UK/YUGOSLAVIA DOUBLE TAXATION CONVENTION
SIGNED 6 NOVEMBER 1981
(CONTINUES TO APPLY TO SERBIA & MONTENEGRO)

Entered into force 16 September 1982

Effective from 1 April 1983 for corporation tax and from 6 April 1983 for income tax and capital gains tax

Effective in Yugoslavia from 1 January 1983

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CONVENTION BETWEEN THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND THE SOCIALIST FEDERAL REPUBLIC OF YUGOSLAVIA FOR THE AVOIDANCE OF DOUBLE TAXATION WITH RESPECT TO TAXES ON INCOME

The United Kingdom of Great Britain and Northern Ireland and the Socialist Federal Republic of Yugoslavia;

Desiring to conclude a convention for the avoidance of double taxation with respect to taxes on income;

Have agreed as follows:

Article 1
Personal Scope

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

Article 2
Taxes Covered

(1) The taxes which are the subject of this Convention are, subject to the provisions of Article 3(1)(d) of this Convention:

(a) in the United Kingdom:

(i) the income tax;

(ii) the capital gains tax; and

(iii) the corporation tax;

(b) in Yugoslavia:

(i) the tax and contributions on income of organisations of associated labour (porez i doprinosi iz dohotka organizacija udruzenog rada);

(ii) the tax and contributions on personal income derived from dependent personal services (porez i doprinosi iz licnog dohotka iz radnog odnosa);

(iii) the tax and contributions on personal income derived from agricultural activities (porez i doprinosi iz licnog dohotka od poljoprivredne delatnosti);

(iv) the tax and contributions on personal income derived from independent economic and non-economic activities (porez i doprinosi iz licnog dohotka od samostalnog obavljanja privrednih i neprivrednih delatnosti);

(v) the tax on personal income derived from copyrights, patents and technical improvements (porez iz licnog dohotka od autorskih prava, patenata i tehnickih unapredjenja);

(vi) the tax on income from capital and capital rights (porez na prihod od imovine i imovinskih prava);

(vii) the tax on total income of citizens (porez iz ukupnog prihoda gradjana);

(viii) the tax on profits of foreign persons derived from investments in a domestic organisation of associated labour for the purposes of joint business operations (porez na dobit stranih lica ostvarenu ulaganjem u domacu organizaciju udruzenog rada za svrhe zajednickog poslovanja);

(ix) the tax on profits of foreign persons derived from investment projects (porez na dobit stranih lica ostvarenu izvodjenjem investicionih radova); and

(x) the tax on income of foreign persons derived from passenger and cargo transport (porez na prihod stranih lica ostvaren od prevoza putnika i robe).

(2) This Convention shall also apply to any identical or substantially similar taxes which are imposed by either Contracting State 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) For the purposes of this Convention:

(a) The term "United Kingdom" means Great Britain and Northern Ireland, including any area outside the territorial sea of the United Kingdom which in accordance with international law has been or may hereafter be designated, under the laws of the United Kingdom concerning the Continental Shelf, as an area within which the rights of the United Kingdom with respect to the sea bed and sub-soil and their natural resources may be exercised;

(b) the term "Yugoslavia" means the territory of the Socialist Federal Republic of Yugoslavia including also any area outside the territorial sea of Yugoslavia which has been or may hereafter be designated under the laws of Yugoslavia and in accordance with international law, as an area within which the rights of Yugoslavia to the sea bed and sub-soil and their natural resources may be exercised;

(c) the term "national" means:

(i) in relation to the United Kingdom, any citizen of the United Kingdom and Colonies who derives his status as such from his connection with the United Kingdom;

(ii) in relation to Yugoslavia, a Yugoslav citizen and any other individual who derives his status as such from the law in force in Yugoslavia;

(d) the term "United Kingdom tax" means tax imposed by the United Kingdom being tax to which this Convention applies by virtue of the provisions of Article 2; the term "Yugoslav tax" means taxes and contributions, with the exception of the contribution for social security, imposed in Yugoslavia being tax to which this Convention applies by virtue of the provisions of Article 2;

(e) the term "tax" means United Kingdom tax or Yugoslav tax, as the context requires;

(f) the terms "a Contracting State" and "the other Contracting State" mean the United Kingdom or Yugoslavia, as the context requires;

