SYNTHESISED TEXT
OF THE MLI AND THE CONVENTION
BETWEEN JAPAN AND THE UNITED MEXICAN STATES
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 Mexican States for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income signed on April 9, 1996 (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 Mexico 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 Mexico on March 15, 2023 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 Mexico on July 1, 2023 and has effect as follows:

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

(a) 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, 2024; and

(b) with respect to all other taxes levied by that Contracting State, for taxes levied with respect to taxable periods beginning on or after January 1, 2024.

CONVENTION
BETWEEN JAPAN AND THE UNITED MEXICAN STATES 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 Mexican States,

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

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

Article 2

1. This Convention shall apply to the following taxes:

(a) in Mexico:

the income tax (el impuesto sobre la renta)

(hereinafter referred to as “Mexican tax”);

(b) in Japan:

(i) the income tax;

(ii) the corporation tax; and

(iii) the local inhabitant taxes

(hereinafter referred to as “Japanese tax”).

2. This Convention shall apply also to any identical or substantially similar taxes, whether national or local, which are imposed by a Contracting State or a political subdivision or local authority thereof after the date of signature of this Convention in addition to, or in place of, those referred to in paragraph 1 of this Article. The competent authorities of the Contracting States shall notify each other of any substantial changes which have been made in their respective taxation laws within a reasonable period of time after such changes.

Article 3

1. For the purposes of this Convention, unless the context otherwise requires:

(a) the term “Mexico” means the United Mexican States and, when used in a geographical sense, it means all the territory of the United Mexican States, including its territorial sea, in which the laws relating to Mexican tax are in force, and all the area beyond its territorial sea, including the sea-bed and subsoil thereof, over which the United Mexican States has jurisdiction within the extent and terms of international law and in which the laws relating to Mexican tax are in force;

(b) the term “Japan”, when used in a geographical sense, means all the territory of Japan, including its territorial sea, in which the laws relating to Japanese tax are in force, and all the area beyond its territorial sea, including the sea-bed and subsoil thereof, over which Japan

has jurisdiction in accordance with international law and in which the laws relating to Japanese tax are in force;

(c) the terms “a Contracting State” and “the other Contracting State” mean Japan or Mexico, as the context requires;

(d) the term “tax” means Japanese tax or Mexican tax, as the context requires;

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

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

(g) 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;

(h) the term “international traffic” means any transport by a ship or aircraft operated by an enterprise of a Contracting State, except when the ship or aircraft is operated solely between places in the other Contracting State;

(i) the term “nationals” means:

(i) in the case of Japan, all individuals possessing the nationality of Japan and all juridical persons created or organized under the laws of Japan and all organizations without juridical personality treated for the purposes of Japanese tax as juridical persons created or organized under the laws of Japan;

(ii) in the case of Mexico, all individuals possessing the nationality of Mexico and any legal person or association deriving its status as such from the laws in force in Mexico; and

(j) the term “competent authority” means:

(i) in the case of Mexico, the Ministry of Finance and Public Credit;

(ii) in the case of Japan, the Minister of

Finance or his authorized representative.

2. As regards the application of this Convention at any time by a Contracting State, any term not defined therein shall, unless the context otherwise requires, have the meaning which it has at that time under the laws of that Contracting State for the purposes of the taxes to which this Convention applies, any meaning under the applicable tax laws of that Contracting State prevailing over a meaning given to the term under other laws of that Contracting State.

Article 4

1. For the purposes of this Convention, the term "resident of a Contracting State" means any person who, under the laws of that Contracting State, is liable to tax therein by reason of his domicile, residence, place of head or main office, place of management or any other criterion of a similar nature. This term, however, does not include any person who is liable to tax in that Contracting State in respect only of income from sources in that Contracting State.

2. Where by reason of the provisions of paragraph 1 of this Article an individual is a resident of both Contracting States, then the case 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 in neither of them, he shall be deemed to be a resident of the Contracting State of which he is a national;

(d) in any other case, 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 the competent authorities of the Contracting States shall determine by mutual agreement the Contracting State of which that person shall be deemed to be a resident for the purposes of this Convention.~~

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

Article 4 – Dual Resident Entities

1. **Where by reason of the provisions of paragraph 1 of Article 4 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.**

Article 5

1. For the purposes of this Convention, the term "permanent establishment" means a fixed place of business through which the business of an enterprise is wholly or partly carried on.

