accordance with the Convention. Any agreement reached shall be implemented notwithstanding any time limits or other procedural limitations in the domestic law of the Contracting States.

3. The competent authorities of the Contracting States shall endeavor to resolve by

mutual agreement any difficulties or doubts arising as to the interpretation or application of the Convention. In particular the competent authorities of the Contracting States may agree on

- a) the attribution of income, deductions, credits, or allowances of an enterprise of a Contracting State to its permanent establishment situated in the other Contracting State;
- b) the allocation of income, deductions, credits, or allowances between persons;
- c) the characterization of particular items of income;
- d) the application of source rules with respect to particular items of income; and
- e) a common meaning of a term.

They may also consult together for the elimination of double taxation in cases not provided for in the Convention.

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

Article 26

Exchange of information

1. The competent authorities of the Contracting States shall exchange such information as is necessary for carrying out the provisions of this Convention or of the domestic laws of the Contracting States concerning taxes covered by the Convention insofar as the taxation thereunder is not contrary to the Convention. The exchange of information is not restricted by Article 1 (Personal scope). Any information received by a Contracting State 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 courts and administrative bodies) involved in the assessment, collection, or administration of, the enforcement or prosecution in respect of, or the determination of appeals in relation to, the taxes covered by the Convention. Such persons or authorities shall use the information only for such purposes. They may disclose the information in public court proceedings or in judicial decisions.

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

- a) to carry out administrative measures at variance with the laws and administrative practice of that or of the other Contracting State;
- b) to supply information which is not obtainable under the laws or in the normal course of the administration of that or of the other Contracting State;
- c) to supply information which would disclose any trade, business, industrial, commercial, or professional secret or trade process, or information the disclosure of which would be contrary to public policy (ordre public).

3. If information is requested by a Contracting State in accordance with this Article, the other Contracting State shall obtain the information to which the request relates in

the same manner and to the same extent as if the tax of the first- mentioned State were the tax of that other State and were being imposed by that other State. If specifically requested by the competent authority of a Contracting State, the competent authority of the other Contracting State shall provide information under this Article in the form of depositions of witnesses and authenticated copies of unedited original documents (including books, papers, statements, records, accounts, and writings), to the same extent such depositions and documents can be obtained under the laws and administrative practices of that other State with respect to its own taxes.

4. The competent authorities may by mutual agreement settle the mode of application of the preceding paragraphs of this Article. Such agreements may include but need not be limited to procedures for implementing routine, spontaneous and industrywide exchanges of information, information exchanges on request, simultaneous tax examinations and such other methods of exchanging information as may be necessary or appropriate to carry out the purposes of paragraph 1.

5. For the purposes of this Article, the Convention shall apply, notwithstanding the provisions of Article 2 (Taxes covered), to taxes of every kind imposed by a Contracting State.

Article 27

Administrative assistance

1. The Contracting States undertake to lend assistance and support to each other in the collection of the taxes to which this Convention applies, together with interest, costs, and additions to such taxes.

2. In the case of applications for enforcement of taxes, revenue claims of each of the Contracting States which have been finally determined may be accepted for enforcement by the other Contracting State and may be collected in that State in accordance with the laws applicable to the enforcement and collection of its own taxes.

3. Any application shall include a certification that under the laws of the State making the application the taxes have been finally determined.

4. The assistance provided for in this Article shall not be accorded with respect to the citizens, companies, or other entities of the State to which the application is made, except as is necessary to insure that the exemption or reduced rate of tax granted under this Convention to such citizens, companies, or other entities shall not be enjoyed by persons not entitled to such benefits.

5. This Article shall not impose upon either of the Contracting States the obligation to carry out administrative measures which are of a different nature from those used in the collection of its own taxes, or which would be contrary to its sovereignty, security, or public policy.

Article 28

Diplomatic agents and consular officers

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

Article 29

Entry into force

1. This Convention shall be subject to ratification in accordance with the applicable procedures of each Contracting State and instruments of ratification shall be exchanged at Washington as soon as possible.
2. The Convention shall enter into force upon the exchange of instruments of ratification and its provisions shall have effect
 - a) in the case of the United States
 - (i) in respect of taxes withheld at source, for amounts paid or credited on or after the first day of January next following the date on which the Convention enters into force;
 - (ii) in respect of other taxes, for taxable years beginning on or after the first day of January next following the date on which the Convention enters into force; and
 - b) in the case of Sweden
 - (i) in respect of taxes on income, for income derived on or after the first day of January next following the date on which the Convention enters into force;
 - (ii) in respect of the State capital tax, for tax which is assessed in or after the second calendar year following that in which the Convention enters into force;
 - (iii) in respect of the excise tax imposed on insurance premiums paid to foreign insurers, for premiums paid on or after the first day of January next following the date on which the Convention enters into force.
3. Upon the coming into effect of this Convention, the Convention and accompanying Protocol between the Government of the United States of America and the Kingdom of Sweden for the avoidance of double taxation and the establishment of rules of reciprocal administrative assistance in the case of income and other taxes, signed at Washington on March 23, 1939, as modified by a Supplementary Convention signed at Stockholm on October 22, 1963, shall terminate. The provisions of the 1939 Convention, as modified, shall cease to have effect with respect to the United States and Sweden from the date on which the corresponding provisions of this Convention shall, for the first time, have effect according to the provisions of paragraph 2 of this Article. With regard to the Swedish State capital tax, the 1939 Convention shall be applied for the last time for tax assessed the first year after the year in which this Convention enters into force.

Article 30

Termination

This Convention shall remain in force until terminated by a Contracting State. Either Contracting State may terminate the Convention at any time after 5 years from the date on which the Convention enters into force, provided that at least 6 months prior notice of termination has been given through diplomatic channels. In such event, the Convention shall cease to have effect

a) in the case of the United States

(i) in respect of taxes withheld at source, for amounts paid or credited on or after the first day of January next following the expiration of the 6 months period;

(ii) in respect of other taxes, for taxable years beginning on or after the first day of January next following the expiration of the 6 months period; and

b) in the case of Sweden

(i) in respect of taxes on income, for income derived on or after the first day of January next following the expiration of the 6 months period;

(ii) in respect of the State capital tax, for tax which is assessed in or after the second calendar year following the expiration of the 6 months period;

(iii) in respect of the excise tax imposed on insurance premiums paid to foreign insurers, for premiums paid on or after the first day of January next following the expiration of the 6 months period.

IN WITNESS WHEREOF, the undersigned, being duly authorized by their respective governments, have signed the Convention.

DONE at Stockholm, in duplicate, in the English language, this first day of September, 1994.

FOR THE GOVERNMENT OF SWEDEN

Bo Lundgren

FOR THE GOVERNMENT OF THE UNITED STATES OF AMERICA

Thomas L. Siebert

I have the honor to refer to the Convention between the Government of the United States of America and the Government of Sweden for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, which was signed today, and to confirm, on behalf of the Government of the United States of America, the following understandings reached between our two Governments.

1. Scandinavian Airlines System (SAS) is a consortium within the meaning of Article 8 (Shipping and Air Transport), its participating members being Det Danske Luftfartsselskab A/S (DDL), Det Norske Luftfartsselskap A/S (DNL), and AB Aerotransport (ABA). In order to avoid the problems inherent in operating in the

United States through a consortium, the members of the consortium in 1946 established a New York corporation, Scandinavian Airlines of North America Inc. (SANA Inc.) - originally under the name Scandinavian Airlines System, Inc. - to act on their behalf in the United States pursuant to an agency agreement dated September 18, 1946. A similar agreement was entered into by SAS directly and SANA Inc. on March 14, 1951 and revised on August 4, 1970.

Pursuant to the agency agreement, SANA Inc. is authorized to perform only such functions as SAS assigns to it, all in connection with international air traffic. Under that agreement, all revenues collected by SANA Inc. are automatically credited to SAS. Operating expenses incurred by SANA Inc. are debited to SAS in accordance with the terms of the agency agreement. SAS is obligated under the terms of the agency agreement to reimburse SANA Inc. for all of its expenses irrespective of the revenues of SANA Inc. SANA Inc. does not perform any functions except those connected with or incidental to the business of SAS as an operator of aircraft in international traffic.

In view of the special nature of the SAS consortium and in view of the agency agreement as described above, the United States for purposes of Article 8 (Shipping and Air Transport) of the Convention signed today shall treat all of the income earned by SANA Inc. which is derived from the operation in international traffic of aircraft as the income of the SAS consortium.

2. It is understood that the reference in paragraph 2 of Article 19 (Pensions and Annuities) to legislation similar to the social security legislation of a Contracting State is intended, in the case of the United States, to refer to tier 1 Railroad Retirement benefits.