(g) the term "person" means, in the case of the United Kingdom, an individual, a company and any other body of persons, and in the case of Yugoslavia, an individual and any legal person;

(h) the term "company" means, in the case of the United Kingdom, any body corporate or any entity which is treated as a body corporate for tax purposes, and in the case of Yugoslavia, an organisation of associated labour and any other legal person subject to tax;

(i) the terms "enterprise of a Contracting State" and "enterprise of the other Contracting State" mean, as the context requires, in the case of the United Kingdom, an enterprise carried on by a resident of the United Kingdom and, in the case of Yugoslavia, an organisation of associated labour, a self-managed organisation or community, working people who individually perform activities independently and an enterprise established in accordance with the laws of Yugoslavia carried on by a resident of Yugoslavia;

(j) the term "competent authority" means, in the case of the United Kingdom the Board of Inland Revenue or its authorised representative, and in the case of Yugoslavia the Federal Secretariat for Finance or its authorised representative;

(k) the term "international traffic" means any transport by a ship or aircraft operated by an enterprise which has its place of effective management in a Contracting State, except when the ship or aircraft is operated solely between places in the other Contracting State.

(2) As regards the application of this Convention by a Contracting State, any term not defined therein shall have the meaning which it has under the laws of that State concerning the taxes to which the Convention applies.

Article 4
Fiscal Domicile

(1) For the purposes of this Convention, the term "resident of a Contracting State" means, subject to the provisions of paragraphs (2) and (3) of this Article, 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. The terms "resident of the United Kingdom" and "resident of Yugoslavia" shall be construed accordingly.

(2) Where by reason of the provisions of paragraph (1) of this Article an individual is a resident of both Contracting States, then his status 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 closer (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 if he has not an habitual abode in either Contracting State, 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) of this Article 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, oil well, quarry or other place of extraction of natural resources;

(g) a building site or construction or assembly project which exists for more than twelve months.

(3) 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 for collecting information, for the enterprise;

(e) the maintenance of a fixed place of business solely for the purpose of advertising, for the supply of information, for scientific research or for similar activities which have a preparatory or auxiliary character, for the enterprise.

(4) A person acting in a Contracting State on behalf of an enterprise of the other Contracting State-other than an agent of an independent status to whom

the provisions of paragraph (5) of this Article apply-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 have the meaning which it has under the law of the Contracting State in which the property in question is situated. Ships, boats and aircraft shall not be regarded as immovable property.

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

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

Article 7
Business Profits

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

(2) Subject to the provisions of paragraph (3) of this Article, 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 at arm's length with the enterprise of which it is a permanent establishment.

(3) In the determination of the profits of a permanent establishment, there shall be allowed as deductions expenses of the enterprise which are incurred for the purposes of the permanent establishment, including executive and general administrative expenses so incurred, whether in the State in which the permanent establishment is situated or elsewhere.

(4) The profits to be attributed to a permanent establishment may be determined on the basis of separate accounts relating to the permanent establishment. 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) of this Article 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) The provisions of this Article shall apply to the profits derived by a resident of the United Kingdom in Yugoslavia in respect of his participation in a joint venture with a Yugoslav enterprise but shall not affect the imposition of United Kingdom tax in respect of such profits.

(6) 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.

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

Article 8
Shipping and Air Transport

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

(2) If the place of effective management of a shipping enterprise 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) The provisions of this Article shall also apply to profits derived from the participation 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 derived from a company which is a resident of a Contracting State by a resident of the other Contracting State may be taxed in the other Contracting State.

(2) Dividends paid by a company which is a resident of a Contracting State may be taxed in that State, and according to the law of that State, but if the recipient is the beneficial owner of the dividends the amount of tax so charged shall not exceed:

(a) 5 per cent of the gross amount of the dividends if the beneficial owner thereof is a company (excluding a partnership) which controls directly or indirectly at least 25 per cent of the voting power in the company paying the dividends;

(b) in all other cases, 15 per cent of the gross amount of the dividends.