2. The term "permanent establishment" includes especially:

(a) a place of management;

(b) a branch;

(c) an office;

(d) a factory;

(e) a workshop; and

(f) a mine, an oil or gas well, a quarry or any other place of extraction of natural resources.

3. The term "permanent establishment" shall also include

a building site, a construction, assembly or installation project or supervisory activities in connection therewith, only if such site, project or activities last more than six months.

~~4. Notwithstanding the preceding provisions of this Article, 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 of collecting information, for the enterprise;~~

~~(e) the maintenance of a fixed place of business solely for the purpose of carrying on, for the enterprise, any other activity of a preparatory or auxiliary character; and~~

~~(f) the maintenance of a fixed place of business solely for any combination of activities mentioned in sub-paragraphs (a) to (e), provided that the overall activity of the fixed place of business resulting from this combination is of a preparatory or auxiliary character.~~

The following paragraph 2 of Article 13 of the MLI replaces paragraph 4 of Article 5 of the Convention and paragraph 1 of the Protocol to the Convention:

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

2. **Notwithstanding the provisions of Article 5 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 of collecting information, 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 4 of Article 5 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 5 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.

~~5. Notwithstanding the provisions of paragraphs 1 and 2 of this Article, where a person – other than an agent of an independent status to whom paragraph 7 of this Article applies – is acting in a Contracting State on behalf of an enterprise of the other Contracting State, that enterprise shall be deemed to have a permanent establishment in the first-mentioned Contracting State in respect of any activities which that person undertakes for the enterprise, if such person has and habitually exercises in the first-mentioned Contracting State an authority to conclude contracts in the name of the enterprise, unless the activities of such person are limited to those mentioned in paragraph 4 of this Article which, if exercised through a fixed place of business, would not make this fixed place of business a permanent establishment under the provisions of that paragraph.~~

The following paragraph 1 of Article 12 of the MLI replaces paragraph 5 of Article 5 of the Convention:

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

1. **Notwithstanding the provisions of Article 5 of the Convention, but subject to paragraph 2 of Article 12 of the MLI, 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 5 of the Convention.

6. Notwithstanding the provisions of the preceding paragraphs of this Article, an insurance enterprise of a Contracting State shall, except in regard to re-insurance, be deemed to have a permanent establishment in the other Contracting State if it collects premiums in that other Contracting State or insures risks situated therein through a person other than an agent of an independent status to whom paragraph 7 of this Article applies.

~~7. An enterprise shall not be deemed to have a permanent establishment in a Contracting State merely because it carries on business in that Contracting State through a broker, general commission agent or any other agent of an independent status, provided that such persons are acting in the ordinary course of their business.~~

The following paragraph 2 of Article 12 of the MLI replaces paragraph 7 of Article 5 of the Convention and paragraph 2 of the Protocol to the Convention:

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

2. **Paragraph 1 of Article 12 of the MLI 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.**

8. 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 5 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 6

1. Income derived by a resident of a Contracting State from immovable property (including income from agriculture or forestry) situated in the other Contracting State may be taxed in that other Contracting State.

2. The term "immovable property" shall have the meaning which it has under the laws 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 consideration for the working of, or the right to work, mineral deposits, sources and other natural resources; 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 independent personal services.

Article 7

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. 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 wholly independently with the enterprise of which it is a permanent establishment.

3. In determining 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 contained 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 provisions 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 8

1. Profits derived by an enterprise of a Contracting State from the operation of ships or aircraft in international traffic shall be taxable only in that Contracting State.

2. In respect of the operation of ships or aircraft in international traffic carried on by an enterprise of a Contracting State, that enterprise, if an enterprise of Mexico, shall be exempt from the enterprise tax in Japan, and, if an enterprise of Japan, shall be exempt from any tax similar to the enterprise tax in Japan which may hereafter be imposed in Mexico.

3. The provisions of the preceding paragraphs of this Article shall also apply to profits from the participation in a pool, a joint business or an international operating agency.

