(iii) the special income tax for reconstruction;

(iv) the local corporation tax; and

(v) the local inhabitant taxes

(hereinafter referred to as "Japanese tax");"

ARTICLE 3

1. Subparagraph (h) of paragraph 1 of Article 3 of the Convention shall be deleted and replaced by the following:

"(h) the term "international traffic" means any transport by a ship or aircraft except when the ship or aircraft is operated solely between places in a Contracting State and the enterprise that operates the ship or aircraft is not an enterprise of that Contracting State;"

2. Clause (ii) of subparagraph (j) of paragraph 1 of Article 3 of the Convention shall be deleted and replaced by the following:

"(ii) in the case of Switzerland, the Head of the Federal Department of Finance or his authorised representative; and"

ARTICLE 4

1. Paragraph 2 of Article 5 of the Convention shall be amended by deleting the semicolon at the end of subparagraph (f) and replacing it with a period and by deleting subparagraph (g).

2. A new paragraph shall be added immediately after paragraph 2 of Article 5 of the Convention as follows:

"3. A building site or construction or installation project constitutes a permanent establishment only if it lasts more than twelve months."

3. Paragraph 4 of Article 5 of the Convention shall be amended by deleting the words "paragraph 5" and replacing them with the words "paragraph 6", and deleting the words "paragraph 3" and replacing them with the words "paragraph 4".

4. Paragraphs 3, 4, 5 and 6 of Article 5 of the Convention shall be renumbered as paragraphs 4, 5, 6 and 7 respectively.

ARTICLE 5

Article 7 of the Convention shall be deleted and replaced by the following:

"Article 7

1. Profits of an enterprise of a Contracting State shall be taxable only in that Contracting 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 that are attributable to the permanent establishment in accordance with the provisions of paragraph 2 may be taxed in that other Contracting State.

2. For the purposes of this Article and Article 23, the profits that are attributable in each Contracting State to the permanent establishment referred to in paragraph 1 are the profits it might be expected to make, in particular in its dealings with other parts of the enterprise, if it were a separate and independent enterprise engaged in the same or similar activities under the same or similar conditions, taking into account the functions performed, assets used and risks assumed by the enterprise through the permanent establishment and through the other parts of the enterprise.

3. Where, in accordance with paragraph 2, a Contracting State adjusts the profits that are attributable to a permanent establishment of an enterprise of one of the Contracting States and taxes accordingly profits of the enterprise that have been charged to tax in the other Contracting State, that other Contracting State shall, to the extent necessary to eliminate double taxation on these profits, make an appropriate adjustment to the amount of the tax charged therein on those profits. In determining such adjustment, the competent authorities of the Contracting States shall if necessary consult each other.