(3) However, as long as an individual resident in the United Kingdom is entitled to a tax credit in respect of dividends paid by a company resident in the United Kingdom the following provisions of this paragraph shall apply, subject to paragraph (4) of this Article, instead of the provisions of paragraph (2) of this Article, insofar as the provisions of paragraph (2) relate to dividends paid by a company which is a resident of the United Kingdom, namely: a resident of Yugoslavia who receives a dividend from a company which is a resident of the United Kingdom shall, provided that he is the beneficial owner of the dividend, be entitled to the same amount of tax credit to which an individual resident in the United Kingdom would have been entitled had he received that dividend, less a deduction (to be treated as tax) not exceeding 15 per cent of the aggregate of the amount or value of the dividend and the amount of the tax credit.

(4) The provisions of paragraph (3) of this Article shall not apply where the beneficial owner of the dividends is a company which either alone or together with one or more associated companies controls directly or indirectly at least 10 per cent of the voting power in the company paying the dividends. For the purposes of this paragraph two companies shall be deemed to be associated if one controls directly or indirectly more than 50 per cent of the voting power in the other company, or a third company controls more than 50 per cent of the voting power in both of them.

(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 corporate rights assimilated to income from shares by the taxation laws of the State of which the company making the distribution is a resident.

(6) The provisions of this Article shall not apply where the resident of one of the Contracting States has in the other Contracting State a permanent establishment and the holding by virtue of which the dividends are paid is effectively connected with the business carried on through such permanent establishment. In such a case the provisions of Article 7 shall apply.

(7) Where a company which is a resident of a Contracting State derives profits or income from the other Contracting State, that other State may not impose any tax on the dividends paid by the company and beneficially owned by persons who are not residents of the 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 that other State except insofar as such dividends are paid to a resident of that other State or insofar as the holding in respect of which the dividends are paid is effectively connected with a permanent establishment situated in that other State.

Article 11
Interest

(1) Interest arising in a Contracting State which is derived and beneficially owned by a resident of the other Contracting State may be taxed in that other State.

(2) However, such interest may also 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 gross amount of the interest.

(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 other 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) of this Article shall not apply if the beneficial owner 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, a political subdivision, a local authority or a resident of that State.

(6) Notwithstanding the provisions of paragraph (5) of this Article, where the payer of 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 debt-claim on which the interest is paid was incurred and which bears the interest, the interest shall be deemed to arise in the State in which the permanent establishment is situated.

(7) Where, owing to a special relationship between the payer and the person deriving the interest or between both of them and some other person, the amount of the interest paid exceeds, for whatever reason, the amount which would have been paid in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In that case, the excess part of the payments shall remain taxable according to the law of each Contracting State, due regard being had to the other provisions of this Convention.

Article 12
Royalties

(1) Royalties arising in a Contracting State which are derived and beneficially owned by a resident of the other Contracting State may be taxed in that other State.

(2) However, such royalties may also 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 gross amount of the royalties.

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

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

(5) Royalties shall be deemed to arise in a Contracting State where the payer is that State itself, a political subdivision, a local authority or a resident of that State.

(6) Notwithstanding the provisions of paragraph (5) of this Article, where the payer of 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 which bears the royalties, the royalties shall be deemed to arise in the Contracting State in which the permanent establishment is situated.

(7) Where, owing to a special relationship between the payer and the person deriving the royalties or between both of them and some other person, the amount of the royalties paid exceeds, for whatever reason, the amount which would have been paid in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In that case, the excess part of the payments shall remain taxable according to the law of each Contracting State, due regard being had to the other provisions of this Convention.

Article 13
Capital Gains

(1) Capital gains from the alienation of immovable property, referred to in paragraph (2) of Article 6, may be taxed in the Contracting State in which such property is situated.

(2) Capital 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.

(3) Notwithstanding the provisions of paragraph (2) of this Article, capital gains derived from the alienation of ships and aircraft operated in international traffic and movable property pertaining to the operation of such ships and aircraft shall be taxable only in the Contracting State in which the place of effective management of the enterprise is situated.

(4) Capital gains from the alienation of any property other than that mentioned in paragraphs (1), (2) and (3) of this Article shall be taxable only in the Contracting State of which the alienator is a resident.

Article 14
Independent Personal Services

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

(2) Notwithstanding the provisions of paragraph (1) of this Article, income derived by a resident of a Contracting State in respect of his professional services performed in the other Contracting State shall not be taxable in that other Contracting State if:

(a) the resident is present in the other State for a period or periods not exceeding in the aggregate 183 days in the calendar year concerned, and

(b) the resident does not have a fixed base regularly available to him in the other State for a period or periods exceeding in the aggregate 183 days in the calendar year.