Article 9

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. Where a Contracting State includes, in accordance with the provisions of paragraph 1 of this Article, in the profits of an enterprise of that Contracting State - and taxes accordingly - profits on which an enterprise of the other Contracting State has been charged to tax in that other Contracting State and where the competent authorities of the Contracting States agree, upon consultation, that all or part of the profits so included are profits which would have accrued to the enterprise of the first-mentioned Contracting State if the conditions made between the two enterprises had been those which would have been made between independent enterprises, then that other Contracting State shall make an appropriate adjustment to the amount of the tax charged therein on those agreed profits. In determining such adjustment, due regard shall be had to the other provisions of this Convention.

Article 10

1. Dividends paid by a company which is a resident of a Contracting State to a resident of the other Contracting State may be taxed in that other Contracting State.

2. (a) Dividends mentioned in paragraph 1 of this Article may also be taxed in the Contracting State of which the company paying the dividends is a resident and according to the laws of that Contracting State, but if the recipient is the beneficial owner of the dividends the tax so charged shall not exceed 15 per cent of the gross amount of the dividends.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, such dividends may also be taxed in the Contracting State of which the company paying the dividends is a resident and according to the laws of that Contracting State, but if the recipient is the beneficial owner of the dividends, the tax so charged shall not exceed 5 per cent of the gross amount of the dividends, if such beneficial owner is a company which owns at least 25 per cent of the voting shares issued by the company paying the dividends during the period of six months immediately before the end of the accounting period for which the distribution of profits takes place.

(c) Notwithstanding the provisions of sub-paragraphs (a) and (b) of this paragraph, such dividends shall be taxable only in the Contracting State of which the recipient is a resident, if such recipient is the beneficial owner of the dividends and is a company which holds at least 25 per cent of the voting shares issued by the

company paying the dividends during the period of six months immediately before the end of the accounting period for which the distribution of profits takes place, and satisfies on the date of payment of such dividends the following conditions:

(i) the shares issued by such recipient are regularly traded at a recognized stock exchange of the Contracting State of which such recipient is a resident; and

(ii) more than 50 per cent of the total shares issued by such recipient is owned by:

(aa) the Government of that Contracting State, political subdivisions or local authorities thereof or institutions wholly owned by the Government of that Contracting State, or by political subdivisions or local authorities thereof;

(bb) one or more individuals who are residents of that Contracting State;

(cc) one or more companies, being residents of that Contracting State, the shares issued by which are regularly traded at a recognized stock exchange of that Contracting State, or more than 50 per cent of the total shares issued by which is owned by one or more individuals who are residents of that Contracting State; or

(dd) any combination of the Government, political subdivisions, local authorities, institutions, individuals and companies mentioned in sub-paragraphs (aa), (bb) and (cc).

(d) The provisions of this paragraph shall not affect the taxation of the company in respect of the profits out of which the dividends are paid.

3. The term “dividends” as used in this Article means income from shares, “jouissance” shares, founders’ shares or other rights, not being debt-claims, participating in profits, as well as income from other corporate rights which is subjected to the same taxation treatment as income from shares by the laws of the Contracting State of which the company making the distribution is a resident.

4. The provisions of paragraphs 1 and 2 of this Article shall not apply if the beneficial owner of the dividends, being a resident of a Contracting State, carries on business in the other Contracting State of which the company paying the dividends is a resident, through a permanent establishment situated therein, or performs in that other Contracting State independent personal services from a fixed base situated therein, and the holding in respect of which the dividends are paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14, as the case may be, shall apply.

5. 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, except insofar as such dividends are paid to a resident of that other Contracting State or insofar as the holding in respect of which the dividends are paid is effectively connected with a permanent establishment or a fixed base situated in that other Contracting State, nor subject the company's undistributed profits to a tax on the company's 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.

