

1976 Income and Capital Tax Convention

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Status: In Force

CONVENTION BETWEEN THE KINGDOM OF SWEDEN AND THE SOCIALIST REPUBLIC OF ROMANIA FOR THE AVOIDANCE OF DOUBLE TAXATION WITH RESPECT TO TAXES ON INCOME AND CAPITAL

The Government of the Kingdom of Sweden and the Government of the Socialist Republic of Romania, desiring to conclude a Convention for the avoidance of double taxation with respect to taxes on income and capital, have agreed as follows:

Article 1 Personal Scope

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

Article 2 Taxes Covered

1. This Convention shall apply to taxes on income and on capital imposed on behalf of each Contracting State or of its administrative subdivisions or local authorities, irrespective of the manner in which they are levied.
2. There shall be regarded as taxes on income and on capital all taxes imposed on total income, on total capital, or on elements of income or of capital, including taxes on gains from the alienation of movable or immovable property, as well as taxes on capital appreciation.
3. The existing taxes to which the Convention shall apply are:
 - a) In the case of Sweden:
 - 1) the State income tax (den statliga inkomstskatten), including sailors' tax (sjomansskatten) and coupon tax (kupongskatten);
 - 2) the tax on the undistributed profits of companies (ersattningsskatten) and the tax on distribution in connection with reduction of share capital or the winding-up of a company (utskiftningsskatten);
 - 3) the tax on public entertainers (bevillningsavgiften for vissa offentliga forestallningar);
 - 4) the communal income tax (kommunalskatten); and
 - 5) the State capital tax (den statliga formogenhetsskatten);
(hereinafter referred to as "Swedish tax").
 - b) In the case of Romania:
 - 1) taxes on the income from wages or salaries, literature, arts or scientific works, as well as income derived from collaboration to publications, shows, examinations and from other such sources (impozitul pe veniturile din salarii, din lucrari de litere, arta si stiinta, din colaborari la publicatii sau la spectacole, din expertize si din alte surse asemanatoare);
 - 2) taxes on income obtained in Romania by nonresident individuals and corporate bodies (impozitul pe veniturile realizate din Romania de persoane fizice si juridice nerezidente);
 - 3) tax on profits of joint companies constituted in the Socialist Republic of Romania, with Romanian and foreign participation (impozitul pe beneficiile societatilor mixte constituite in Republica Socialista Romania, cu participare romana si straina);
 - 4) taxes on income derived from productive activities such as trade, free professions, as well as from enterprises other than state enterprises [impozitul pe veniturile din activitati lucrative (meserii, profesii libere), precum si din intreprinderi altele decat cele de stat];
 - 5) taxes on income derived from building hiring and land leasing (impozitul pe veniturile din inchirieri de cladiri si terenuri);
 - 6) taxes on income realized from agricultural activities (impozitul pe veniturile realizate din activitati agricole); and
 - 7) the payments made by the state enterprises from the profits to the state budget (platile facute de intreprinderile de stat din beneficii la bugetul de stat);
(hereinafter referred to as "Romanian tax").
4. The Convention shall also apply to any identical or substantially similar taxes which are imposed after the date of signature of this Convention in addition to, or in place of, the existing taxes. The competent authorities of the Contracting States shall notify to each other any substantial changes which have been made in their respective taxation laws.

Article 3 General Definitions

1. In this Convention, unless the context otherwise requires:

- a) the term "Romania" means the territory of the Socialist Republic of Romania and the sea bed and sub-soil of the submarine areas beyond the territorial sea, over which Romania exercises sovereign rights, in accordance with international law, and with its own law, for the purpose of exploration for and exploitation of the natural resources of such areas;
- b) the term "Sweden" means the Kingdom of Sweden and includes any area outside the territorial sea of Sweden within which under the laws of Sweden and in accordance with international law the rights of Sweden with respect to the exploration and exploitation of the natural resources on the sea bed or in its sub-soil may be exercised;
- c) the terms "a Contracting State" and "the other Contracting State" mean Romania or Sweden, as the context requires;
- d) the term "person" comprises an individual, a company and any other body of persons;
- e) the term "company" means any body corporate including a joint company, which is incorporated under the Romanian law or any entity which is treated as a body corporate for tax purposes;
- f) the terms "enterprise of a Contracting State" and "enterprise of the other Contracting State" mean respectively an enterprise carried on by a resident of a Contracting State and an enterprise carried on by a resident of the other Contracting State;
- g) the term "competent authority" means in the case of Romania, the Minister of Finance or his delegate and in the case of Sweden, the Minister of Finance or his authorized representative;
- h) the term "nationals" means all individuals having the citizenship of a Contracting State and all legal persons or other entities created under the law in force in a Contracting State;
- i) the term "international traffic" means any transport by a ship or an aircraft or a railway or road vehicle operated by an enterprise which has its place of effective management in a Contracting State, except when such transport is made solely between places in the other Contracting State.