(3) 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 15
Dependent Personal Services

(1) Subject to the provisions of Articles 16, 17, 18, 19 and 20 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) of this Article, 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, a person to whom, or for whose benefit, the relevant dependent personal services are rendered and who is not a resident of the other State;

(c) the remuneration is not borne by a permanent establishment or a fixed base which the person to whom, or for whose benefit, the relevant dependent personal services are rendered has in that other State.

(3) (a) Wages and salaries paid by a Contracting State or a political subdivision or a local authority thereof to an individual shall be taxable only in that State.

(b) Wages and salaries paid by a Contracting State or a political subdivision or a local authority thereof to an individual shall be taxable only in the other Contracting State if the work is performed in that other State and the recipient is a resident of that other State who:

(i) is a national of that State, or

(ii) did not become a resident of that other State solely for the purpose of performing the work.

(4) Notwithstanding the provisions of paragraph (3) of this Article, wages and salaries derived by an individual for work performed in connection with a business carried on by a Contracting State or a political subdivision or a local authority thereof shall be taxable in accordance with the provisions of paragraphs (1) and (2) of this Article.

(5) Wages and salaries derived by individuals in respect of their work in the Joint Economic Representation of Yugoslavia or in the Tourist Federation of

Yugoslavia shall be taxable in accordance with the provisions of paragraph (3) of this Article.

(6) Notwithstanding the preceding provisions of this Article, remuneration in respect of an employment exercised aboard a ship or aircraft in international traffic may be taxed in the Contracting State in which the place of effective management of the enterprise is situated.

Article 16
Fees Derived From Work on Joint Business Boards (Directors' Fees)

(1) Directors' fees and similar payments derived by a resident of Yugoslavia in his capacity as a member of the board of directors of a company which is a resident of the United Kingdom may be taxed in the United Kingdom.

(2) Fees and similar payments derived by a resident of the United Kingdom in his capacity as a member of a joint business board of an enterprise which is a resident of Yugoslavia may be taxed in Yugoslavia.

Article 17
Public Entertainers

(1) Notwithstanding the provisions of Articles 14 and 15, income derived by public entertainers, such as theatre, motion picture, radio or television artistes, musicians, and 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 accrues not to that entertainer himself but to another person that income may, notwithstanding the provisions of Articles 7, 14 and 15, be taxed in the Contracting State in which the activities of the entertainer are exercised.

(3) Notwithstanding the provisions of paragraphs (1) and (2) of this Article, income derived from such activities as defined in paragraph (1) performed under an agreement or arrangement between the Contracting States, shall be exempt from tax in the Contracting State in which these activities are exercised.

Article 18
Pensions

(1) Pensions and other similar remuneration paid in consideration of past employment to a resident of a Contracting State and any annuity paid to such a resident shall be taxable only in the Contracting State of which the individual is a resident.

(2) (a) Notwithstanding the provisions of paragraph (1) of this Article a pension paid by a Contracting State or a political subdivision or a local authority thereof out of the budget or special funds to an individual shall be taxable only in that State.

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

(3) Notwithstanding the provisions of paragraph (2) of this Article a pension derived by an individual for work performed in connection with a business carried on by one of the Contracting States or a political subdivision or a local authority thereof shall be taxable only in the Contracting State of which the individual is a resident.

(4) Pensions derived by individuals in respect of their work in the Joint Economic Representation of Yugoslavia or in the Tourist Federation of Yugoslavia shall be taxable in accordance with the provisions of paragraph (2) of this Article.

(5) The term "annuity" means a stated sum payable periodically at stated times during life or during a specified or ascertainable period of time under an obligation to make the payments in return for adequate and full consideration in money or money's worth.

Article 19
Students

(1) Payments which a student or trainee, who was immediately before visiting a Contracting State a resident of the other Contracting State and who is present in the first-mentioned Contracting State solely for the purpose of his education or training, receives for the purpose of his maintenance, education or training shall not be taxed in the first-mentioned State, provided that such payments are made to him from sources outside the State.

(2) Income derived by a student or trainee in respect of activities carried on by him in the Contracting State which he has visited solely for the purpose of his education or training shall not be taxable in that State, unless it exceeds the sum of 250 pounds sterling (or the equivalent in Yugoslav dinars) during any year of assessment (in addition to any personal allowances to which he may be entitled as an individual resident in that State).