If this is in accordance with your understanding, I would appreciate an acknowledgment from you to that effect.

Accept, Excellency, the renewed assurances of my highest consideration.

Dated at Stockholm, 1 September, 1994

For the Secretary of State:

Mr. Thomas L. Siebert

Ambassador Extraordinary and

Plenipotentiary of the United

States of America

I have the honor to acknowledge the receipt of your letter of 1 September, 1994 which reads as follows:

"I have the honor - - - assurances of my highest consideration."

I have the honor to confirm, on behalf of the Government of Sweden, that the treatment of Scandinavian Airlines of North America Inc. and of tier 1 Railroad Retirement benefits as specified by you, is in accordance with our understanding. Accept, Excellency, the renewed assurances of my highest consideration.

Dated at Stockholm, 1 September, 1994

Bo Lundgren

I have the honor to refer to the Protocol amending the Convention between the Government of the United States of America and the Government of Sweden for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, which was signed today, and to confirm, on behalf of the Government of the United States of America, the following understandings reached between our two Governments.

1. With reference to clause ii) of subparagraph e) of paragraph 2 of Article 17 (Limitation on Benefits) of the Convention

It is understood that in applying clause ii) of subparagraph e) of paragraph 2 of Article 17 (Limitation on Benefits) in the case of Sweden the amount of a person's deductible payments and gross income for the taxable year shall be reduced by the amount of group contributions paid to a Swedish resident or Swedish permanent establishment.

2. With reference to paragraph 6 of Article 17 (Limitation on Benefits) of the Convention

It is understood that in applying paragraph 6 of Article 17 (Limitation on Benefits), the legal requirements for the facilitation of the free flow of capital and persons within the European Union, together with the differing internal income tax systems, tax incentive regimes, and existing tax treaty policies among member states of the European Union, will be considered. Under that paragraph, the competent authority is instructed to consider as its guideline whether the establishment, acquisition or maintenance of a company or the conduct of its operations has or had as one of its principal purposes the obtaining of benefits under this Convention. The competent authority may, therefore, determine, under a given set of facts, that a change in circumstances that would cause a company to cease to qualify for treaty benefits under paragraphs 2 and 3 of Article 17 need not necessarily result in a denial of benefits. Such changed circumstances may include a change in the state of residence of a major shareholder of a company, the sale of part of the stock of a Swedish company to a person resident in another member state of the European Union, or an expansion of a company's activities in other member states of the European Union, all under ordinary business conditions. The competent authority will consider these changed circumstances (in addition to other relevant factors normally considered under paragraph 6 of Article 17) in determining whether such a company will remain qualified for treaty benefits with respect to income received from United States

sources. If these changed circumstances are not attributable to tax avoidance motives, this also will be considered by the competent authority to be a factor weighing in favor of continued qualification under paragraph 6 of Article 17.

3. With reference to Article 26 (Exchange of Information) of the Convention
It is understood that the powers of each Contracting State's competent authorities to obtain information include powers to obtain information held by financial institutions, nominees, or persons acting in an agency or fiduciary capacity (not including information that would reveal confidential communications between a client and an attorney, solicitor or other legal representative, where the client seeks legal advice), and information relating to the ownership of legal persons, and that each Contracting State's competent authority is able to exchange such information in accordance with the Article.

If this is in accordance with your understanding, I would appreciate an acknowledgment from you to that effect.

Accept, Excellency, the renewed assurances of my highest consideration.

Dated at Washington, September 30, 2005

E. Anthony Wayne

I have the honor to acknowledge the receipt of your letter of September 30, 2005 which reads as follows:

"I have the honor - - - assurances of my highest consideration."

I have the honor to confirm, on behalf of the Government of Sweden, that the references to clause ii) of subparagraph e) of paragraph 2 of Article 17, paragraph 6 of Article 17 and Article 26, as specified by you, is in accordance with our understanding.

Accept, Excellency, the renewed assurances of my highest consideration.

Dated at Washington, September 30, 2005

Gunnar Lund

AGREEMENT BETWEEN THE GOVERNMENT OF SWEDEN AND THE UNITED STATES GOVERNMENT FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME

Government of Sweden and the United States government that wishes to enter into an agreement for the avoidance of double taxation and prevention of fiscal evasion with respect to taxes on income, have agreed as follows:

Article 1

Persons to whom this Agreement applies

1. Unless otherwise specified in this Agreement shall apply to persons who are residents of a Contracting State or in both of the Contracting States.

2nd The agreement does not limit in any manner any exclusion, exemption, deduction, by taxation, such credit, or such other allowance now or hereafter accorded

a) under the laws of either Contracting State; or

b) by any other agreement between the Contracting States.

third Notwithstanding the provisions of paragraph 2 b), the following shall apply:

a) Notwithstanding any other agreement to which the Contracting States may be parties, a dispute over whether a measure to fall within the scope of this Agreement be determined solely by the competent authorities of the Contracting States, as defined in paragraph 1 e) of Article 3 in this Agreement, and the procedures provided for in this Agreement shall exclusively apply to the dispute.

b) Unless the competent authorities agree to a taxation measure should not be considered to fall within the scope of this Agreement, shall be solely the obligations of this Agreement relating to non-discrimination apply to such action, except as regards such a commitment to national equality or MFN treatment relating to trade in goods under the GATT. No commitments to national equal treatment or most-favored-nation treatment under any other agreement shall apply with respect to such action.

c) The term "action" as used in this paragraph, legislation, regulation, rule, procedure, decision, administrative action, or any other form of action.

4th Notwithstanding the provisions of the Convention except paragraph 5, the United States tax the person under Article 4 is a resident there and, as to citizenship, persons who are citizens of the United States, as if the agreement had not been applied. Notwithstanding the other provisions of this Convention, a former citizen or long term resident of the United States are taxed in accordance with the laws of the United States for a period of ten years following the loss of such status.

5th The provisions of paragraph 4 shall not affect

a) the benefits of the United States under article 9, paragraph 2, Article 19, paragraph 2, and Articles 23, 24 and 25;

b) the benefits of the United States under Articles 20, 21 and 28 upon individuals who are neither citizens nor have immigrant status in the United States.

6. Income or gains derived by or through a person whose income under the laws of either Contracting State is subject to delägarbeskattning, shall be considered derived by a resident of a State to the extent that the income or gains, the taxation law of that State, is treated as income or gains of a resident of the state in question.

Article 2

Taxes covered by the Agreement

1. The existing taxes to which the Agreement shall apply are:

a) in the United States: the Federal income taxes under the "Internal Revenue Code" [except for the tax on accumulated earnings ("the accumulated earnings tax"), the tax on undistributed profits in investment companies ("the staff holding company tax") and social security taxes ("social security taxes")] as well as excise taxes on insurance premiums paid to foreign insurers and private foundations. The agreement, however, apply in the case of excise taxes on insurance premiums paid to foreign insurers only to the extent that the risks covered by the premiums are not reinsured with a person not entitled to the benefits granted under this Agreement or any other agreement that exempts these taxes and

b) in Sweden:

- 1) the national income,
- 2) withholding tax,
- 3) the income tax on non-residents,
- 4) the income tax on non-resident artists and others,
- 5) for the purposes of paragraph 3 of this Article, the State capital tax,
- 6) excise tax imposed on insurance premiums paid to foreign insurers;
- 7) the tax.

2nd The Agreement shall also apply to any identical or substantially similar taxes imposed after the signing of the Convention in addition to, or in place of, the taxes referred to above. The competent authorities of the Contracting States shall notify each other of any substantial changes made in their respective taxation laws and of officially published material essential to the application of this Agreement, including explanations, regulations, rulings, or judicial decisions.

third The Swedish State capital tax shall, on the following persons paid only in respect of immovable property situated in Sweden and movable property pertaining to a permanent establishment that such person has in Sweden or a fixed base available to such person's disposal in Sweden for independent personal services:

- a) a resident of the United States (in accordance with Article 4) who are citizens of the United States without being a citizen of Sweden,
- b) a resident of the United States (in accordance with Article 4) - whether he be a citizen in the United States or not - has been a resident of the United States during three successive next year before the first taxable year during which the provisions of the Agreement shall be applied, and for each taxable year thereafter,
- c) a citizen of the United States who are not citizens of Sweden , temporarily staying in Sweden for a period not exceeding two years, and who is, or immediately before such visit was, a resident of the United States (in accordance with Article 4),
- d) the estate of such person specified in a), b) or c), or
- e) a company resident in the United States (in accordance with Article 4).