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

Article 4 Fiscal domicile

1. For the purposes of this Convention, the term "resident of a Contracting State" means any person who, under the law of that State, is liable to taxation therein by reason of his domicile, residence, place of management or any other criterion of a similar nature. This term does not, however, include any person who is liable to tax in that Contracting State in respect only of income derived from sources therein or capital situated in that State.

2. Where by reason of the provisions of paragraph 1 an individual is a resident of both Contracting States, then this case shall be determined in accordance with the following rules:

- a) He shall be deemed to be a resident of the Contracting State in which he has a permanent home available to him. If he has a permanent home available to him in both Contracting States, he shall be deemed to be a resident of the Contracting State with which his personal and economic relations are closest (centre of vital interests);
- b) If the Contracting State in which he has his centre of vital interests cannot be determined, or if he has not a permanent home available to him in either Contracting State, he shall be deemed to be a resident of the Contracting State in which he has an habitual abode;
- c) If he has an habitual abode in both Contracting States or in neither of them, he shall be deemed to be a resident of the Contracting State of which he is a national;
- d) If he is a national of both Contracting States or of neither of them, the competent authorities of the Contracting States shall settle the question by mutual agreement.

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

Article 5 Permanent Establishment

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

2. The term "permanent establishment" shall include especially:

- a) a place of management;
- b) a branch;
- c) an office;

- d) a factory;
- e) a workshop;
- f) a mine, quarry or other place of extraction of natural resources;
- g) a building site or construction or assembly project which exists for more than 12 months.

3. The term "permanent establishment" shall not be deemed to include:

- a) the use of facilities solely for the purpose of storage, display or delivery pursuant to a sales contract 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 sale of goods or merchandise belonging to the enterprise displayed in the frame of a temporary fair or exhibition after the closing of that fair or exhibition;
- e) the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise, or for collecting information, for the enterprise;
- f) the maintenance of a fixed place of business solely for the purpose of advertising, for supply of information, for scientific research or for similar activities which have a preparatory or auxiliary character, for the enterprise.

4. A person acting in a Contracting State on behalf of an enterprise of the other Contracting State -- other than an agent of an independent status to whom paragraph 5 applies -- shall be deemed to be a permanent establishment in the first-mentioned State if he has, and habitually exercises in that State, an authority to conclude contracts in the name of the enterprise, unless his activities are limited to the purchase of goods or merchandise for the enterprise.

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

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

Article 6 Income From Immovable Property

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

2. The term "immovable property" shall be defined in accordance with the law of the Contracting State in which the property in question is situated. The term shall in any case include property accessory to immovable property, livestock and equipment used in agriculture and forestry, rights to which the provisions of general law respecting landed property apply, usufruct of immovable property and rights to variable or fixed payments as consideration for the working of, or the right to work, mineral deposits, sources and other natural resources; ships, boats and aircraft shall not be regarded as immovable property.

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

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

Article 7 Business Profits

1. The profits of an enterprise of a Contracting State shall be taxable only in that State unless the enterprise carries on business in the other Contracting State through a permanent establishment situated therein.

If the enterprise carries on business as aforesaid, the profits of the enterprise may be taxed in the other State but only so much of them as is attributable to that permanent establishment.

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

3. In the determination of the profits of a permanent establishment, there shall be allowed as deductions expenses which are incurred for the purposes of the permanent establishment including executive and general administrative expenses so incurred, whether in the State in which the permanent establishment is situated or elsewhere. Nothing in this paragraph shall, however, authorize a deduction for expenses which would not be deductible if the permanent establishment were a separate enterprise.

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

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

6. For the purposes of the preceding paragraphs, the profits to be attributed to the permanent establishment shall be determined by the same method year by year unless there is good and sufficient reason to the contrary.