Article 11

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, such interest may also be taxed in the Contracting State in which it arises and according to the laws of that Contracting State, but if the recipient is the beneficial owner of the interest the tax so charged shall not exceed:

(a) 10 per cent of the gross amount of the interest where:

(i) the beneficial owner is a bank or an insurance company;

(ii) the interest is derived from bonds and securities that are regularly and substantially traded at a recognized stock exchange;

(iii) the interest is paid by a bank; or

(iv) the interest is paid in respect of the sale on credit of equipment or machinery,

provided that the recipient of such interest is the seller of the equipment or machinery; and

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

3. Notwithstanding the provisions of paragraph 2 of this Article, interest arising in a Contracting State and derived by the Government of the other Contracting State, a political subdivision or local authority thereof, the Central Bank of that other Contracting State or any financial institution wholly owned by that Government, or by any resident of the other Contracting State with respect to debt-claims guaranteed or insured by the Government of that other Contracting State or any financial institution wholly owned by that Government shall be exempt from tax in the first-mentioned Contracting State.

4. For the purposes of paragraph 3 of this Article, the terms “the Central Bank” and “financial institution wholly owned by that Government” mean:

(a) in the case of Japan:

(i) the Bank of Japan;

(ii) the Export-Import Bank of Japan;

(iii) the Overseas Economic Cooperation Fund; and

(iv) such other financial institution the capital of which is wholly owned by the Government of Japan as may be agreed upon from time to time between the Governments of the two Contracting States;

(b) in the case of Mexico:

(i) the Banco de México;

(ii) the Banco Nacional de Comercio Exterior S.N.C.;

(iii) the Nacional Financiera S.N.C.;

(iv) the Banco Nacional de Obras y Servicios Públicos S.N.C.; and

(v) such other financial institution the capital of which is wholly owned by the Government of Mexico as may be agreed upon from time to time between the Governments of the two Contracting States.

5. 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 treated as income from money lent by the taxation law of the Contracting State in which the income arises.

6. The provisions of paragraphs 1, 2 and 3 of this Article shall not apply if the beneficial owner of the interest, being a resident of a Contracting State, carries on business in the other Contracting State in which the interest arises, through a permanent establishment situated therein, or performs in that other Contracting State independent personal services from a fixed base situated therein, and the debt-claim in respect of which the interest is paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14, as the case may be, shall apply.

7. Interest shall be deemed to arise in a Contracting State when the payer is that Contracting State itself, a political subdivision or local authority thereof 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 or a fixed base in connection with which the indebtedness on which the interest is paid was incurred, and such interest is borne by such permanent establishment or fixed base, then such interest shall be deemed to arise in the Contracting State in which the permanent establishment or fixed base is situated.

8. Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the interest, 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 beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case, the excess part of the payments shall remain taxable according to the laws of each Contracting State, due regard being had to the other provisions of this Convention.

Article 12

1. Royalties 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, such royalties may also be taxed in the Contracting State in which they arise and according to the laws of that Contracting State, but if the recipient is the beneficial owner of the royalties 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. Royalties shall be deemed to arise in a Contracting State when the payer is that Contracting State itself, a political subdivision or local authority thereof 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 or a fixed base in connection with which the liability to pay the royalties was incurred, and such royalties are borne by such permanent establishment or fixed base, then such royalties shall be deemed to arise in the Contracting State in which the permanent establishment or fixed base is situated.

5. The provisions of paragraphs 1, 2 and 4 of this Article shall likewise apply to proceeds arising from the alienation of 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, or secret formula or process, except when the provisions of paragraph 4 of Article 13 are applicable to the gains to be derived from such proceeds.

6. The provisions of paragraphs 1, 2 and 5 of this Article shall not apply if the beneficial owner of the royalties or proceeds, being a resident of a Contracting State, carries on business in the other Contracting State in which the royalties or proceeds arise, through a permanent establishment situated therein, or performs in that other Contracting State independent personal services from a fixed base situated therein, and the right or property in respect of which the royalties or proceeds are paid is effectively connected with such permanent establishment or fixed base. In such case the provisions

of Article 7 or Article 14, as the case may be, shall apply.

7. Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the royalties or proceeds, 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 beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case, the excess part of the payments shall remain taxable according to the laws of each Contracting State, due regard being had to the other provisions of this Convention.

Article 13

1. Gains derived by a resident of a Contracting State from the alienation of immovable property referred to in Article 6 and situated in the other Contracting State may be taxed in that other Contracting State.

