SYNTHESISED TEXT
OF THE MLI AND THE CONVENTION
BETWEEN JAPAN AND THE UNITED ARAB REPUBLIC
FOR THE AVOIDANCE OF DOUBLE TAXATION
AND THE PREVENTION OF FISCAL EVASION
WITH RESPECT TO TAXES ON INCOME

This document presents the synthesised text for the application of the Convention between Japan and the United Arab Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income signed on September 3, 1968 (hereinafter referred to as "the Convention"), as modified by the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting signed by Japan and Egypt on June 7, 2017 (hereinafter referred to as "the MLI").

This document was prepared on the basis of the reservations and notifications submitted to the Depositary (the Secretary-General of the Organisation for Economic Co-operation and Development) by Japan on September 26, 2018 and by Egypt on September 30, 2020 respectively.

The sole purpose of this document is to facilitate the understanding of the application of the MLI to the Convention and the document does not constitute a source of law. The authentic texts of the Convention and the MLI are the only legal texts applicable.

The provisions of the MLI that are applicable with respect to the provisions of the Convention are included in boxes throughout this document in the context of the relevant provisions of the Convention.

In this document, changes to the text of the provisions of the MLI have been made to conform the terminology used in the MLI to the terminology used in the Convention (such as changes from "Covered Tax Agreement" to "Convention" and changes from "Contracting Jurisdiction" to "Contracting State"). Similarly, changes have been made to parts of provisions of the MLI that describe existing provisions of the Convention by replacing such descriptive language with the article and paragraph numbers or language of the existing provisions. These changes are intended to increase the readability of the document and are not intended to change the substance of the provisions of the MLI.

Unless the context otherwise requires, references made to the provisions of the Convention will be understood as referring to the provisions of the Convention as modified by the provisions of the MLI.

Entry into force and entry into effect of the MLI

The MLI enters into force for Japan on January 1, 2019 and for Egypt on January 1, 2021 and has effect as follows:

(a) The provisions of the MLI shall have effect in each Contracting State with respect to the Convention:

(i) with respect to taxes withheld at source on amounts paid or credited to non-residents, where the event giving rise to such taxes occurs on or after January 1, 2021; and

(ii) with respect to all other taxes levied by that Contracting State, for taxes levied with respect to taxable periods beginning on or after July 1, 2021.

(b) Notwithstanding (a), Article 16 (Mutual Agreement Procedure) of the MLI shall have effect with respect to the Convention for a case presented to the competent authority of a Contracting State on or after January 1, 2021, except for cases that were not eligible to be presented as of that date under the Convention prior to its modification by the MLI, without regard to the taxable period to which the case relates.

CONVENTION BETWEEN JAPAN AND THE UNITED ARAB REPUBLIC FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME

The Government of Japan and the Government of the United Arab Republic,

The following preamble text described in paragraph 3 of Article 6 of the MLI is included in the preamble of the Convention:

Article 6 – Purpose of a Covered Tax Agreement

Desiring to further develop their economic relationship and to enhance their co-operation in tax matters,

~~Desiring to conclude a convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income,~~

The following preamble text described in paragraph 1 of Article 6 of the MLI replaces the preamble language of the Convention referring to "Desiring to conclude a convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income,":

Article 6 – Purpose of a Covered Tax Agreement

Intending to eliminate double taxation with respect to the taxes covered by the Convention without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through treaty-shopping arrangements aimed at obtaining reliefs provided in the Convention for the indirect benefit of residents of third jurisdictions),

Have agreed as follows:

Article 1

1. This Convention shall apply to taxes on income imposed in each Contracting State enumerated in paragraph 3 of this Article, irrespective of the manner in which they are levied.

2. There shall be regarded as taxes on income all taxes imposed on total income, or on elements of income, including taxes on gains from the alienation of movable or immovable property and taxes on the total amounts of wages or salaries paid by enterprises.