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

Article 8 International Transports

1. Profits from the operation of ships or aircraft, railway or road vehicles in international traffic shall be taxable only in the Contracting State in which the place of effective management of the enterprise is situated.

2. If the place of effective management of an enterprise carrying on shipping in international traffic is aboard a ship, then it shall be deemed to be situated in the Contracting State in which the home harbour of the ship is situated, or, if there is no such home harbour, in the Contracting State of which the operator of the ship is a resident.

3. With respect to profits derived by the air transport consortium Scandinavian Airlines System (SAS) the provisions of paragraph 1 shall apply, but only to such part of the profits as corresponds to the shareholding in that consortium held by AB Aerotransport (ABA), the Swedish partner of Scandinavian Airlines System (SAS).

4. The provisions of paragraph 1 shall also apply to profits derived from the participation by enterprises of the Contracting States in a pool, a joint business or in an international operating agency.

Article 9 Associated Enterprises

Where

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

b) the same persons participate directly or indirectly in the management, control or capital of an enterprise of a Contracting State and an enterprise of the other Contracting State, and in either case conditions are made or imposed between the two enterprises in their commercial or financial relations which differ from those which would be made between independent enterprises, then any profits which would, but for those conditions, have accrued to one of the enterprises, but, by reason of those conditions, have not so accrued, may be included in the profits of that enterprise and taxed accordingly.

Article 10 Dividends

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

2. However, such dividends may be taxed in the Contracting State of which the company paying the dividends, is a resident, and according to the law of that State, but the tax so charged shall not exceed 10 per cent of the gross amount of the dividends. The competent authorities of the Contracting States shall by mutual agreement settle the mode of application of this limitation.

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

3. The term "dividends" as used in this article means income from shares, "jouissance" shares or "jouissance" rights, mining shares, founders' shares as well as income from other corporate rights assimilated to income from shares by the taxation law of the State of which the company making the

distribution is a resident. In this context, profits distributed by Romanian joint companies to the capital subscribers are assimilated to dividends.

4. Notwithstanding the provisions of paragraph 1, dividends paid by a company being a resident of Romania to a company which is a resident of Sweden shall be exempt from tax in Sweden to the extent that the dividends would have been exempt under Swedish law if both companies had been Swedish companies.

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

6. Where a company which is a resident of a Contracting State derives profits or income from the other Contracting State, that other State may not impose any tax on the dividends paid by the company to persons who are not residents of that other State, or subject the company's undistributed profits to a tax on undistributed profits, even if the dividends paid or the undistributed profits consist wholly or partly of profits or income arising in such other State.

Article 11 Interest

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

2. However, such interest may be taxed in the Contracting State in which it arises, and according to the law of that State, but the tax so charged shall not exceed 10 per cent of the amount of the interest. The competent authorities of the Contracting States shall by mutual agreement settle the mode of application of this limitation.

3. The term "interest" as used in this Article means income from Government securities, bonds or debentures, whether or not secured by mortgage and whether or not carrying a right to participate in profits, and debt-claims of every kind as well as all other income assimilated to income from money lent by the taxation law of the State in which the income arises.

4. The provisions of paragraphs 1 and 2 shall not apply if the recipient of the interest, being a resident of a Contracting State, has in the other Contracting State in which the interest arises a permanent establishment with which the debt-claim from which the interest arises is effectively connected. In such a case, the provisions of Article 7 shall apply.

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

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

Article 12 Commission

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

2. However, such commission may be taxed in the Contracting State in which it arises, and according to the law of that State, but the tax so charged shall not exceed 10 per cent of the amount of the commission. The competent authorities of the Contracting States shall by mutual agreement settle the mode of application of this limitation.

3. The term "commission" as used in this Article means a payment made to a broker, a general commission agent or to any other person assimilated to such a broker or agent by the taxation law of the Contracting State in which such payment arises.

4. The provisions of paragraphs 1 and 2 shall not apply if the recipient of the commission, being a resident of a Contracting State, has in the other Contracting State in which the commission arises a permanent establishment with which the activity giving rise to the commission is effectively connected. In such a case, the provisions of Article 7 shall apply.