Article 3

General Definitions

1. Unless the context otherwise requires, the purposes of this Agreement, the following terms as defined below:
 - a) the term "person" includes an individual, an estate, a "trust", partnerships, companies and other body of persons,
 - b) "company" means the person for income tax treated as a legal person,
 - c) the terms "enterprise of a Contracting State" and "enterprise of the other Contracting State" mean respectively an enterprise carried on by a resident of a Contracting State and an enterprise carried on by a resident of the other Contracting State,
 - d) the term "international traffic" means any transport by a ship or aircraft, except when such transport is solely between places in a Contracting State,
 - e) "competent authority" means:
 - 1) in the United States, "the Secretary of the Treasury" or his authorized representative, and
 - 2) in Sweden, the Minister of Finance or his authorized representative or the authority which is designated as competent authority under this Agreement,
 - f) "United States" means the United States of America, but does not include Puerto Rico, the Virgin Islands, Guam or any other possession or other area belonging to the United States. The term includes the U.S. territorial waters and the seabed and subsoil of the areas under water adjacent to U.S. territorial waters over which areas of the United States in accordance with international law, exercises sovereign rights with regard to the exploration and exploitation of the areas' natural resources,
 - g) "Sweden" means the Kingdom of Sweden and, when used in a geographical sense, includes the national territory, the territorial sea as well as other maritime areas over which Sweden in accordance with international law, exercises sovereign rights or jurisdiction.
- 2nd Where a Contracting State shall apply this Agreement shall, unless the context otherwise requires or the competent authorities in accordance with the provisions of Article 25 agreement on a common meaning, 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

Resident

1. a) For the purposes of this Convention, the term "resident of a Contracting State" means any person who under the law of that State, is liable to tax therein by reason of his domicile, residence, place of management, place of incorporation or other similar circumstances. And also includes that State and any political subdivision or local authority. The term does not include any person who is liable to tax in that State in

respect only of income from sources in that State or only of income as is attributable to a permanent establishment in that State.

b) A United States citizen or an alien who has been lawfully admitted for permanent residence in the United States, is a resident of the United States, but only if such person residing substantial presence, has a permanent home or habitual abode in the United States. If such a person is domiciled in Sweden under this paragraph, will also be treated as a resident of the United States under this paragraph and status shall be determined under paragraph 2.

c) The term "resident of a Contracting State" includes a legal entity incorporated under the laws of that Contracting State and who is generally exempt from tax in that State and is established and maintained in this state either:

1) exclusively for religious, charitable, scientific, artistic, cultural, or educational purposes, or

2) to provide pensions or other similar retirement benefits under a pension plan.

2nd Where by reason of the provisions of paragraph 1 an individual is a resident of both Contracting States, then 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) it can not be determined State in which he has his center of vital interests or he was not in either State has a permanent home available to him, 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 does not reside permanently in any of them, he shall be deemed resident of the State of which he is a national,

d) if he is a national of both States or if he is not a citizen of any of them, the competent authorities of the Contracting States shall settle the question by mutual agreement.

third Where by reason of the provisions of paragraph 1 a company is a resident of both Contracting States, is considered the company in question, if it is created under the laws of a Contracting State or a political subdivision thereof, be a resident of that State.

4th Where by reason of the provisions of paragraph 1 a person other than an individual or company is a resident of both Contracting States, the competent authorities question by mutual agreement.

Article 5

Permanent establishment

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

2nd The 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.

third A building site, construction or installation project constitutes a permanent establishment only if it lasts more than twelve months. The use of a Contracting State installation or drilling rig or ship to explore or exploit natural resources constitutes a permanent establishment only if such use is for more than twelve months.

4th Notwithstanding the preceding provisions of this Article, the term "permanent establishment" shall not include:

- a) the use of facilities solely for the storage, display or delivery of goods or merchandise belonging,
- b) the maintenance of a company belonging inventories purpose of storage, display or delivery,
- c) the maintenance of one belonging to the enterprise solely for the inventory of processing by another enterprise ,
- d) the maintenance of a fixed place of business solely for the purchase of merchandise or of collecting information for the enterprise,
- e) the maintenance of a fixed place of business solely for the enterprise, any other activity of a preparatory or auxiliary character,
- f) the maintenance of a fixed place of business solely for any combination of activities mentioned in subparagraphs a) to e).

5th If a person who is not an independent status to whom paragraph 6 applies is acting for a company and of a Contracting State has, and habitually exercises an 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, unless 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 of the said point.

6. Companies are considered to have a permanent establishment in a Contracting State merely because it carries on business in that State through a broker, general commission agent or any other agent of independent status, provided that such persons are acting in the ordinary course of business.

7. The fact that a company which is a resident of a Contracting State controls or is controlled by a company resident in the other Contracting State, or which carries on business in that other State (whether through a permanent establishment or otherwise),

shall not of and for itself constitute either company a permanent establishment of the other.

Article 6

Income from immovable property

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

2nd The term "immovable property" shall have the meaning which it has under the law of the Contracting State in which the property is located. The term includes accessory to immovable property, 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.

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

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

Article 7

Profits

1. The profits of an enterprise of a Contracting State shall be taxable only in that State unless the enterprise carries on business in the other Contracting State through a permanent establishment situated therein. If the company carries on business as aforesaid, the enterprise may be taxed in the other State but only so much of them as is attributable to that permanent establishment.

2nd Where an 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 separate enterprise engaged in the same or similar activities under the same or similar conditions.

third In determining the profits of a permanent establishment shall be allowed as deductions expenses which are incurred for the permanent establishment, including a reasonable allocation of executive and general administrative expenses, research and development expenses, interest and other expenses incurred by the company as a whole (or that part thereof which includes the permanent establishment), whether

incurred in the State in which the permanent establishment is situated or elsewhere.
4th Profits shall be attributed to a permanent establishment by reason that the goods purchased for the company by that permanent establishment of the agency.

5th For the purposes of this Agreement, only income derived from the permanent establishment's assets or activities included in the income as is attributable to that permanent establishment. This income is determined by the same method year by year unless there is good and sufficient reason to the contrary.

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

7. The term "income" in this Article means income derived from any trade or business, rental of tangible personal property herein involved, whether carried on by an individual, a corporation or another person or group of persons.

8. a) The tax in the United States based on insurance premiums paid to foreign insurers shall not be levied on insurance or reinsurance premiums that constitute income in the insurance business carried on by a resident in Sweden regardless of whether the business is conducted through a permanent establishment in the United States or not. Such exemption shall not apply to the extent that the relevant risk is not directly or indirectly reinsured with a person not entitled to exemption from such tax.
b) the tax in Sweden is based on insurance premiums paid to foreign insurers shall not be levied on insurance premiums constitute income in the insurance business carried on by a resident of the United States regardless of whether the business is carried on through a permanent establishment in Sweden or not.

9. Notwithstanding paragraph 6 of this article is the application of paragraphs 1 and 2 of this Article, Article 13, paragraph 3, Article 14 and Article 22 of every income, capital gain or expense that is attributable to a permanent establishment or a fixed base during its continuance, taxable or deductible in the Contracting State in which the permanent establishment or fixed base is situated even if the payments have been deferred until the permanent establishment or fixed base has been discontinued.

Article 8

Sea and air transport

1. Profits derived by an enterprise of a Contracting State from the operation of ships or aircraft in international traffic shall be taxable only in that State.

2nd For the purposes of this Article, income derived from the rental of ships or aircraft as income from the operation of ships or aircraft in international traffic if such rental profits are incidental to other income referred to in paragraph 1.

third Profits derived by an enterprise of a Contracting State from the use, maintenance or rental of containers (including trailers, barges and related equipment for the transport of containers) used in international traffic shall be taxable only in that State.
4th The provisions of paragraphs 1 and 3 shall also apply to profits from the

participation in a pool, a joint business or an international operating agency. The provisions of paragraphs 1 and 3 shall also apply to income derived by the air transport consortium Scandinavian Airlines System (SAS), but only in respect of the portion of income that corresponds to the participation held in that consortium by AB Aero Transport (ABA), the Swedish partner of Scandinavian Airlines System (SAS).

Article 9

Associated enterprises

1. Where

a) an enterprise of a Contracting State participates directly or indirectly in the management or control of an enterprise of the other Contracting State, or takes part in 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 relations 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 those conditions , have not so accrued, may be included in that enterprise and taxed accordingly.

2nd Where profits on which an enterprise of a Contracting State to tax in that State, also included in the profits of an enterprise of the other Contracting State and taxed accordingly 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 shall make an appropriate adjustment to the amount of taxes levied on the income of that State. In determining such adjustment, due to the other provisions of this Agreement and the competent authorities of the Contracting States shall if necessary consult each other.

third The provisions of paragraph 1 shall not limit the provisions of a Contracting State which permit the distribution, apportionment or allocation of income, deductions, credits, or allowances between persons - whether they are a resident of a Contracting State or not - which is owned or controlled, directly or indirectly by the same interests, if such action is necessary to prevent evasion of taxes or to properly any of such persons income.