2. Gains derived by a resident of a Contracting State from the alienation of shares issued by, or rights in, a company being a resident of the other Contracting State may be taxed in that other Contracting State, if:

(a) shares or rights held or owned by the alienator (together with such shares or rights held or owned by any other related persons as may be aggregated therewith) amount to at least 25 per cent of the total shares issued by, or of the total rights in, such company; and

(b) the total of the shares or rights alienated by the alienator and such related persons during the taxable year in which the alienation takes place amounts to at least 5 per cent of the total shares issued by, or of the total rights in, such company.

~~3. Notwithstanding the provisions of paragraph 2 of this Article, gains from the alienation of shares issued by a company which are not traded regularly at a recognized stock exchange of either Contracting State, of rights in a company, or of an interest in a trust, may be taxed in a Contracting State where the property of such company or trust consists principally of immovable property situated in that Contracting State.~~

The following paragraph 4 of Article 9 of the MLI replaces paragraph 3 of Article 13 of 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.**

4. Notwithstanding the provisions of paragraphs 2 and 3 of this Article, gains from the alienation of any property, other than immovable 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 any property, other than immovable property, pertaining to a fixed base available to a resident of a Contracting State in the other Contracting State for the purpose of performing independent personal services, including such gains from the alienation of such permanent establishment (alone or together with the whole enterprise) or of such fixed base, may be taxed in that other Contracting State.

5. Gains derived by a resident of a Contracting State from the alienation of ships or aircraft operated in international traffic and any property, other than immovable property, pertaining to the operation of such ships or aircraft shall be taxable only in that Contracting State.

6. Gains from the alienation of any property other than that referred to in paragraph 5 of Article 12 or in the preceding paragraphs of this Article shall be taxable only in the Contracting State of which the alienator is a resident.

Article 14

1. Income derived by a resident of a Contracting State in respect of professional services or other activities of an independent character shall be taxable only in that Contracting State unless:

(a) he has a fixed base regularly available to him in the other Contracting State for the purpose of performing his activities; or

(b) he is present in that other Contracting State for a period or periods exceeding in the aggregate 183 days in any consecutive twelve-month period.

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 15

1. Subject to the provisions of Articles 16, 18 and 19, 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 that other Contracting State for a period or periods not exceeding in the aggregate 183 days in any consecutive twelve-month period, and

(b) the remuneration is paid by, or on behalf of, an employer who is a resident of the first-mentioned Contracting State, and

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

3. Notwithstanding the preceding provisions of this Article, remuneration derived 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 16

Directors' fees and other similar payments derived by a resident of a Contracting State in his capacity as a member of the board of directors or as a statutory auditor of a company which is a resident of the other Contracting State may be taxed in that other Contracting State.

Article 17

1. Notwithstanding the provisions of Articles 14 and 15, income derived by an individual who is a resident of a Contracting State as an entertainer, such as a theatre, motion picture, radio or television artiste, and a musician, or as a sportsman, from his personal activities as such exercised in the other Contracting State, may be taxed in that other Contracting State.

Such income shall, however, be exempt from tax in that other Contracting State if such activities are exercised by an individual, being a resident of the first-mentioned Contracting State, pursuant to a special program for cultural exchange agreed upon between the Governments of the two Contracting States.

2. Where income in respect of personal activities exercised in a Contracting State by an entertainer or a sportsman in his capacity as such accrues not to the entertainer or sportsman himself but to another person who is a resident of the other Contracting State, 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 or sportsman are exercised.

Such income shall, however, be exempt from tax in that Contracting State if such income is derived from the activities exercised by an individual, being a resident of the other Contracting State, pursuant to a special program for cultural exchange agreed upon between the Governments of the two Contracting States and accrues to another person who is a resident of that other Contracting State.

Article 18

Subject to the provisions of paragraph 2 of Article 19, 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 19

1. (a) Salaries, wages and other similar remuneration, other than a pension, paid by a Contracting State or a political subdivision or local authority thereof to an individual in respect of services rendered to that Contracting State or a political subdivision or local authority thereof, in the discharge of functions of a governmental nature, shall be taxable only in that Contracting State.