3. The existing taxes to which this Convention shall apply are:

(a) In the case of Japan:

(1) the income tax;

(2) the corporation tax; and

(3) the local inhabitant taxes

(hereinafter referred to as “Japanese tax”).

(b) In the case of the United Arab Republic:

(1) tax on income derived from immovable property

(including the land tax, the buildings tax and the ghaffir tax);

(2) tax on income from movable capital;

(3) tax on commercial and industrial profits;

(4) tax on wages, salaries, indemnities and pensions;

(5) tax on profits from liberal professions and all other non-commercial professions;

(6) general income tax;

(7) defence tax;

(8) national security tax; and

(9) supplementary taxes imposed as percentage of taxes mentioned above or otherwise

(hereinafter referred to as “United Arab Republic tax”).

4. This Convention shall also apply to any identical or substantially similar taxes which are subsequently imposed in addition to, or in place of, the existing taxes.

5. At the end of each year, the competent authorities of the Contracting States shall notify to each other any significant changes which have been made in their respective taxation laws.

Article 2

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

(a) the term “Japan” or “United Arab Republic”, as used in a geographical sense, means respectively all the territory in which the laws relating to tax of Japan or the United Arab Republic are enforced;

(b) the terms “a Contracting State” and “the other Contracting State” mean Japan or the United Arab Republic, as the context requires;

(c) the term “tax” means Japanese tax or United Arab Republic tax, as the context requires;

(d) the term “person” includes an individual, a company and any unincorporated body of persons;

(e) the term “company” means any body corporate or any entity which is treated as a body corporate for tax purposes;

(f) the term “Japanese company” means any body corporate created or organized under the laws of Japan or any entity which is treated as a body corporate created or organized under the laws of Japan for the purposes of Japanese tax;

(g) the term “United Arab Republic company” means any body corporate created or organized under the laws of the United Arab Republic or any entity which is treated as a body corporate created or organized under the laws of the United Arab Republic for the purposes of United Arab Republic tax;

(h) the term “resident of Japan” means any person other than a company who is resident in Japan for the purposes of Japanese tax and not resident in the United Arab Republic for the purposes of United Arab Republic tax and any Japanese company;

(i) the term “resident of the United Arab Republic” means any person other than a company who is

resident in the United Arab Republic for the purposes of United Arab Republic tax and not resident in Japan for the purposes of Japanese tax and any United Arab Republic company;

The following paragraph 1 (as modified by subparagraph e) of paragraph 3) of Article 4 of the MLI applies to the Convention:

Article 4 – Dual Resident Entities

1. **Where by reason of the provisions of subparagraph (h) and (i) of paragraph 1 of Article 2 of the Convention a person other than an individual is a resident of both Contracting States, the competent authorities of the Contracting States shall endeavour to determine by mutual agreement the Contracting State of which such person shall be deemed to be a resident for the purposes of the Convention, having regard to its place of effective management, the place where it is incorporated or otherwise constituted and any other relevant factors. In the absence of such agreement, such person shall not be entitled to any relief or exemption from tax provided by the Convention.**

(j) the terms “resident of a Contracting State” and “resident of the other Contracting State” mean a resident of Japan or a resident of the United Arab Republic, as the context requires;

(k) 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;

(l) the term “competent authority” means, in the case of Japan, the Minister of Finance or his authorised representative; and in the case of the United Arab Republic, the Minister of the Treasury or his authorised representative.

2. In the application of the provisions of this 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 in force in that Contracting State relating to the taxes which are the subject of this Convention.