Article 10

Dividends

1. Dividends paid by a company resident in a Contracting State to a resident of the other Contracting State may be taxed in that other State.

2nd Dividends may also be taxed in the Contracting State of which the company paying the dividends is a resident and according to the laws of that State, but if the recipient of 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 which owns shares representing at least 10 percent of the voting power in the company paying the dividend,
- 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.

third Notwithstanding the provisions of paragraph 2, such dividends will be taxed in the Contracting State of which the company paying the dividends is a resident if the beneficial owner of the dividends is:

a) a company resident in the other Contracting State for a continuous period of 12 months before the date on which it is determined who is entitled to the dividend, has owned, directly or indirectly through one or more residents of either Contracting State; shares representing at least 80 percent of the voting power of the distributing company and:

- 1) comply with Article 17 paragraph 2 c) 1) or 2),
- 2) satisfy the conditions of Article 17 paragraph 2 e) 1) and 2) if the company meets the conditions set out in paragraph 4 of that Article in respect of the dividend,
- 3) is entitled to the benefits regarding dividends under Article 17, paragraph 3, or
- 4) has obtained a decision under Article 17, paragraph 6 regarding this item, or

b) a pension fund is a resident of the other Contracting State if:

- 1) the dividend is not acquired by one of the pension fund, or a company in privity with the pension fund, pursuit of business;
 - 2) the pension fund does not sell, or an agreement to sell the shares on which the dividend is derived within two months of the date the pension fund acquired shares.
- In determining whether a corporation is entitled to the benefits regarding dividends under Article 17, paragraph 3, referred to in a) 3) above in this paragraph, the determination of whether a person who directly or indirectly owns shares in the company, is an equivalent beneficiary made by such a person is treated as the owner of the voting power of the distributing company held by the company that claims to contractual benefits.

4th a) The provisions of paragraphs 2 a) and 3 a) does not apply to dividends paid by a "U.S. Regulated Investment Company" (RIC) or a "Real Estate Investment Trust" (REIT). On dividends paid by a RIC applicable paragraphs 2b) and 3b). On dividends paid by a REIT apply paragraphs 2 b) and 3 b) only if:

- 1) the beneficial owner of the dividends is an individual or pension fund holdings in the REIT exceeds 10 percent,
- 2) the dividend paid on one class of shares that are publicly traded and the beneficial

owner of the dividends is a person who holding more than 5 percent of any class of shares of the Trust, or

3) the beneficial owner of the dividends is a person holding an interest in the trust is limited to 10 percent and the REIT is diversified.

b) For the purposes of this paragraph, a REIT shall be "diversified" if the value of each property investment is limited to 10 percent of the value of the total property holdings. For the purposes of this rule, foreclosure property is not considered a real-estate holdings. A REIT holds an interest in a partnership shall be considered as the direct owner of such a large share of the partnership's real property corresponding to its interest in the partnership.

5th The term "dividends" as used in this Article means income from shares or other rights, not being debt claims, participating in profits, as well as income from other investments, which under the laws of the State in which the distributing company is resident, are taxed in the same way as income from shares as well as the capital through dispositions, debt obligations therein included, with the right to participate in profits, to the extent such income as dividends under the laws of the Contracting State where the income arises and, in the United States, contingent interest that is not deemed "portfolio interest" under the laws of the United States.

6. The provisions of paragraphs 2 and 3 shall not apply if the beneficial owner of the dividends is a resident of a Contracting State, carries on business in the other Contracting State of which the company paying the dividends is a resident, through a permanent establishment situated therein, or performs in that other State from where a fixed base situated therein, and the holding in respect of which the dividends are paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14.

7. A Contracting State may not tax dividends paid by a company that is not domiciled in this State, except to the extent that:

a) dividends are paid to a resident of that State, or

b) the dividends are attributable to a permanent establishment or a fixed base situated in that State.

8. A body established in Sweden, operated in religious, scientific, literary, educational promotion or charitable purposes and which has received almost all of their funds from individuals who are not citizens or residents of the United States, the United States shall be exempt from the excise is imposed on private foundations.

9. A company resident in a Contracting State has a permanent establishment in the other Contracting State, or is liable to tax in the other Contracting State for the income which may be taxed in that other State under Article 6 or Article 13, paragraph 1, of this other Contracting State to a tax in addition to the tax allowable under the other provisions of this Agreement. Such tax, however,

a) in the United States levied only on

- 1) the part of the company's operating income as is attributable to that permanent establishment, and
 - 2) the portion of the income referred to in the preceding sentence which are taxed under Article 6 or Article 13, paragraph 1,
which represents the "dividend equivalent amount" of those profits or income; the term "dividend equivalent amount" shall, for purposes of this provision, have the meaning which it has under the laws of the United States as it may be amended from time to time without changing the general principles of this legislation is changed, and
- b) in Sweden is imposed only on the portion of the income referred to in a) which corresponds to the amount that would have been distributed by a locally incorporated subsidiary.
- 10th The tax referred to in paragraph 9 a) and b) shall not be levied at a rate exceeding that specified in paragraph 2 a). Such tax shall not be levied by a company:
- a) comply with Article 17 paragraph 2 c) 1) or 2),
 - b) satisfies the conditions in Article 17 paragraph 2 e) 1) and 2), provided that the company satisfies the conditions in Article 17 paragraph 4 in respect of such income or gain referred to in paragraph 9,
 - c) is entitled to the benefits under Article 17 paragraph 3 in respect of such income or gain as required in section 9, or
 - d) has obtained a decision under article 17, paragraph 6, concerning this point.

11. The term "pension fund" in this Article means any person who:
- a) is organized under the laws of a Contracting State,
 - b) is established and maintained in that Contracting State primarily to administer or provide pension or similar remuneration, including social security payments, and
 - c) is exempt from tax in that Contracting State in the activities described in subparagraph b).

Article 11

Interest

1. Interest arising in a Contracting State and paid to a resident of the other Contracting State shall be taxable only in that other State if the individual is a beneficial owner.

2nd The term "interest" as used in this Article means income from any kind of claim, whether secured by mortgage or not and whether or not carrying a right to participate in the debtor or not. In particular, income from securities issued by state and income from bonds or debentures, including premiums and prizes attaching to such securities, bonds or debentures and also the interest that accrues to a residual of a "real estate mortgage investment conduit". Penalty charges for late payment is not considered as interest for the purposes of this Agreement. The term "interest" does not include income subject to the provisions of Article 10.

third The provisions of paragraph 1 shall not apply if the beneficial owner of the interest, being a resident of a Contracting State, carries on business in the other

Contracting State in which the interest arises, through a permanent establishment situated therein, or performs in that other State independent personal services from fixed base, the claim in respect of which the interest is paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14.

4th 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 a fixed base, 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.

5th Where by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, with respect to the claim for which it is paid, exceeds the amount which would have been agreed between the payer and the beneficial owner if 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.

6. A Contracting State may not impose any tax on interest paid by a resident of the other Contracting State, except insofar

- a) the interest is paid to a resident of the first-mentioned State,
- b) the interest is attributable to a permanent establishment or a fixed base in the first-mentioned State;
- c) the interest is derived from the first-mentioned State and are not paid to a resident of the other State.

7. Notwithstanding the provisions of paragraph 1 of this Article may be of interest that is attributable to a residual of a "real estate mortgage investment conduits" are taxed in the Contracting State where the excess interest under the law of that State.

Article 12

Royalty

1. Royalties arising in a Contracting State and paid to a resident of the other Contracting State shall be taxable only in that other State if the person concerned is entitled to royalties.

2nd The term "royalties" in this Article means payments of any kind received as a consideration for the use of, or the right to use, any copyright of literary, artistic or scientific work (including cinematograph films and works on film, tape or other means of reproduction used for radio or television broadcasting), any patent, trade mark, design or model, plan, secret formula or process, or other like right or property, or for information concerning industrial, commercial or scientific experience. The term "royalties" also includes gains from the alienation of any such right or property if

the gain depends on the productivity, use, or disposition thereof.
third The provisions of paragraph 1 shall not apply if the beneficial owner of the royalties is a resident of a Contracting State, carries on business in the other Contracting State in which the royalties arise, through a permanent establishment situated therein, or performs in that other State from a where fixed base situated therein, and the right or property in respect of which the royalties are paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14.

4th Where by reason of a special relationship between the payer and the beneficial owner of the royalties, or between both of them and some other person, with respect to the use, right or information for which they are paid, exceeds the amount which would have been agreed upon by the payer and the beneficial owner of the royalties, if 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.