(b) However, such salaries, wages and other similar remuneration shall be taxable only in the other Contracting State if the services are rendered in that other Contracting State and the individual is a resident of that other Contracting State who:

(i) is a national of that other Contracting State; or

(ii) did not become a resident of that other Contracting State solely for the purpose of rendering the services.

2. (a) Any pension paid by, or out of funds to which contributions are made by, a Contracting State or a political subdivision or local authority thereof to an individual in respect of services rendered to that Contracting State or a political subdivision or local authority thereof shall be taxable only in that Contracting State.

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

3. The provisions of Articles 15, 16, 17 and 18 shall apply to salaries, wages and other similar remuneration and pensions in respect of services rendered in connection with a business carried on by a Contracting State or a political subdivision or local authority thereof.

Article 20

Payments which a student or business apprentice who is or 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 be exempt from tax in the first-mentioned Contracting State, provided that such payments are made to him from outside

that first-mentioned Contracting State.

Article 21

1. Items of income of a resident of a Contracting State, wherever arising, not dealt with in the foregoing Articles of this Convention shall be taxable only in that Contracting State.

2. The provisions of paragraph 1 of this Article shall not apply to income, other than income from immovable property as defined in paragraph 2 of Article 6, if the recipient of such 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 Contracting 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 such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14, as the case may be, shall apply.

3. Notwithstanding the preceding provisions of this Article, items of income of a resident of a Contracting State not dealt with in the foregoing Articles of this Convention and arising in the other Contracting State may also be taxed in that other Contracting State.

Article 22

1. In accordance with the provisions and subject to the limitations of the laws of Mexico, as may be amended from time to time without changing the general principle hereof, Mexico shall allow its residents as credit against the Mexican tax:

(a) the Japanese tax paid on income arising in Japan, in an amount not exceeding the tax payable in Mexico on such income; and

(b) in the case of a company owning the capital of a company which is a resident of Japan and from which the first-mentioned company receives a dividend, the Japanese tax paid by the company paying the dividend with respect to the profits out of which the dividend is paid.

2. Subject to the laws of Japan regarding the allowance as a credit against Japanese tax of tax payable in any country other than Japan:

(a) Where a resident of Japan derives income from Mexico which may be taxed in Mexico in accordance

with the provisions of this Convention, the amount of Mexican tax payable in respect of that income shall be allowed as a credit against the Japanese tax imposed on that resident. The amount of credit, however, shall not exceed that part of the Japanese tax which is appropriate to that income.

(b) Where the income derived from Mexico is a dividend paid by a company which is a resident of Mexico to a company which is a resident of Japan, the credit shall take into account the Mexican tax payable by the company paying the dividend in respect of its income.

3. For the purposes of paragraph 2 of this Article, the term “Mexican tax payable” shall be deemed to include any amount which would have been payable as Mexican tax for any year but for a reduction or exemption of tax granted for that year or on any part thereof as a result of the application of the following provisions:

(a) Articles 13, 51 and 51-A of the Mexican Income Tax Law of January 1, 1981 so far as they 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 introduced, granting a reduction or exemption of tax which is of a substantially similar character to that of those Articles referred to in sub-paragraph (a) of this paragraph, provided that an agreement is made between the Governments of the two Contracting States.

4. For the purposes of the credit referred to in sub-paragraph (a) of paragraph 2 of this Article, Mexican tax payable on royalties to which the provisions of paragraph 2 of Article 12 apply shall be deemed to have been paid at the rate of 15 per cent.

5. The provisions of paragraphs 3 and 4 of this Article shall apply, provided that the business activities in relation to Mexican tax payable referred to in the said paragraphs are not in the financial sector and that no more than 25 per cent of the business profits, dividends or royalties, as the case may be, consist of profits or income derived from sources in third States.

6. The provisions of paragraphs 3, 4 and 5 of this Article shall cease to have effect in respect of income derived by a resident of Japan in any taxable year

beginning after 31 December of the ninth calendar year next following the calendar year in which this Convention enters into force.

Article 23

1. 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, in particular with respect to residence, are or may be subjected. This provision shall, notwithstanding the provisions of Article 1, also apply to persons who are not residents of one or both of the Contracting States.

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.

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.