Article 3

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 warehouse;

(g) a farm or plantation;

(h) a mine, quarry, oilfield or other place of extraction of natural resources;

(i) a building site or construction or assembly project which exists for more than six 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 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.~~

The following paragraph 2 of Article 13 of the MLI replaces paragraph 3 of Article 3 of the Convention:

Article 13 – Artificial Avoidance of Permanent Establishment Status through the Specific Activity Exemptions

2. **Notwithstanding the provisions of Article 3 of the Convention, the term "permanent establishment" shall be deemed not to include:**

a) i) the use of facilities solely for the purpose of storage, display or delivery of goods or merchandise belonging to the enterprise;

ii) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage, display or delivery;

iii) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise;

iv) the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise, or for collecting information, for the enterprise;

v) the maintenance of a fixed place of business solely for the purpose of advertising, for the supply of information, or for scientific research, for the enterprise;

b) the maintenance of a fixed place of business solely for the purpose of carrying on, for the enterprise, any activity not described in subparagraph a);

c) the maintenance of a fixed place of business solely for any combination of activities mentioned in subparagraphs a) and b),

provided that such activity or, in the case of subparagraph c), the overall activity of the fixed place of business, is of a preparatory or auxiliary character.

The following paragraph 4 of Article 13 of the MLI applies to the Convention:

Article 13 – Artificial Avoidance of Permanent Establishment Status through the Specific Activity Exemptions

4. **Paragraph 3 of Article 3 of the Convention shall not apply to a fixed place of business that is used or maintained by an enterprise if the same enterprise or a closely related enterprise carries on business activities at the same place or at another place in the same Contracting State and:**

a) that place or other place constitutes a permanent establishment for the enterprise or the closely related enterprise under the provisions of Article 3 of the Convention; or

b) the overall activity resulting from the combination of the activities carried on by the two enterprises at the same place, or by the same enterprise or closely related enterprises at the two places, is not of a preparatory or auxiliary character,

provided that the business activities carried on by the two enterprises at the same place, or by the same enterprise or closely related enterprises at the two places, constitute complementary functions that are part of a cohesive business operation.

~~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 Contracting State if he has, and habitually exercises in that Contracting 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 Contracting 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.~~

The following paragraphs 1 and 2 of Article 12 of the MLI replace paragraphs 4 and 5 of Article 3 of the Convention:

Article 12 – Artificial Avoidance of Permanent Establishment Status through Commissionnaire Arrangements and Similar Strategies

1. **Notwithstanding the provisions of Article 3 of the Convention, but subject to paragraph 2, where a person is acting in a Contracting State on behalf of an enterprise and, in doing so, habitually concludes contracts, or habitually plays the principal role leading to the conclusion of contracts that are routinely concluded without material modification by the enterprise, and these contracts are:**

a) in the name of the enterprise; or

b) for the transfer of the ownership of, or for the granting of the right to use, property owned by that enterprise or that the enterprise has the right to use; or

c) for the provision of services by that enterprise,

that enterprise shall be deemed to have a permanent establishment in that Contracting State in respect of any activities which that person undertakes for the enterprise unless these activities, if they were exercised by the enterprise through a fixed place of business of that enterprise situated in that Contracting State, would not cause that fixed place of business to be deemed to constitute a permanent establishment under the definition of permanent establishment included in the provisions of Article 3 of the Convention.

2. **Paragraph 1 shall not apply where the person acting in a Contracting State on behalf of an enterprise of the other Contracting State carries on business in the first-mentioned Contracting State as an independent agent and acts for the enterprise in the ordinary course of that business. Where, however, a person acts exclusively or almost exclusively on behalf of one or more enterprises to which it is closely related, that person shall not be considered to be an independent agent within the meaning of this paragraph with respect to any such enterprise.**

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 Contracting State (whether through a permanent establishment or otherwise) shall not of itself constitute either company a permanent establishment of the other.

The following paragraph 1 of Article 15 of the MLI applies to the Convention:

Article 15 – Definition of a Person Closely Related to an Enterprise

1. **For the purposes of the provisions of Article 3 of the Convention, a person is closely related to an enterprise if, based on all the relevant facts and circumstances, one has control of the other or both are under the control of the same persons or enterprises. In any case, a person shall be considered to be closely related to an enterprise if one possesses directly or indirectly more than 50 per cent of the beneficial interest in the other (or, in the case of a company, more than 50 per cent of the aggregate vote and value of the company's shares or of the beneficial equity interest in the company) or if another person possesses directly or indirectly more than 50 per cent of the beneficial interest (or, in the case of a company, more than 50 per cent of the aggregate vote and value of the company's shares or of the beneficial equity interest in the company) in the person and the enterprise.**

Article 4

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 immovable property apply, usufruct of immovable property and rights to variable or fixed payments as a consideration for the working of, or the right to work, mineral deposits, sources and other natural resources; ships 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 5

1. The 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 of the enterprise may be taxed in that other Contracting 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 Contracting State in which the permanent establishment is situated or elsewhere.