(3) In no event shall any person have the benefit of the provisions of this Article for more than 3 years.

Article 20
Teachers, etc.

(1) An individual who visits one of the Contracting States for a period not exceeding two years for the purpose of teaching or engaging in research at a university, college or other recognised educational institution in that Contracting State and who was immediately before that visit a resident of the other Contracting State, shall be exempted from tax by the first-mentioned Contracting State on any remuneration for such teaching or research for a period not exceeding two years from the date he first visits that State for such purpose.

(2) This Article shall only apply to income from research if such research is undertaken by the individual in the public interest and not primarily for the benefit of some other private person or persons.

Article 21
Income Not Expressly Mentioned

(1) Items of income of a resident of a Contracting State, wherever arising, being income of a class or from sources not expressly mentioned in the foregoing Articles of this Convention shall be taxable only in that State.

(2) The provisions of paragraph (1) of this Article shall not apply if the recipient 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 right or property in respect of which the income is paid is effectively connected with that permanent establishment or fixed base. In such a case the provisions of Article 7, Article 14 or Article 17, as the case may be, shall apply.

Article 22
Elimination of Double Taxation

(1) Subject to the provisions of the law of the United Kingdom regarding the allowance as a credit against United Kingdom tax of tax payable in a territory outside the United Kingdom (which shall not affect the general principle hereof) Yugoslav tax payable under the laws of Yugoslavia and in accordance with this Convention, whether directly or by deduction, on profits, income or chargeable gains from sources within Yugoslavia, excluding in the case of a dividend tax payable in respect of the profits out of which the dividend is paid, shall be allowed as a credit against any United Kingdom tax computed by reference to the same profits, income or chargeable gains by reference to which the Yugoslav tax is computed.

(2) In the case of Yugoslavia:

(a) Where a resident of Yugoslavia derives income which in accordance with the provisions of this Convention may be taxed in the United Kingdom, Yugoslavia shall, subject to the provisions of sub-paragraph (b) of this paragraph, exempt such income from tax but may, in calculating tax on the remaining income of that person, apply the rate of tax which would have been applicable if the exempted income had not been so exempted.

(b) Where a resident of Yugoslavia derives income which, in accordance with the provisions of Articles 10, 11 and 12 may be taxed in the United Kingdom, Yugoslavia shall allow as a deduction from the tax on the income of that person an amount equal to the tax paid in the United Kingdom. Such deduction shall not, however, exceed that part of the tax, as computed before the deduction is given, which is appropriate to the income derived from the United Kingdom.

(3) For the purposes of paragraph (1) of this Article, the term "Yugoslav tax payable" shall be deemed to include any amount which would have been payable under the laws of Yugoslavia for any year but for an exemption or reduction of tax granted for that year or any part thereof under:

(a) the provisions specified in paragraph (4) of this Article, so far as these provisions were in force on, and have not been modified since, the date of signature of this Convention, or have been modified only in minor respects so as not to affect their general character; or

(b) any other provision which may subsequently be made granting an exemption or reduction of tax which is agreed by the competent authorities of the Contracting States to be of a substantially similar character to the provisions specified in paragraph (4) of this Article, if it has not been modified thereafter or has been modified only in minor respects so as not to affect its general character;

Provided:

(c) that relief from United Kingdom tax shall not be given by virtue of this paragraph unless the exemption or reduction of tax is certified by the competent authority of Yugoslavia as being for the purpose of promoting development in Yugoslavia;

(d) that relief from United Kingdom tax shall not be given by virtue of this paragraph in respect of income from any source if the income arises in a period starting more than ten years after the exemption from, or reduction of, Yugoslav tax was first granted in respect of that source.