Article 13

Capital gains

1. Gains derived by a resident of a Contracting State from the alienation of immovable property situated in the other Contracting State may be taxed in that other State.

2nd For the purposes of paragraph 1,

a) the term "real property situated in the other Contracting State", in the case where the United States is the other Contracting State, includes real property referred to in Article 6 and situated in the United States, "a United States real property interest "and an interest in a partnership, trust or estate to the extent that such ownership consists of" a United States real property interest "that is located in United States,

b) the term "real property situated in the other Contracting State ", in the case of Sweden is the other Contracting State, includes property that is real property under Swedish law which is situated in Sweden, and, without limiting the above, also include

1) real property referred to in Article 6 and situated in Sweden, and

2) shares or similar rights in companies whose assets, directly or indirectly, mainly of immovable property.

third Gains from the alienation of movable property pertaining to a permanent establishment which an enterprise of a Contracting State has in the other Contracting State, or a fixed base for the exercise of independent professional activity, 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.

4th Gains derived by an enterprise of a Contracting State from the alienation of ships or aircraft operated in international traffic or movable property pertaining to the

operation of such ships or aircraft shall be taxable only in that State. The provisions of this paragraph shall apply to gains derived by the air transport consortium Scandinavian Airlines System (SAS), but only in respect of the portion of the gain that corresponds to the participation held in that consortium by AB Aero Transport (ABA), the Swedish partner of Scandinavian Airlines System (SAS).

Gains derived by an enterprise of a Contracting State from the alienation of containers used in international traffic or movable property pertaining to the operation of such containers (including trailers, barges and related equipment for the transport of containers) shall be taxable only in this state.

5th Gains described in Article 12 shall be taxable only under the provisions of Article 12.

6. Gains from the alienation of any property other than that referred to in paragraphs 1-5 taxed, unless paragraph 7 provides otherwise, only in the Contracting State of which the alienator is a resident.

7. The provisions of paragraph 6 does not affect Sweden's entitled, in respect of an individual who was resident in Sweden and with a resident of the United States, taxing gains derived by such person from the disposition of the asset at any time during the ten years next following the date on which such person ceased to be a resident of Sweden.

Article 14

Independent personal

Income derived by an individual resident of a Contracting State from the performance of independent personal services shall be taxable only in that State. Such income may, however, also be taxed in the other Contracting State to the extent that these activities are exercised or performed in that other State and the income is attributable to a fixed base regularly available to him in that other State for the practice of business.

Article 15

Individual business

1. Subject to the provisions of Articles 16, 19 and 20, 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.

2nd Notwithstanding the provisions of paragraph 1, remuneration derived by a resident of a Contracting State in respect of an employment exercised in the other Contracting State only in the first-mentioned State if:

- a) the recipient is present in the other State for a period or periods exceeding in the aggregate 183 days in any consecutive 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.

third Notwithstanding the preceding provisions of this Article, remuneration derived by a resident of a Contracting State to work as a member of the regular complement of a ship or aircraft operated in international traffic, only in that State. This is true even when the work is carried on board an aircraft operated in international traffic by the air transport consortium Scandinavian Airlines System (SAS). Compensation for work performed as a member of the regular crew of a ship operated in international traffic by a Swedish company, may be taxed in Sweden.

Article 16

Directors' fees

Board remuneration derived by a resident of a Contracting State in his capacity as a member of the board of a company resident in the other Contracting State may be taxed in that other State. Such fees shall be taxable only in the first-mentioned Contracting State to the extent such fees are payable for services rendered in this state.

Article 17

Limitation of benefits

1. A resident of a Contracting State shall be entitled to the benefits accruing to a resident of a Contracting State pursuant to this Agreement only to the extent described in this article.

2nd A resident of a Contracting State shall be entitled to all benefits as provided in this Agreement if the person is:

- a) a natural person,
- b) a Contracting State or a political subdivision or a local authority,
- c) a company if:
 - 1) its principal class of shares (and any disproportionate class of shares) is regularly traded on one or more recognized stock exchanges, and either
 - A) its principal class of shares is primarily traded on a recognized stock exchange in the Contracting State of which the company is a resident or, in the case of a company resident in Sweden, on a recognized stock exchange within the European Union or in a State of the European Economic Area or in Switzerland or, case of a company resident in the United States, on a recognized stock exchange in any other State party to the North American Free Trade Agreement (NAFTA), or

- B) the company's primary place of management and control are in the Contracting State of which the company is domiciled, or
- 2) at least 50 percent of the aggregate voting power and value of the shares in the company (and at least 50 percent of any disproportionate class of shares) are owned directly or indirectly by five or fewer companies entitled to benefits under 1) above of this provision, however, at indirect ownership, only under the condition that each intermediate owner is a resident of either Contracting State,
- d) a person specified in Article 4, paragraph 1 c), however, in the case of a person described in Article 4, paragraph 1 c) 2) only during provided that either:
- 1) more than 50 percent of the person's beneficiaries, members or participants are individuals resident in either Contracting State, or
- 2) the organization that is funding such a person is entitled to benefits under this Article, or
- e) a person who is not a natural person, if:
- 1) at least 50 percent of each class of shares or other beneficial interests in person, at least half of the tax year of days, are owned, directly or indirectly, by residents of the Contracting State in which the person is a resident and who is entitled to benefits under a), b), c) 1) or d) of this paragraph;
- 2) less than 50 percent of the person's gross income for the taxable year, as determined in the person's home state, directly or indirectly paid or accrued to persons who are not residents of either Contracting State entitled to benefits under this Agreement by virtue of a), b), c) 1) or d) of this paragraph, in the form of payments of the state where the person is domiciled are deductible for purposes of the taxes covered by this Agreement (but not including payments on commercial terms which made in the normal course of business for services or tangible property and payments in respect of financial obligations to a bank that is independent of the payer).
- third A company resident in a Contracting State shall be entitled to the benefits of:
- a) at least 95 percent of the aggregate voting power and value of the shares in the company (and at least 50 percent of any disproportionate class of shares) is owned, directly or indirectly, by seven or fewer persons who qualify to be called equivalent beneficiaries, and
- b) less than 50 percent of its gross income for the taxable year, as determined in the company's home state, directly or indirectly paid or accrued to persons who are not equivalent beneficiaries, in the form of payments in the state where the company is resident is deductible in calculating the taxes covered by this Agreement (but not including payments on commercial terms made in the normal course of business for services or tangible property and payments in respect of financial obligations to a bank that is independent of the payer).
- 4th a) A resident of a Contracting State is entitled to benefits in respect of income arising in the other Contracting State, whether the person is entitled to benefits under paragraph 2 or 3, if the person carries on an active business in the first-mentioned

State (other than Movement that consists in making or managing investments for the resident's own account, unless these activities are banking, insurance or securities activities carried on by a bank, insurance company or registered securities dealer), and the income derived from the other Contracting State is derived in connection with or arising out of this business.

b) Where a resident of a Contracting State, or a corporate interests with this person, conducts business in the other Contracting State which gives rise to income, shall a) of this paragraph shall apply to such only on the activities of the business in the first-mentioned State is substantial in relation to the operations of the business in the other state. The decision whether the activity is substantial for purposes of this paragraph be made in light of all facts and circumstances.

c) In determining whether a person "engaged in an active trade or business" in a Contracting State under a) of this paragraph, the activities of this person related persons are deemed to be conducted by such person. A person shall be connected to another if one of the people is the legitimate holder of at least 50 percent in the other person (or, in the case of a corporation, at least 50 percent of the aggregate voting power and at least 50 percent of the aggregate value of the shares or share capital of the Company), or any other person, directly or indirectly, is the legitimate holder of at least 50 percent of both persons (or, in the case of a corporation, at least 50 percent of the aggregate voting power and at least 50 percent of the total value of the shares or share capital of the Company). A person should always be considered related to another if one person, taking into account all relevant facts and circumstances, controls the other or if both parties are controlled by the same person or persons.

5th If a company is a resident of Sweden derives insurance premiums, interest, or royalties from the United States and such income, under a double taxation treaty between Sweden and a third State, is exempt from tax in Sweden because the income is attributable to a permanent establishment which the company has in this third State shall - notwithstanding the foregoing provisions of this article - the benefits that would otherwise have been the case under other provisions of this Agreement shall not apply to such income if the tax paid on that income in the third state is less than 60 percent of the tax that would have been paid in Sweden if revenue has been received here and was not attributable to the permanent establishment in the third state. Interest or royalties to which the provisions of this paragraph may be taxed in the United States at a rate not exceeding 15 per cent of the gross amount. Insurance premium covered by the provisions of this paragraph are taxed - notwithstanding any other provisions of this agreement - under U.S. domestic laws. The provisions of this paragraph shall not apply:

a) as regards the rate specified in Article 11, if the income from the United States is attributable to, or associated with, an active business carried on by the permanent establishment in the third state, with the exception of movement that consists of

managing or hold investments for its own account, unless the movement relates to banking or securities business carried on by a bank or registered securities dealer, or b) The case of royalties referred to in Article 12, if the royalties are paid as consideration for the use of or the right to use, intangible property produced or developed by the permanent establishment.