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 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 laid down 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 of this Article, 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 6

1. Profits from the operation of ships or aircraft in international traffic carried on by an enterprise of a Contracting State shall be exempt from tax of the other Contracting State.

2. In respect of the operation of ships or aircraft in international traffic carried on by an enterprise which is a resident of the United Arab Republic, that enterprise shall be exempt from the enterprise tax in Japan.

3. The provisions of paragraphs 1 and 2 of this Article shall likewise apply in respect of participations in pools of any kind by an enterprise of a Contracting State engaged in shipping or air transport.

4. Where profits as referred to in this Article are derived by a company which is a resident of a Contracting State, dividends paid by that company to persons which are not resident in the other Contracting State, shall be exempt from tax of that other Contracting State.

5. The Arrangement between the Contracting States constituted by the Notes exchanged in Cairo on April 27, 1964, for the reciprocal exemption from taxation on air transport enterprises shall, on the entry into force of this Convention, cease to be effective as from the dates from which the provisions of this Convention have effect.

Article 7

1. 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.

2. If the information available to the taxation authority concerned is inadequate to determine, for the purposes of the preceding paragraph, the profits which might be expected to accrue to an enterprise, nothing in that paragraph shall affect the application of the law of either Contracting State in relation to the liability of that enterprise to pay tax on an amount determined under the law of that Contracting State; provided that such law shall be applied, so far as the information available to the taxation authority permits, in accordance with the principle stated in that paragraph.

Article 8

1. Dividends paid by a company which is a resident of Japan to a resident of the United Arab Republic may be taxed in Japan at a rate not exceeding 15 per cent of the gross amount of the dividends.

2. Dividends paid by a company which is a resident of the United Arab Republic to a resident of Japan may be taxed in the United Arab Republic. But such dividends shall be subject only to the tax on income derived from movable capital, the defence tax, the national security tax and the supplementary taxes. If paid to an individual, the general income tax levied on the net total income may also be imposed at a rate not exceeding 20 per cent. Dividends paid shall be deducted from the amount of the distributing company's taxable income or profits subject to the tax chargeable in respect of its industrial and commercial profits if such dividends are distributed out of the taxable income or profits of the same taxable year and not distributed out of accumulated reserves or other assets.

3. (a) Dividends paid by a company which is a resident of Japan whose activities lie solely or mainly in the United Arab Republic shall in the United Arab Republic be treated as mentioned in paragraph 2 of this Article.

(b) For the purposes of this paragraph, the activities of a company shall be considered to lie mainly in the United Arab Republic, if 90 per cent or more of such activities are carried out

in the United Arab Republic through a permanent establishment situated therein.

4. Dividends, deemed to be paid out of the yearly profits of a permanent establishment maintained in the United Arab Republic by a company which is a resident of Japan whose activities extend to countries other than the United Arab Republic, shall in the United Arab Republic be treated as mentioned in paragraph 2 of this Article.

The permanent establishment shall be considered to have distributed as dividends in the United Arab Republic within 60 days from the closing of its financial year, an amount equivalent to 90 per cent of its total net profits liable to the tax on industrial and commercial profits without applying the provisions of Article 36 of the United Arab Republic Law No. 14 of 1939, provided that the remaining 10 per cent of the net profits shall be set aside to form a special reserve which shall be entered in the local balance sheet submitted annually to the United Arab Republic tax authorities. Such amount shall be subject only to the tax on commercial and industrial profits.