3. Except where the provisions of paragraph 1 of Article 9, paragraph 8 of Article 11, or paragraph 7 of Article 12, 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.

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 the first-mentioned Contracting State are or may be subjected.

5. The provisions of this Article shall, notwithstanding the provisions of Article 2, apply to taxes of every kind and description.

Article 24

1. ~~Where a person considers that the actions of one or both of the Contracting States result or will result for him in taxation not in accordance with the provisions of this Convention, he may, irrespective of the remedies provided by the domestic laws of those Contracting States, present his case to the competent authority of the Contracting State of which he is a resident or, if his case comes under paragraph 1 of Article 23, to that of the Contracting State of which he is a national.~~

The following first sentence of paragraph 1 of Article 16 of the MLI replaces the first sentence of paragraph 1 of Article 24 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 case must be presented within three years from the first notification of the action resulting in taxation not in accordance with the provisions of this 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 a satisfactory 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 which is not in accordance with the provisions of this Convention. ~~Any agreement reached shall be implemented notwithstanding any time limits in the domestic laws of the Contracting States.~~

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.

The following second sentence of paragraph 3 of Article 16 of the MLI applies to the Convention:

Article 16 – Mutual Agreement Procedure

They may also consult together for the elimination of double taxation in cases not provided for in 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 of this Article.

Article 25

1. The competent authorities of the Contracting States shall exchange such information as is necessary for carrying out the provisions of this Convention or of the domestic laws of the Contracting States concerning taxes covered by this Convention insofar as the taxation thereunder is not contrary to the provisions of this Convention, or for the prevention of fiscal evasion with respect to such taxes. The exchange of information is not restricted by Article 1. Any information received by a Contracting State shall be treated as secret in the same manner as information obtained under the domestic laws of that Contracting State and shall be disclosed only to persons or authorities (including courts and administrative bodies) involved in the assessment or collection of, the enforcement or prosecution in respect of, or the determination of appeals in relation to, the taxes covered by this Convention. Such persons or authorities shall use the information only for such purposes. They may disclose the information in public court proceedings or in judicial decisions.

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 and administrative practice of that or of the other Contracting State;

(b) to supply information which is 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 (ordre public).

3. Notwithstanding the provisions of Article 2, the term "taxes covered by this Convention" referred to in paragraph 1 of this Article shall include taxes of every kind and description imposed by the Contracting States.

Article 26

1. Each of the Contracting States shall endeavour to collect such taxes imposed by the other Contracting State as will ensure that any exemption or reduced rate of tax granted under this Convention by that other Contracting State shall not be enjoyed by persons not entitled to such benefits. The Contracting State making such collections shall be responsible to the other Contracting State for the sums thus collected.

2. In no case shall the provisions of paragraph 1 of this Article be construed so as to impose upon either of the Contracting States endeavouring to collect the taxes the obligation to carry out administrative measures at variance with the laws and administrative practice of that Contracting State or which would be contrary to the public policy (ordre public) of that Contracting State.

Article 27

Nothing in this Convention shall affect the fiscal privileges of diplomatic agents or consular officers under the general rules of international law or under the provisions of special agreements.

The following paragraphs 1 through 3 of Article 10 of the MLI apply to the Convention:

Article 10 – Anti-abuse Rule for Permanent Establishments Situated in Third Jurisdictions

1. **Where:**

a) an enterprise of a Contracting State derives income from the other Contracting State and the first-mentioned Contracting State treats such income as attributable to a permanent

establishment of the enterprise situated in a third jurisdiction; and

b) the profits attributable to that permanent establishment are exempt from tax in the first-mentioned Contracting State,

the benefits of the Convention shall not apply to any item of income on which the tax in the third jurisdiction is less than 60 per cent of the tax that would be imposed in the first-mentioned Contracting State on that item of income if that permanent establishment were situated in the first-mentioned Contracting State. In such a case, any income to which the provisions of this paragraph apply shall remain taxable according to the domestic law of the other Contracting State, notwithstanding any other provisions of the Convention.

