2. For the purposes of paragraph 1, income beneficially owned by a resident of Japan which may be taxed in Switzerland in accordance with the provisions of this Convention shall be deemed to arise from sources in Switzerland.

3. Where a resident of Switzerland derives income which, in accordance with the provisions of this Convention, may be taxed in Japan, Switzerland shall, subject to the provisions of paragraph 4 or 6, exempt such income from tax but may, in calculating tax on the remaining income of that resident, apply the rate of tax which would have been applicable if the exempted income had not been so exempted. However, where that resident derives gains referred to in the provisions of paragraph 2 of Article 13, such exemption shall apply to such gains only if the amount of tax levied in Japan in accordance with the provisions of that paragraph is demonstrated.

4. Where a resident of Switzerland derives dividends or interest which, in accordance with the provisions of Article 10 or 11, may be taxed in Japan, Switzerland shall allow, upon request, a relief to such resident. The relief may consist of:

(a) a deduction from the tax on the income of that resident of an amount equal to the tax levied in Japan in accordance with the provisions of Articles 10 and 11; such deduction shall not, however, exceed that part of the Swiss income tax, as computed before the deduction is given, which is appropriate to the income which may be taxed in Japan, or

(b) a lump sum reduction of the Swiss tax determined by standardised formulae which have regard to the general principles of the relief referred to in subparagraph (a) above, or

(c) a partial exemption of such income from Swiss tax, in any case consisting at least of the deduction of the tax levied in Japan from the gross amount of income derived from Japan.

Switzerland shall determine the applicable relief and regulate the procedure in accordance with the provisions relating to the carrying out of international conventions of the Swiss Confederation for the avoidance of double taxation.

5. A company which is a resident of Switzerland and which derives dividends from a company which is a resident of Japan shall be entitled, for the purposes of Swiss tax with respect to such dividends, to the same relief which would be granted to the company if the company paying the dividends were a resident of Switzerland.

6. Where a resident of Switzerland derives income covered by subparagraph (a) of paragraph 3 of Article 13, Switzerland shall allow, upon request, a deduction from the Swiss tax on this income of an amount equal to the tax levied in Japan, in accordance with paragraph 3 of Article 13; such deduction shall not, however, exceed that part of the Swiss income tax, as computed before the deduction is given, which is appropriate to the income which may be taxed in Japan."

Article 17

Paragraphs 2 and 3 of Article 24 of the Convention shall be deleted and replaced by the following:

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

3. Except where the provisions of paragraph 1 of Article 9, paragraph 8 of Article 11, paragraph 4 of Article 12, or paragraph 3 of Article 22 apply, interest, 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 conditions as if they had been paid to a resident of the first-mentioned Contracting State."