All amounts deducted from the aforesaid 10 per cent set aside to form the special reserve for purposes other than the redemption of losses incurred in the trade or business carried on by that permanent establishment situated in the United Arab Republic shall be deemed to have been distributed in the United Arab Republic and shall be taxed accordingly.

5. The provisions of paragraphs 1 and 2 of this Article 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 5 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 Contracting State may not impose any tax on the dividends paid by the company to persons who are not residents of that other Contracting 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 Contracting State.

7. The term “dividends” as used in this Article means income from shares, “jouissance” shares or “jouissance” rights, mining shares, founders' shares or other similar

rights, not being debt-claim, participating in profits, as well as income from other corporate rights assimilated to income from shares by the taxation law of the Contracting State of which the company making the distribution is a resident.

Article 9

1. Interest arising in a Contracting State and paid by a resident of that Contracting State to a resident of the other Contracting State may be taxed in the first-mentioned Contracting State according to the law of that first-mentioned Contracting State.

2. The term “interest” as used in this Article means income from Government securities, bonds or debentures (exclusive of debts secured by mortgages on real estate, in which case the provisions of Article 4 shall apply), 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 Contracting State in which the income arises.

3. The provisions of Article 5 shall 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.

4. 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.

5. Interest shall be deemed to arise in a Contracting State when the payer is that Contracting State itself, a local government or a resident of that Contracting 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.

Article 10

1. Royalties arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in the first-mentioned Contracting State at a rate not exceeding 15 per cent of the gross amount of the royalties.

2. 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, 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.

3. Notwithstanding the provisions of this Convention, rents and royalties in respect of cinematographic films may continue to be taxed under the laws of both Contracting States.

4. The provisions of this Article shall not apply where founders' shares are issued in the United Arab Republic as a consideration for the rights mentioned in paragraph 2 of this Article and taxed in accordance with the provisions of Article 1 of the United Arab Republic Law No. 14 of 1939. In such a case, the provisions of Article 8 shall apply.

5. The provisions of paragraph 1 of this Article 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 5 shall apply.

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.

7. Royalties shall be deemed to arise in a Contracting State when the payer is that Contracting State itself, a local government or a resident of that Contracting 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 by which the

royalties are paid, then such royalties shall be deemed to arise in the Contracting State in which the permanent establishment is situated.

Article 11

1. Gains from the alienation of immovable property, as defined in paragraph 2 of Article 4, 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 employed in 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 Contracting State. However, gains from the alienation of movable property of the kind referred to in paragraph 1 of Article 6, shall be taxable only in the Contracting State of which the alienator of such movable property is a resident.

3. Gains from the alienation of any property or assets other than those mentioned in paragraphs 1 and 2 of this Article may be taxed in the Contracting State in which the gains are derived.

The following paragraph 4 of Article 9 of the MLI applies to the Convention:

Article 9 – Capital Gains from Alienation of Shares or Interests of Entities Deriving their Value Principally from Immovable Property

4. **For purposes of the Convention, gains derived by a resident of a Contracting State from the alienation of shares or comparable interests, such as interests in a partnership or trust, may be taxed in the other Contracting State if, at any time during the 365 days preceding the alienation, these shares or comparable interests derived more than 50 per cent of their value directly or indirectly from immovable property situated in that other Contracting State.**

Article 12

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 Contracting State unless he has a fixed base regularly available to him in the other Contracting State for the purpose of performing his activities or he is present within that other Contracting State for a period or periods exceeding in the aggregate 183 days in the taxable year concerned. If he has such a fixed base or remains in that other Contracting State for the aforesaid period or periods, the income may be taxed in that other Contracting State but only so much of it as is attributable to that fixed base or is derived in that other Contracting State during the aforesaid 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 13

1. Subject to the provisions of Articles 14, 16 and 17, 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 Contracting 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 Contracting 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 Contracting State if:

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

(b) the remuneration is paid by, or on behalf of, an employer who is not a resident of the other Contracting State, and

(c) the remuneration is not borne by a permanent establishment or a fixed base which the employer has in the other Contracting State.

