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 Contracting State.

2. However, interest arising in a Contracting State may also be taxed in that Contracting State according to the laws of that Contracting State, but if the beneficial owner of the interest is a resident of the other Contracting State, the tax so charged shall not exceed 10 per cent of the gross amount of the interest.

3. Notwithstanding the provisions of paragraph 2, interest arising in a Contracting State shall be taxable only in the other Contracting State if:

(a) the interest is beneficially owned by that other Contracting State, a political subdivision or local authority thereof, the central bank of that other Contracting State or any institution wholly owned by that other Contracting State or a political subdivision or local authority thereof;

(b) the interest is beneficially owned by a resident of that other Contracting State with respect to debt-claims guaranteed, insured or indirectly financed by that other Contracting State, a political subdivision or local authority thereof, the central bank of that other Contracting State or any institution wholly owned by that other Contracting State or a political subdivision or local authority thereof;

(c) the interest is beneficially owned by a resident of that other Contracting State that is either:

(i) a bank;

(ii) an insurance company;

(iii) a securities dealer; or

(iv) any other enterprise, provided that, in the three taxable years preceding the taxable year in which the interest is paid, the enterprise derives more than 50 per cent of its liabilities from the issuance of bonds in the financial markets or from taking deposits at interest, and more than 50 per cent of the assets of the enterprise consist of debt-claims against persons that are not closely related to the enterprise pursuant to the provisions of paragraph 9 of Article 5,

which is established and regulated as such under the laws of that other Contracting State;

(d) the interest is beneficially owned by a recognised pension fund of that other Contracting State, provided that such interest is derived from the activities referred to in clause (i) or (ii) of subparagraph (l) of paragraph 1 of Article 3 and that, at the beginning of the taxable year for which such interest is paid, at least 50 per cent of the beneficiaries, members or participants of the recognised pension fund are individuals who are residents of either Contracting State; or

(e) the interest is beneficially owned by a resident of that other Contracting State and paid with respect to debt-claims arising as a part of the sale of equipment or merchandise, or the provision of services, on credit by a resident of that other Contracting State.

4. The term “interest” as used in this Article means income from debt-claims of every kind, whether or not secured by mortgage and whether or not carrying a right to participate in the debtor’s profits, and in particular, income from government securities and income from bonds or debentures, including premiums and prizes attaching to such securities, bonds or debentures as well as other income that is subjected to the same taxation treatment as income from money lent by the laws of the Contracting State in which the income arises. Income dealt with in Article 10 and penalty charges for late payment shall not be regarded as interest for the purposes of this Article.