6. A resident of a Contracting State in accordance with the provisions of the preceding paragraphs of this Article are not entitled to benefits shall nevertheless, be granted benefits if the competent authority of the other Contracting State determines that the establishment, acquisition or maintenance of such person and the conduct of its operations did not have as one of its principal purposes the obtaining of benefits under the Convention. The competent authority of the other Contracting State shall consult with the competent authority of the first-mentioned State before denying the benefits under this paragraph.

7. For the purposes of this Article:

a) the term "principal class of shares" the company's ordinary shares or equivalent, provided that such class of shares representing a majority of the voting power and value of the company. If no single class of ordinary or common shares representing a majority of the aggregate voting power and value of the company, the term "principal class of shares" classes of shares representing a majority of the aggregate voting power and value of the company,

b) the term "disproportionate class of shares" each class of shares of a company resident in a Contracting State, which entitles the owner to a disproportionate share, through dividends, redemption or otherwise, of the profits generated in the other Contracting State through certain of its assets or businesses, in relation to the owner's share of the company's assets or operations,

c) the term "shares" include depository receipts,

d) the term "recognized stock exchange" means:

1) "NASDAQ"-systemet som ägs av "the National Association of Securities Dealers, Inc." och varje aktiebörs, som registrerats hos Värdepappers- och börskommissionen ("the U.S. Securities and Exchange Commission") såsom en inhemsks värdepappersbörs enligt Värdepappersbörlagen ("the U.S. Securities Exchange Act") från år 1934,

2) Stockholmsbörsen, Nordic Growth Market (NGM), och varje annan aktiebörs som står under tillsyn av Finansinspektionen, och

3) the Irish Stock Exchange and the stock exchanges in Amsterdam, Brussels, Copenhagen, Frankfurt, Hamburg, Helsinki, London, Madrid, Milan, Oslo, Paris, Reykjavik, Riga, Tallinn, Toronto, Vienna, Vilnius and Zurich, and

4) any other stock exchange which the competent authorities of the Contracting States agree,

e) is considered one class of shares in a tax year shall be subject to regular turnover of one or more stock exchanges, provided that the aggregate number of shares of that

class of shares traded on such stock exchange or such stock markets during the preceding tax year is 6 percent of the average number of outstanding shares in the relevant class of shares for the preceding tax year,

f) 's primary place of management and control will be in the Contracting State of which it is a resident only if executive position or senior official positions in senior management exerts an ongoing responsibility for decisions regarding the company's strategic, financial and operational policies, including its directly and indirectly owned subsidiaries, to a greater extent in this state than in any other state, and the employee performs more of the ongoing work necessary to prepare and make these decisions in this state than in any other state,

g) the term "equivalent beneficiary" a person domiciled in a member state of the European Union or in another state within the European Economic Area or who are party to the North American Free Trade Agreement (NAFTA) or in Switzerland, but only if such person:

1) A) would be entitled to all benefits as a full double taxation agreement between a Member State of the European Union or any other country in the European Economic Area, or any state that is party to the North American Free Trade Agreement (NAFTA), or Switzerland, and the State in which benefits are being claimed under rules comparable with paragraph 2 a), b), c) 1) or d). Where an agreement contains a far-reaching rule limiting the benefits, however this only if the person would be entitled to benefits under paragraph 2 a), b), c) 1) or d) if the person had been resident in one of the Contracting States under Article 4, and

B) in respect of insurance premiums and income referred to in Article 10, 11 or 12, under such agreement had been entitled to a tax on such income for which benefits are being claimed at least as low as the rate applicable under this Agreement, or

2) is a resident of a Contracting State who is entitled to benefits under paragraph 2 a), b), c) 1) or d),

h) with respect to dividends, interest or royalties arising in Sweden and who are rightfully a company resident in the United States, is considered a company resident in a member state of the European Union meet the requirements of subparagraph g) 1) B), in determining whether the company is a resident of the United States is eligible for benefits under this provision on dividends, interest or royalties arising in Sweden and is paid directly to such a person domiciled in a member state of the European Union would be exempt under any of the European Union directives. This applies notwithstanding that the double taxation treaty between Sweden and the other Member State of the European Union sets a higher tax rate for such payment than that of a company resident in the United States under Article 10, 11 or 12.

Article 18

Artistes and Athletes

1. Notwithstanding the provisions of Articles 14 and 15, income derived by a resident

of a Contracting State from his personal activities in the other Contracting State as an entertainer, such as a theater, motion picture, radio or television artiste, or a musician, or as an athlete taxed in that other State. This does not apply if the gross income of such an artist or athlete receives through such activities, including expenses reimbursed to him or borne on his behalf, does not exceed six thousand U.S. dollars (6 000 USD) or equivalent amount in Swedish kronor during a twelve month period.

2nd Where income in respect of personal activities exercised by an entertainer or an athlete in his capacity as such accrues not to the entertainer or athlete himself but to another person, that other person's income may, notwithstanding the provisions of Articles 7 and 14, be taxed in the Contracting State in which the artist or athlete are exercised, unless it can be shown that neither the entertainer or athlete nor persons related directly or indirectly in any way part of that person's earnings, including the receipt of deferred remuneration, bonuses, fees, dividends, partnership distributions or other distributions.

Article 19

Pensions and annuities

1. Subject to the provisions of Article 20 and paragraph 2 of this Article, salaries, pensions and other similar remuneration in consideration of past employment and annuities derived and rightfully resident of a Contracting State only in that Contracting State.

2nd Pension, Swedish general supplementary cluding, and other benefits payable under the provisions of a Contracting State social insurance or similar legislation to a resident of the other Contracting State or to persons who are citizens of the United States, are taxed - notwithstanding the provisions of Article 20 paragraph 2 - only in the first-mentioned State.

third The term "annuity" in this Article means a stated sum payable periodically at stated times during life or during a stated or determinable number of years and paid on the basis of the obligation to make the payments in return for adequate and full consideration (excluding services rendered or to be rendered).

4th a) In determining the taxable income of an individual who is a resident of a Contracting State without being a national of that State by reason of his official duties, the fees paid by or for that person to a pension plan or other plan Safeguarding of old age, which is established and maintained in the other Contracting State and also is recognized for tax purposes in that other State for tax purposes in the first-mentioned State are treated in the same way as the fee paid to a pension plan or other plan for securing old age , which is established and maintained in the first State and recognized for tax purposes in that State. However, this applies only if

1) fees paid by or for that person to such a plan before he became a resident of the first-mentioned State, and

- 2) the competent authority of the first Member State considers that the plan corresponds to such a plan as the taxation is recognized in this state.
- b) a pension plan or other plan for securing old age is considered as recognized for tax purposes in a State if the contributions to the plan are deductible would qualify for tax relief in that State.

Article 20

Government service

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 political subdivision or local authority shall be taxable only in that State.
 - b) However, such remuneration shall be taxable only in the other Contracting State if the services are rendered in that State and the individual is a resident and
 - 1) is a citizen of this State, or
 - 2) is not a resident of that State solely for the work.
- 2nd 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 local authority shall be taxable only in that State .
 - 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.
- third The provisions of Articles 14, 15, 16, 18 and 19 shall apply to remuneration and pensions in respect of services rendered in connection with a business carried on by a Contracting State or a political subdivision or local authority.
- 4th Notwithstanding paragraph 2, Sweden shall not tax pensions paid by the United States Government to Swedish citizens and residents of Sweden (and beneficiaries who are eligible for survivors benefits), if the individual was hired by the U.S. government prior to 1978 to work for the U.S. Embassy in Stockholm or the U.S. Consulate General in Gothenburg and was covered by the United States' Civil Service Retirement pension plan. "

Article 21

Students and trainees

A student, apprentice or business trainee who is or was immediately before visiting a Contracting State a resident of the other Contracting State and who is present in the first-mentioned State for education or full-time 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.

Article 22

Other income

1. Income derived by a resident of a Contracting State not dealt with in the foregoing Articles of this Convention shall be taxable only in that State, regardless of where the income arises.

2nd The provisions of paragraph 1 shall not apply to income, other than income from immovable property as defined in Article 6, paragraph 2, unless the person entitled to the income, being a resident of a Contracting State, carries on business in the other Contracting State through a situated permanent establishment situated therein, or performs in that other State independent personal services from a fixed base, and the income is attributable to that permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14.