5. Commission shall be deemed to arise in a Contracting State when the payer is that State itself, an administrative subdivision, a local authority or a resident of that State. Where, however, the person

paying the commission, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment in connection with which the activities for which the payment is made were performed, and such commission is borne by such permanent establishment, then such commission shall be deemed to arise in the Contracting State in which the permanent establishment is situated.

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

Article 13 Royalties

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

2. However, such royalties may be taxed in the Contracting State in which they arise, and according to the law of that State, but the tax so charged shall not exceed 10 per cent of the amount of the royalties. The competent authorities of the Contracting States shall by mutual agreement settle the mode of application of this limitation.

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

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

5. Royalties shall be deemed to arise in a Contracting State when the payer is that State itself, an administrative subdivision, a local authority or a resident of that State. Where, however, the person paying the royalties, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment in connection with which the liability to pay the royalties was incurred, and such royalties are borne by such permanent establishment, then such royalties shall be deemed to arise in the Contracting State in which the permanent establishment is situated.

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

Article 14 Capital Gains

1. Gains from the alienation of immovable property, as defined in paragraph 2 of Article 6, as well as gains from the alienation of shares or other rights of a company the main assets of which consist of immovable property, may be taxed in the Contracting State in which such property is situated.

2. Gains from the alienation of movable property forming part of the business property of a permanent establishment which an enterprise of a Contracting State has in the other Contracting State or of movable property pertaining to a fixed base available to a resident of a Contracting State in the other Contracting State for the purpose of performing professional services, including such gains from the alienation of such a permanent establishment (alone or together with the whole enterprise) or of such a fixed base, may be taxed in the other State. However, gains from the alienation of movable property of the kind referred to in paragraph 3 of Article 24 shall be taxable only in the Contracting State in which such movable property is taxable according to the said Article.

3. Gains from the alienation of any property other than those mentioned in paragraphs 1 and 2, shall be taxable only in the Contracting State of which the alienator is a resident.

4. The provisions of paragraph 3 of this Article shall not affect the right of either of the Contracting States to levy according to its own law a tax on gains derived from the alienation of shares in any company resident of a Contracting State by a person who is a resident of the other Contracting State

and has been a resident of the first-mentioned Contracting State at any time during the five years period preceding the alienation.

Article 15 Independent Personal Services

1. Income derived by a resident of a Contracting State in respect of professional services or other independent activities of a similar character shall be taxable only in that State unless he has a fixed base regularly available to him in the other Contracting State or he is present in the other Contracting State for a period or periods exceeding in the aggregate 183 days in the fiscal year for the purpose of performing his activities. If he has such a fixed base, or is so present, the income may be taxed in the other Contracting State but only so much of it as is attributable to that fixed base or to such period or periods.

2. The term "professional services" includes especially independent scientific, literary, artistic, educational or teaching activities as well as the independent activities of physicians, lawyers, engineers, architects, dentists and accountants.

Article 16 Dependent Personal Services

1. Subject to the provisions of Articles 17, 19, 20, 21 and 22 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, remuneration derived therefrom may be taxed in that other State.

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

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

3. Notwithstanding the preceding provisions of this Article, remuneration in respect of an employment exercised aboard a ship or an aircraft or a railway or road vehicle in international traffic may be taxed in the Contracting State in which the place of effective management of the enterprise is situated. Where a resident of Sweden derives remuneration in respect of employment exercised aboard an aircraft operated in international traffic by the air transport consortium, Scandinavian Airlines System (SAS), such remuneration shall be taxable only in Sweden.

Article 17 Directors' Fees

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

Article 18 Artistes and Athletes

1. Notwithstanding the provisions of Articles 15 and 16, income derived by entertainers, such as theatre, motion picture, radio or television artistes, and musicians, and by athletes, from their personal activities as such may be taxed in the Contracting State in which these activities are exercised.

2. Where income in respect of personal activities as such of an entertainer or athlete accrues not to that entertainer or athlete himself but to another person that income may, notwithstanding the provisions of Articles 7, 15 and 16, be taxed in the Contracting State in which the activities of the entertainer or athlete are exercised.

3. Income derived from such activities performed within the framework of cultural agreements concluded between the Contracting States, shall be exempt from tax in the Contracting State in which these activities are exercised.

Article 19 Pensions and Payments Under Public Social Security Schemes

1. Subject to the provisions of paragraph 2 of Article 20 pensions and other similar remuneration paid to a resident of a Contracting State in consideration of past employment shall be taxable only in that State.