3. Notwithstanding the preceding provisions of this Article, remuneration in respect of an employment exercised aboard a ship or aircraft operated in international traffic by an enterprise of a Contracting State may be taxed in that Contracting State.

Article 14

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 Contracting State.

Article 15

Notwithstanding the provisions of Articles 12 and 13, income derived by public 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.

Article 16

Subject to the provisions of paragraph 1 of Article 17, pensions and other similar remuneration paid to a resident of a Contracting State in consideration of past employment shall be taxable only in that Contracting State.

Article 17

1. Remuneration, including pensions, paid by the Government of a Contracting State (including local governments thereof), or paid out of funds which are created by such Government or to which such Government contributes, to any individual in respect of services rendered to such Government in the discharge of functions of a governmental nature shall be exempt from tax of the other Contracting State, unless the individual is a national of or admitted for permanent residence to that other Contracting State without being also a national of or admitted for permanent residence to the first-mentioned Contracting State.

2. The provisions of Articles 13, 14 and 16 shall apply to remuneration or pensions in respect of services rendered in connection with any trade or business carried on by the Government of a Contracting State (including local governments thereof).

Article 18

A resident of a Contracting State, who is temporarily present in the other Contracting State solely:

(a) as a student at a university, college or school in that other Contracting State,

(b) as a business or technical apprentice, or

(c) as a recipient of a grant, allowance or award for the primary purpose of study or research from a governmental, religious, charitable, scientific or educational organisation

shall not be taxed in the other Contracting State in respect of remittances from abroad for the purposes of his maintenance, education or training or in respect of a scholarship grant. The same shall apply to any amount representing remuneration for services rendered in that other Contracting State, provided that such services are in connection with his studies or training or are necessary for the purpose of his maintenance.

Article 19

A resident of a Contracting State who, at the invitation of a university, college or other establishment for higher education or scientific research in the other Contracting State, visits that other Contracting State solely for the purpose of teaching or scientific research at such institution for a period not exceeding two years shall not be taxed in that other Contracting State on his remuneration for such teaching or research.

Article 20

1. Subject to the provisions of the law of Japan regarding the allowance as a credit against Japanese tax of tax payable in any country other than Japan, United Arab Republic tax payable, whether directly or by deduction, in respect of income from sources within the United Arab Republic shall be allowed as a credit against Japanese tax payable in respect of that income.

2. (a) Where a person being a resident of the United Arab Republic derives income from Japan and that income, in accordance with the provisions of this Convention, may be taxed in Japan, the United Arab Republic shall, subject to the provisions of subparagraph (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 person being a resident of the United Arab Republic derives income from Japan and that income, in accordance with the provisions of Articles 8, 9 and 10 may be taxed in Japan, the

United Arab Republic shall allow as a deduction from the tax on the income of that person an amount equal to the tax paid in Japan. 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 Japan.

Article 21

1. The nationals 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 Contracting State in the same circumstances are or may be subjected.

2. The term “nationals” means:

(a) all individuals possessing the nationality of a Contracting State;

(b) all legal persons, partnerships and associations deriving their status as such from the law in force in a Contracting State.

3. 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.

This provision 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.

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 Contracting State are or may be subjected.

5. The provisions of this Article shall not be construed as affecting:

(a) the provisions of the Japanese law under which distributed profits, are in the case of Japanese companies, taxed at a lower rate than undistributed profits; and

(b) the application in the United Arab Republic of Article 11, paragraphs 1 and 2 and Article 11 bis of the United Arab Republic Law No. 14 of 1939 and the exemptions conferred in the United Arab Republic by Articles 5 and 6 of the United Arab Republic Law No. 14 of 1939.