(4) The provisions referred to in paragraph (3)(a) of this Article are:

-In the Socialist Republic of Bosnia and Herzegovina, Article 6 of the Law on the taxation of foreign persons ("Official Gazette of the SR Bosnia and Herzegovina", No. 36/1972);

-In the Socialist Republic of Montenegro, Article 6 of the Law on the taxation of foreign persons' profits ("Official Gazette of the SR Montenegro", No. 21/1975);

-In the Socialist Republic of Croatia, Article 6 of the Law on the taxation of foreign persons ("Official Gazette of the SR Croatia", No. 5/1973);

-In the Socialist Republic of Macedonia, Article 6 of the Law on the taxation of foreign persons ("Official Gazette of the SR Macedonia", No. 15/1973);

-In the Socialist Republic of Slovenia, Article 7 of the Law on the taxation of foreign persons ("Official Gazette of the SR Slovenia", No. 3/1973);

-In the Socialist Republic of Serbia, Article 7 of the Law on the taxation of foreign persons ("Official Gazette of the SR Serbia", No. 22/1973);

-In the Socialist Autonomous Province of Kosovo, Articles 8 and 9 of the Law on the taxation of foreign persons ("Official Gazette of the SAP Kosovo", No. 16/1979);

-In the Socialist Autonomous Province of Vojvodina, Article 7 of the Law on the taxation of foreign persons ("Official Gazette of the SAP Vojvodina", No. 3/1974).

(5) For the purposes of the preceding paragraphs of this Article, profits, income and capital gains owned by a resident of a Contracting State which may be taxed in the other Contracting State in accordance with this Convention shall be deemed to arise from sources in that other Contracting State.

Article 23
Non-discrimination

(1) Nationals and legal persons, deriving their status as such from the law 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 nationals and legal persons, deriving their status as such from the law in force in 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) 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.

(4) Nothing contained in this Article shall be construed as obliging either Contracting State to grant to persons who are not resident in that State any of the personal allowances, reliefs and reductions for tax purposes which are granted to persons who are resident in that State.

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

Article 24
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.

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

(3) The competent authorities of the Contracting States shall endeavour to resolve by mutual agreement any difficulties or doubts arising as to the interpretation or application of the Convention.

(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 25
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 other than persons (including a Court or administrative body) concerned with the assessment or collection of, or prosecution in respect of, or the determination of appeals in relation to, the taxes which are the subject of the Convention.

(2) In no case shall the provisions of paragraph (1) of this Article be construed so as to impose on the competent authority of either Contracting State the obligation:

(a) to carry out administrative measures at variance with the laws or administrative practice prevailing in either Contracting State;

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

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

Article 26
Diplomatic and Consular Officials

(1) 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.

(2) Notwithstanding the provisions of paragraph (1) of Article 4, an individual who is a member of a diplomatic, consular or permanent mission which is situated in a Contracting State and who is subject to tax in that State only if he derives income from sources therein, shall not be deemed to be a resident of that State.

Article 27
Entry Into Force

Each of the Contracting States shall notify the other in writing through the diplomatic channel of the completion of the procedures required by its law to bring this Convention into force. The Convention shall enter into force on the date of the later of these notifications and shall thereupon have effect:

(a) in the United Kingdom:

(i) in respect of income tax and capital gains tax, for any year of assessment beginning on or after the sixth day of April in the calendar year following that in which the later notification is received;

(ii) in respect of corporation tax, for any financial year beginning on or after the first day of April in the calendar year following that in which the later notification is received;

(b) in Yugoslavia:

in respect of Yugoslavia tax, for any fiscal year beginning on or after the first day of January in the calendar year following that in which the later notification is received.

Article 28
Termination

This Convention shall remain in force until denounced by one of the Contracting States. Either Contracting State may denounce the Convention, through the diplomatic channel, by giving notice of termination at least six months before the end of any calendar year beginning after the expiration of five years from the date of entry into force of the Convention. In such event, the Convention shall cease to have effect:

(a) in the United Kingdom:

(i) in respect of income tax and capital gains tax, for any year of assessment beginning on or after the sixth day of April in the calendar year following that in which the notice is given;

(ii) in respect of corporation tax, for any financial year beginning on or after the first day of April in the calendar year following that in which the notice is given;

(b) in Yugoslavia:

in respect of Yugoslav tax, for any fiscal year beginning on or after the first day of January in the calendar year following that in which the notice is given.

In witness whereof the undersigned, duly authorised thereto, have signed this Convention.

Done in duplicate at London this 6th day of November 1981 in the English and Serbocroatian languages, both texts being equally authoritative.

FOR THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND

Trefgarne

FOR THE SOCIALIST FEDERAL REPUBLIC OF YUGOSLAVIA

D. Stamenkovic