Article 23

Elimination of double taxation

1. In accordance with the provisions of U.S. law - such as it may be amended from time to time without changing the general principle hereof - and with regard to the limitations set out in this legislation, the United States shall allow to a resident or are citizens of the United States credit against the United States tax on income from

- a) the income tax paid in Sweden by the person or on his behalf, and
- b) as regards companies in the United States own at least 10 percent of the voting stock of a company which is a resident of Sweden and from which the first-mentioned company receives dividends, the income tax paid in Sweden by or for the distributing company on the profits out of which dividends are paid .

For the purposes of this paragraph and paragraphs 3 and 4, the taxes referred to in Article 2, paragraphs 1 b) and 2 are considered to be income taxes except in relation to the taxes referred to in paragraph 1 b) 5) and 6).

second a) Where a resident of Sweden derives income which, in accordance with the provisions of this Agreement may be taxed in the United States, Sweden shall, except where the income is taxed only under the provisions of Article 1, paragraph 4, subject to the provisions of Swedish legislation - as they may be amended from time to time without changing the general principle hereof - from that person's income tax an amount equal to the income tax paid in the United States.

The above provisions of this paragraph shall apply mutatis mutandis in the calculation of tax on gains derived by a resident of the United States and which may be taxed in Sweden under Article 13, paragraph 7.

b) Where a resident of Sweden derives income which, in accordance with Article 19 paragraph 2 and Article 20 shall be taxable only in the United States, Sweden may, when determining the rate of Swedish tax into account the income which shall be taxable only in the United States.

c) Dividends paid by a company resident in the United States to a company resident in Sweden shall be exempt from Swedish tax to the extent that the dividends would have been exempt under Swedish law if both companies had been Swedish. This provision applies only if the profits out of which dividends are paid have been subjected to public corporation in the United States.

third Where a United States citizen or former citizen or former long-term resident is a resident of Sweden, the following rules apply.

a) Sweden shall, in accordance with the provisions of Swedish legislation - as they may be amended from time to time without changing the general principle hereof - from the Swedish tax deduct the income tax paid to the United States on the income or profits derived from the United States. That such deduction shall not exceed the amount than the tax under this agreement would be paid to the United States if the person was not a United States citizen or former citizen or former long-term resident.
b) In calculating the tax in the United States to the United States, taking into account the limitations of U.S. law - as it may be amended from time to time without changing the general principle hereof - from the income tax payable in the United States set off the income tax paid or accrued to Sweden after the deduction referred to in paragraph a) above. The credit so allowed shall not reduce the part of the United States tax that is deductible from the Swedish tax under paragraph a) above.

c) For the purposes of subparagraph b) above, income or profit is considered to originate from Sweden to the extent necessary to avoid double taxation of income.

4th At the elimination of double taxation under this Article and subject to such source rules in a Contracting State's internal legislation aimed at limiting the foreign tax credit, the matter from which an income deemed to arise exclusively under the following rules.

a) Income derived by a resident of a Contracting State shall be deemed to arise in the other Contracting State if it may be taxed in that other State in accordance with this Agreement, unless it may be taxed in that other State only one) because of nationality or former nationality or former long-term residents under Article 1 paragraph 4 or 2) because of previous residence under Article 13, paragraph 7.

b) Income derived by a resident of a Contracting State under the Agreement may not be taxed in the other Contracting State shall be deemed to arise in the first State.

The provisions of this paragraph shall not apply to the sales tax in the United States by other foreign taxes other than those listed in Article 2, paragraphs 1 b) and 2.

Article 24

Prohibition of discrimination

1. A national of a Contracting State or a legal person or other entity established under the laws in force in 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, a

legal person or other entity established under the laws in force in that other State in the same circumstances are or may be subjected. Notwithstanding the provisions of Article 1 shall apply this provision also apply to persons who are not domiciled in a Contracting State or of both Contracting States. However, for the taxation of the United States, a United States citizen, who is not domiciled in the United States, are not considered to be under the same conditions as nationals of Sweden, who are not residents of the United States.

2nd The taxation on a permanent establishment which an enterprise of a Contracting State has in the other Contracting State shall, in that other State may not be less favorable than the taxation of an enterprise of that other State carrying on the same activities. This provision shall not be construed as obliging a Contracting State to grant to residents of the other Contracting State any personal allowances and reliefs and reductions for taxation purposes on account of civil status or family responsibilities which it grants to residents of their own state.

third Except where the provisions of Article 9, paragraph 1, Article 11, paragraph 5 of Article 12, paragraph 4 shall apply, interest, royalties and other payments made by a resident of a Contracting State to a resident of the other Contracting State shall be deductible under determining the taxable income of the first person on the same basis as paid to a resident of the first-mentioned State. Similarly, any debts of a resident of a Contracting State to a resident of the other Contracting State deductible in determining the first-mentioned person's taxable property on the same terms as contracted to a resident of the first-mentioned State.

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

5th The provisions of this article shall not prevent the levying of a tax described in Article 10 paragraph 9.

6. Notwithstanding the provisions of Article 2, the provisions of this article to taxes of every kind and description imposed by a Contracting State or a political subdivision or local authority.

Article 25

Mutual Agreement Procedure

1. If a person believes that a Contracting State or both Contracting States made arrangements for him in result or will result in taxation not in accordance with the provisions of this Agreement, he may, without prejudice to his right to use the remedies available under the domestic legal order, present his case to the competent authority of the Contracting State of which he is a resident or citizen.

2nd If the competent authority finds the complaint justified and if it is not itself able to arrive at a satisfactory solution, 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. Any agreement reached shall be implemented notwithstanding any time limits or other procedural limitations in the domestic law of the Contracting States.

third The competent authorities of the Contracting States shall by mutual agreement any difficulties or doubts arising as to the interpretation or application of the agreement. The competent authorities may also consult with each other in order to agree on

- a) the distribution of income, deductions, credits, or allowances of an enterprise of a Contracting State and its permanent establishment in the other Contracting State,
- b) the distribution of income, deductions, credits, or allowances between persons,
- c) the characterization of income certain income be placed,
- d) the application of source rules regarding certain income, and
- e) the definition of a term.

They may also consult together for the avoidance of double taxation in cases not covered by the agreement.

4th The competent authorities of the Contracting States may communicate directly with each other in order to reach an agreement in the sense of the preceding paragraphs.

Article 26

Exchange of Information

1. The competent authorities of the Contracting States shall exchange such information as is necessary to implement the provisions of this Agreement or of the domestic laws of the Contracting States concerning taxes covered by the Convention insofar as the taxation thereunder is not contrary to the Agreement. The exchange of information is not restricted by Article 1. Notices received by a Contracting State 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 courts and administrative bodies) that assessment, collection, administers or collects the taxes covered by the Agreement or prosecution or complaint regarding these taxes. Such persons or authorities shall use the information only for such purposes. They may disclose the information in public court proceedings or in judicial decisions.

2nd The provisions of paragraph 1 shall in no event be construed as obliging a Contracting State to

- 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 the laws or in the normal

administrative practice of that Contracting State or of the other Contracting State,
c) leave 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).

third If a Contracting State requests for information under this Article, the other
Contracting State shall obtain the information to which the request relates in the same
manner and to the same extent as if the former state tax of that other State taxes and
were being imposed by that other State. If the competent authority of a Contracting
State specifically requests it, the competent authority of the other Contracting State
shall provide information under this Article in the form of depositions of witnesses
and authenticated copies of unedited original documents (including books, papers,
statements, records, accounts, correspondence) to the same extent such depositions
and documents can be obtained under the law and administrative practices of that
other State with respect to its own taxes.

4th The competent authorities may by mutual agreement settle the mode of
application of the preceding paragraphs of this Article. Such agreements may include,
but need not be limited to procedures for the implementation of automatic or
spontaneous exchange of information and industry-wide exchange of information
upon request, simultaneous tax examinations and other such methods of exchanging
information as may be necessary or appropriate to carry out in paragraph 1 stated
purposes.

5th For the purposes of this article to apply the agreement, notwithstanding the
provisions of Article 2, to taxes of every kind imposed by a Contracting State.

Article 27

Administrative assistance

1. The Contracting States undertake to afford each other assistance and assistance in
the recovery of taxes to which this Convention applies, together with interest, costs,
and additions to such taxes.

2nd In case of request for recovery of tax, a Contracting State tax, which has been
finalized, accepted for the recovery of the other Contracting State and may be
recovered in this State under the laws which apply concerning the recovery and
collection of its own taxes.

3 . Preparation shall include a certification showing that taxes have been finally
determined by the laws of the State making the request.