6. In this Article the term “taxation” means taxes of every kind and description.

Article 22

~~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 Contracting States, present his case to the competent authority of the Contracting State of which he is a resident.~~

The following first sentence of paragraph 1 of Article 16 of the MLI replaces paragraph 1 of Article 22 of the Convention:

Article 16 – Mutual Agreement Procedure

Where a person considers that the actions of one or both of the Contracting States result or will result for that person in taxation not in accordance with the provisions of the Convention, that person may, irrespective of the remedies provided by the domestic law of those Contracting States, present the case to the competent authority of either Contracting State.

The following second sentence of paragraph 1 of Article 16 of the MLI applies to the Convention:

Article 16 – Mutual Agreement Procedure

The case must be presented within three years from the first notification of the action resulting in taxation not in accordance with the provisions of 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 this Convention.

The following second sentence of paragraph 2 of Article 16 of the MLI applies to the Convention:

Article 16 – Mutual Agreement Procedure

Any agreement reached shall be implemented notwithstanding any time limits in the domestic law 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 this Convention. They may also consult together for the elimination of double taxation in cases not provided for in this 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 of this Article. 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 23

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 or for the prevention of fiscal evasion in relation to such taxes. 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 this Convention.

2. In no case shall the provisions of paragraph 1 of this Article be construed so as to impose on a Contracting State 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 24

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.

The following paragraph 1 of Article 7 of the MLI applies to the Convention:

Article 7 – Prevention of Treaty Abuse

1. **Notwithstanding any provisions of the Convention, a benefit under the Convention shall not be granted in respect of an item of income if it is reasonable to conclude, having regard to all relevant facts and circumstances, that obtaining that benefit was one of the principal purposes of any arrangement or transaction that resulted directly or indirectly in that benefit, unless it is established that granting that benefit in these circumstances would be in accordance with the object and purpose of the relevant provisions of the Convention.**

Article 25

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

2. This Convention shall enter into force on the date of the exchange of the instruments of ratification and its provisions shall have effect:

(a) In Japan:

as respects income for any taxable year beginning on or after the first day of January in the calendar year in which the exchange of the instruments of ratification takes place.

(b) In the United Arab Republic:

(1) as respects tax on income from movable capital and tax on wages, salaries, indemnities and pensions, which taxes are due on or after the date on which the exchange of the instruments of ratification takes place;

(2) as respects tax on commercial and industrial profits for any accounting period ending on or after the date on which the exchange of the instruments of ratification takes place;

(3) as respects tax on income derived from immovable property (including the land tax, the buildings tax and the ghaffir tax), tax on profits from liberal professions and all other non-commercial professions and the general income tax, for the calendar year in which the exchange of the instruments of ratification takes place.

The rules in subparagraph (b) of this paragraph shall be correspondingly applicable respectively to the defence tax, to the national security tax and to the supplementary taxes.

Article 26

Either of the Contracting States may terminate this Convention after a period of five years from the date on which this Convention enters into force, by giving to the other Contracting State, through the diplomatic channels, written notice of termination, provided that such notice shall be given only on or before the thirtieth day of June in any calendar year, and, in such event, this Convention shall cease to be effective:

(a) In Japan:

as respects income for any taxable year beginning on or after the first day of January in the calendar year next following that in which the notice is given.

(b) In the United Arab Republic:

(1) as respects tax on income from movable capital and tax on wages, salaries, indemnities and pensions, which taxes are due on or after the first day of July in the calendar year next following that in which the notice is given;

(2) as respects tax on commercial and industrial profits for any accounting period ending on or after the first day of July in the calendar year next following that in which the notice is given;

(3) as respects tax on income derived from immovable property (including the land tax, the buildings tax and the ghaffir tax), tax on profits from liberal professions and all other non-commercial professions and the general income tax, for the calendar year next following that in which the notice is given.

The rules in subparagraph (b) of this paragraph shall be correspondingly applicable respectively to the defence tax, to the national security tax and to the supplementary taxes.

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

Done in duplicate at Cairo, this third day of September, 1968 in the English language.

For Japan:

Yoshimitsu Ando

For the United Arab Republic:

Ahmad El Sayed Shaaban