2. Notwithstanding the provisions of paragraph 1 payments made under the Public Social Security Scheme of a Contracting State may be taxed in that State.

3. Annuities and other similar periodic payments made to a resident of a Contracting State shall be taxable only in that Contracting State.

Article 20 Government Service

1. a) Remuneration, other than a pension, paid by a Contracting State or an administrative subdivision or a local authority thereof to any individual in respect of services rendered to that State or subdivision or local authority thereof 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 recipient is a resident of that other Contracting State who:
(i) is a national of that State; or
(ii) did not become a resident of that State solely for the purpose of performing the services.
2. a) Any pension paid by, or out of funds created by, a Contracting State or an administrative subdivision or a local authority thereof to any individual in respect of services rendered to that State or subdivision or local authority thereof shall be taxable only in that State.
b) However, such pension shall be taxable only in the other Contracting State if the recipient is a national of and a resident of that State.
3. The provisions of Articles 16, 17 and 19 shall apply to remuneration and pensions in respect of services rendered in connection with any business carried on by a Contracting State or an administrative subdivision or a local authority thereof.

Article 21 Professors and Teachers

1. A professor or teacher who visits a Contracting State for a period not exceeding two years for the purpose of teaching or conducting research at a university, college, school or other educational institution in that Contracting State and who is, or was immediately before such visit, a resident of the other Contracting State shall be exempt from tax in the first-mentioned Contracting State on any remuneration for such teaching or research in respect of which he is subject to tax in the other Contracting State.
2. The provisions of paragraph 1 shall not apply to income from research if such research is undertaken not in the public interest but primarily for the private benefit of a specific person or persons.

Article 22 Students and Trainees

1. A student, business apprentice or a trainee who is present in a Contracting State solely for the purpose of his education or training and who is, or was immediately before his stay in that State, a resident of the other Contracting State, shall be exempt from tax in the first-mentioned State in respect of payments received for the purpose of his maintenance, education or training provided that such payments are made to him from sources outside that first-mentioned State.
2. A student at a university or other educational institution in a Contracting State, who during a temporary stay in the other Contracting State holds an employment in that State for a period not exceeding 100 days in a calendar year for the purpose of obtaining practical experience in connection with his studies, shall be taxable in the last-mentioned Contracting State only for such part of the income from the employment as exceeds 1.500 Swedish kronor a calendar month or the equivalent in Romanian currency. The exemption granted under this paragraph shall not, however, exceed an aggregate amount of 4.500 Swedish kronor or the equivalent in Romanian currency. Any amount exempted from tax under this paragraph shall include personal allowances for the calendar year in question.
3. Remuneration which a student, business apprentice or trainee who is or was formerly a resident of a Contracting State and who is present in the other Contracting State mainly for the purpose of his education or training derives from an employment which he exercises in the other Contracting State shall not be taxed in that other Contracting State provided that such remuneration does not exceed 6.000 Swedish kronor or its equivalent in Romanian currency in any tax year and such benefits shall extend only for such period of time as may be reasonably or customarily required to complete the education or training undertaken but shall in no event exceed a period of three consecutive years.
4. The competent authorities of the Contracting States shall by mutual agreement settle the mode of application of the provisions of paragraphs 2 and 3. The competent authorities may also agree on such changes of the amounts mentioned in those paragraphs as may be reasonable with regard to changes in the value of money, amended legislation in a Contracting State or other similar circumstances.

Article 23 Other Income

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.

Article 24 Capital

1. Capital represented by immovable property, as defined in paragraph 2 of Article 6 may be taxed in the Contracting State in which such property is situated.

2. Capital represented by movable property forming part of the business property of a permanent establishment of an enterprise or by movable property pertaining to a fixed base used for the performance of professional services may be taxed in the Contracting State in which the permanent establishment or fixed base is situated.

3. Ships and aircraft, railway and road vehicles operated in international traffic and movable property pertaining to the operation of such ships and aircraft, railway and road vehicles shall be taxable only in the Contracting State in which the place of effective management of the enterprise is situated.