4th Assistance under this Article shall not be granted in respect of nationals,
companies or associations in the State of which the request is made. However, this
does not assistance that is necessary to ensure that the exemptions or reductions under
the agreement permitted such citizens, such company or such associations not to
persons who are not eligible for such benefits.

5th This Article shall not impose upon either of the Contracting States to take

management measures other than those used for the collection of its own taxes or that would be contrary to its sovereignty, security or public policy.

Article 28

Diplomatic agents and consular officers

The provisions of this Agreement shall affect the fiscal privileges which, under international law or under the provisions of special agreements diplomatic agents and consular officers.

Article 29

Entry into force

1. This Agreement shall be ratified in accordance with the applicable procedures of each Contracting State and instruments of ratification shall be exchanged at Washington as soon as possible.

2nd The Agreement shall enter into force upon the exchange of instruments of ratification and its provisions shall apply:

a) in the United States

1) in respect of taxes withheld at source, for amounts paid or credited on January 1 next following the date on which the Agreement enters into force or,

2) in respect of other taxes, for taxable years beginning January 1 following immediately after the date on which the Agreement enters into force, or later, and

b) in Sweden

1) with respect to taxes on income, to income derived on January 1 next following the date on which the Agreement enters into force or,

2) for wealth tax, the taxes imposed on the second calendar year following the year in which the Agreement enters into force or later,

3) on excise tax imposed on insurance premiums paid to foreign insurers, the premiums paid on January 1 next following the date on which the Agreement enters into force.

third With the present agreement becomes appropriate, the contract between Sweden and the United States for the avoidance of double taxation and the establishment of regulations regarding mutual assistance on income and other taxes and the Agreement Protocol, which was signed in Washington on March 23, 1939 was by supplemental agreement, which was signed in Stockholm October 22, 1963, repealed. The provisions of the 1939 Agreement, as amended, shall cease to apply to the United States and Sweden from the date of the corresponding provisions of this agreement shall first apply under the provisions of paragraph 2 of this Article. Regarding the Swedish capital tax the 1939 Convention shall apply to the last time the tax levied in the first year following the year in which the Agreement enters into force.

Article 30

Cessation

This Agreement shall remain in force until terminated by a Contracting State. Either Contracting State may terminate the Agreement at any time after five years from the date on which the Agreement enters into force, provided that notice of termination has been given through diplomatic channels at least six months in advance. In such event, the Agreement shall cease to have effect

a) in the United States

- 1) in respect of taxes withheld at source, for amounts paid or credited on January 1 next following the expiry of the six month period,
- 2) respect of other taxes, for taxable years beginning on 1 January next following the end of the period or later, and

b) in Sweden

- 1) with respect to taxes on income, to income derived from 1 January next following the end of the six month period,
- 2) for wealth tax, the taxes imposed on the second calendar year following the expiration of the six month period,
- 3) in respect of tax on certain insurance premiums paid to foreign insurers, the premiums paid on January 1 next following the expiry of the six month period.

In witness whereof the undersigned, being duly authorized thereto by their respective Governments, have signed the agreement.

Done at Stockholm on 1 September 1994 in two originals in the English language.

FOR THE KINGDOM OF SWEDEN

Bo Lundgren

FOR THE UNITED STATES GOVERNMENT

Thomas L. Siebert

I have the honor to refer to it today signed the Agreement between the Government of Sweden and the United States Government for the avoidance of double taxation and prevention of fiscal evasion regarding income, as well as on behalf of the United States Government, the following understandings reached between our two Governments.

1 . Scandinavian Airlines System (SAS) is a consortium in the sense that term has in Article 8 and its members comprise the Danish Luftfartsselskab A / S (DDL), Det Norske Luftfartsselskap A / S (DNL) and AB Aero Transport (ABA). To avoid the problems associated with the conduct of activities in the United States through a consortium, the members of the consortium in 1946, a company in New York,

Scandinavian Airlines of North America Inc. (SANA Inc.) - originally known as Scandinavian Airlines System, Inc. - to act on their behalf in the United States pursuant to an agency agreement dated 18 September 1946. A similar agreement was concluded directly between SAS and SANA Inc. March 14, 1951 and revised on 4 August 1970.

Under the agency agreement, SANA Inc. authorized to perform only those tasks that SAS assigns Inc., all of which related to international aviation. Under this contract automatically credited to SAS, all revenues collected by SANA Inc. SAS charged for expenses incurred by SANA Inc. operations conducted in accordance with the terms of the agency agreement. SAS is obligated under the terms of the agency agreement to reimburse the SANA Inc. for all costs regardless of the revenues of SANA Inc.. SANA Inc. does not conduct any business other than those connected with or incidental to the business of SAS operator of aircraft in international traffic.

Given the SAS Consortium peculiar nature and with respect to the above agency agreement, the United States in the application of Article 8 of this day signed the agreement to treat all income SANA Inc. from the operation of aircraft in international traffic as the income SAS Consortium.

2nd It is assumed that the reference in Article 19 paragraph 2 to legislation like the social security legislation of a Contracting State means, for the United States, "Tier 1 Railroad Retirement benefits".

If this is in accordance with your understanding, I would appreciate confirmation of this from you.

Accept, Excellency, the renewed assurances of my highest consideration.

Signed at Stockholm September 1, 1994

For Secretary of State

Mr. Thomas L. Siebert

Extraordinary and

Plenipotentiary Ambassador of the

United States

I have the honor to acknowledge receipt of your letter dated September 1, 1994, which reads as follows:

"I have the honor --- the assurance of my highest consideration."

I have the honor to confirm, on the Swedish government's behalf, to the of your proposed treatment of Scandinavian Airlines of North America, Inc. "Tier 1 Railroad Retirement benefits", is consistent with our view.

Accept, Excellency, the renewed assurances of my highest consideration.

Signed at Stockholm September 1, 1994

Bo Lundgren

I have the honor to refer to it this day signed the Protocol amending the Agreement between the Government of Sweden and the United States Government for the avoidance of double taxation and prevention of fiscal evasion regarding income, as well as on behalf of the United States Government, the following understandings reached between our both governments.

1. With reference to Article 17, paragraph 2 e) 2) of the Agreement

It is assumed that the application of Article 17 paragraph 2 e) 2), with respect to Sweden, a person's deductible expenses and gross income for the taxable year shall be reduced by group contributions made to a person resident in Sweden or a permanent establishment in Sweden.

2nd With reference to article 17, paragraph 6 of the Agreement

It is assumed for the purposes of Article 17, paragraph 6, of the legal requirements for the facilitation of the free movement of capital and persons within the European Union, along with the various internal tax systems, tax incentives, and existing tax practice between EU Member States will be considered. According to this point instructed the competent authority to consider whether the establishment, acquisition or maintenance of a company or the conduct of its business, has or had as one of its principal purposes the benefit of the benefits arising out of this Agreement. The competent authority may, therefore, under certain specified conditions, that a change of circumstances which would mean that a company no longer qualifies for benefits under Article 17, paragraphs 2 and 3 do not necessarily have to mean a denial of benefits. Such a change in circumstances which may involve a change in the state where a major shareholder in the company is a resident, the sale of a portion of the shares in a Swedish company to a person resident in another EU Member State or an extension of a company's activities in other Member States of the European Union, all on customary commercial terms. The competent authority will take into account these changes in circumstances (in addition to other relevant factors normally considered under Article 17, paragraph 6), in determining whether such a company shall remain entitled to the benefits in respect of income derived from the United States. If this change of circumstances not attributable to tax avoidance reasons, even so by the competent authority to be considered as a factor weighing in favor of a continuation application of the agreements under Article 17 paragraph 6.

third With reference to Article 26 of the Agreement

It is assumed that the powers of the competent authorities of each Contracting State to obtain information include the power to obtain information held by financial institutions, agents, representatives or trustees (but not information which would

reveal confidential communications between a client and an attorney, legal counsel or other legal representative, where the client seeks legal advice) and information regarding the ownership of legal persons, and that the competent authority of each Contracting State is empowered to exchange such information in accordance with this Article.

If this is consistent with your understanding, I would appreciate confirmation of this from you.

Accept, Excellency, the renewed assurances of my highest consideration.

Undertecknat i Washington the 30 september 2005

E. Anthony Wayne

I have the honor to acknowledge receipt of your letter dated 30 September, 2005 which reads as follows:

"I have the honor --- the assurance of my highest consideration."

I have the honor to confirm, on behalf of the Swedish government, to those of you made reference to Article 17, paragraph 2 e) 2), Article 17 paragraph 6 and Article 26 is consistent with our view.

Accept, Excellency, the renewed assurances of my highest consideration.

Undertecknat i Washington the 30 september 2005

Gunnar Lund *lag* (2005:1088).