4. All other elements of capital of a resident of a Contracting State shall be taxable only in that State.

Article 25 Elimination of Double Taxation

1. Subject to the provisions of paragraphs 2 and 4, where a resident of a Contracting State derives income or owns capital which, in accordance with the provisions of this Convention, may be taxed in the other Contracting State, the first-mentioned State shall allow:

a) as a deduction from the tax on the income of that person, an amount equal to the income tax paid in that other Contracting State;

b) as a deduction from the tax on the capital of that person, an amount equal to the capital tax paid in that other Contracting State.

2. For the purposes of the application in Sweden of paragraph 1 a), where there has been granted exemption from or reduction of Romanian tax payable in accordance with Article 7 on the profits of a permanent establishment which a resident of Sweden has in Romania, the credit against Swedish tax shall be allowed in an amount equal to the tax which would have been levied in Romania if no such exemption or reduction had been granted.

The provisions of this paragraph shall apply during the first ten years for which this Convention is effective. At the expiry of this period the competent authorities shall consult in order to determine whether the provisions of this paragraph shall continue to apply.

3. The deduction allowed under paragraph 1 or 2 shall not, however, exceed that part of the income tax or capital tax, respectively, as computed before the deduction is given, which is appropriate, as the case may be, to the income or the capital which may be taxed in the other Contracting State.

4. Where a resident of a Contracting State derives income or owns capital which, in accordance with the provisions of this Convention, shall be taxable only in the other Contracting State, the first-mentioned Contracting State may include this income or capital in the tax base but shall allow as a deduction from the income tax or capital tax that part of the income tax or capital tax, respectively, which is appropriate, as the case may be, to the income derived from or the capital owned in the other Contracting State.

Article 26 Non-Discrimination

1. The nationals of a Contracting State, whether or not they are residents of a Contracting State, shall not be subjected in the other Contracting State to any taxation or any requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which nationals of that other State in the same circumstances are or may be subjected.

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

3. Except where the provisions of Article 9, paragraph 6 of Article 11, paragraph 6 of Article 12, or paragraph 6 of Article 13, apply, interest, commission, royalties and other disbursements paid by an enterprise of a Contracting State to a resident of the other Contracting State shall, for the purpose of determining the taxable profits of such enterprise, be deductible under the same condition as if they had been paid to a resident of the first-mentioned State.

Similarly, any debts of an enterprise of a Contracting State to a resident of the other Contracting State shall, for the purpose of such enterprise, be deductible 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 Contracting State to any taxation or any requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which other similar enterprises of that first-mentioned State are or may be subjected.

Article 27 Mutual Agreement Procedure

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

competent authority of the Contracting State of which he is a resident. This case must be presented within three years of the first notification of the action which gives rise to the taxation not in accordance with the Convention.

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

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

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

Article 28 Exchange of Information

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

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

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

Article 29 Diplomatic and Consular Officials

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

Article 30 Entry Into Force

1. This Convention shall be ratified and the instruments of ratification shall be exchanged at Bucharest as soon as possible⁽¹⁾.

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

a) in Sweden:

in the case of income derived on or after 1st January in the year in which the exchange of instruments of ratification takes place, and in the case of capital which is held at the expiry of the calendar year in which the exchange of instruments of ratification takes place or subsequent years;

b) in Romania:

in the case of income derived on or after 1st January in the year in which the exchange of instruments of ratification takes place.

Article 31 Termination

This Convention shall remain in force indefinitely, but either of the Contracting States may, on or before 30th June in any calendar year beginning after the expiration of a period of five years from the date of its entry into force, give to the other Contracting State, through diplomatic channels, written notice of termination.

In such event the Convention shall be applied for the last time:

a) in Sweden:

in respect of taxes pertaining to income derived in the year in which such notice is given, and taxes pertaining to capital which is held at the expiry of the year in which such notice is given.

b) in Romania:

in respect of taxes pertaining to income derived in the year in which such notice is given.
In witness whereof the undersigned, being duly authorized thereto, have signed the present Convention and have affixed thereto their seals.

Done at Stockholm, this 22nd day of December, 1976 in duplicate in the Swedish, Romanian and English languages, the three texts having the same value. In the case there is any divergence of interpretation of the provisions of this Convention the English text shall prevail.

FOR THE GOVERNMENT OF THE KINGDOM OF SWEDEN:

Karin Soder

Minister for Foreign Affairs

FOR THE GOVERNMENT OF THE SOCIALIST REPUBLIC OF ROMANIA:

Teodor Vasiliu

Ambassador