2. **Paragraph 1 shall not apply if the income derived from the other Contracting State described in paragraph 1 is derived in connection with or is incidental to the active conduct of a business carried on through the permanent establishment (other than the business of making, managing or simply holding investments for the enterprise's own account, unless these activities are banking, insurance or securities activities carried on by a bank, insurance enterprise or registered securities dealer, respectively).**

3. **If benefits under the Convention are denied pursuant to paragraph 1 with respect to an item of income derived by a resident of a Contracting State, the competent authority of the other Contracting State may, nevertheless, grant these benefits with respect to that item of income if, in response to a request by such resident, such competent authority determines that granting such benefits is justified in light of the reasons such resident did not satisfy the requirements of paragraphs 1 and 2. The competent authority of the Contracting State to which a request has been made under the preceding sentence by a resident of the other Contracting State shall consult with the competent authority of that other Contracting State before either granting or denying the request.**

The following paragraph 1 of Article 7 of the MLI replaces subparagraph (a) of paragraph 11 and paragraph 13 of the Protocol 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 28

1. This Convention shall be approved by each of the Contracting States in accordance with their legal procedures, and shall enter into force on the thirtieth day after the date of exchange of diplomatic notes indicating such approval.

2. This Convention shall be applicable,

(a) in Japan,

(i) with respect to taxes withheld at source, for amounts taxable on or after the first day of January of the calendar year next following that in which this Convention enters into force;

(ii) with respect to taxes on income which are not withheld at source, as regards income for any taxable year beginning on or after the first day of January of the calendar year next following that in which this Convention enters into force;

(iii) with respect to other taxes, as regards taxes for any taxable year beginning on or after the first day of January of the calendar year next following that in which this Convention enters into force;

(b) in Mexico,

as regards taxes for any taxable year beginning on or after the first day of the calendar year next following that in which this Convention enters into force.

Article 29

This Convention shall continue in effect indefinitely

but either Contracting State may, on or before the thirtieth day of June of any calendar year beginning after the expiration of a period of five years from the date of its entry into force, give to the other Contracting State, through the diplomatic channel, written notice of termination and, in such event, this Convention shall cease to have effect,

(a) in Japan,

(i) with respect to taxes withheld at source, for amounts taxable on or after the first day of January of the calendar year next following that in which the notice of termination is given;

(ii) with respect to taxes on income which are not withheld at source, as regards income for any taxable year beginning on or after the first day of January of the calendar year next following that in which the notice of termination is given;

(iii) with respect to other taxes, as regards taxes for any taxable year beginning on or after the first day of January of the calendar year next following that in which the notice of termination is given;

(b) in Mexico,

as regards taxes for any taxable year beginning on or after the first day of the calendar year next following that in which the notice of termination is given.

IN WITNESS WHEREOF the undersigned, duly authorized thereto by their respective Governments, have signed this Convention.

DONE in duplicate at Mexico City this ninth day of April, 1996, in the Japanese, Spanish and English languages, all texts being equally authentic. In the case of any divergence of interpretation, the English text shall prevail.

For the Government of Japan:	For the Government of the United Mexican States:
Terusuke Terada	Guillermo Ortiz

PROTOCOL

At the signing of the Convention between Japan and the United Mexican States for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (hereinafter referred to as "the Convention"), the undersigned have agreed upon the following provisions which shall form an integral part of the Convention.

~~1. With reference to sub-paragraph (e) of paragraph 4 of Article 5 of the Convention, it is understood that the activities which have a preparatory or auxiliary character include, in the case of Mexico, the preparation in relation to the placement of loans.~~[1]

~~2. With reference to paragraph 7 of Article 5 of the Convention, it is understood that:~~

~~(a) Where, in place of an enterprise, a person performs activities which, economically, belong to the sphere of the enterprise rather than to that of his own business operations, such person shall not be deemed to act in the ordinary course of his business.~~

~~(b) Where commercial activities of a person for an enterprise are subject to detailed instructions or to comprehensive control by that enterprise or where the entrepreneurial risk shall be borne by that enterprise, such person shall not be regarded as independent of that enterprise.~~[2]

3. With reference to paragraph 1 of Article 7 of the Convention, where the sales in a Contracting State of goods or merchandise of the same or similar kind as those sold through a permanent establishment of an enterprise of the other Contracting State have been made by other parts of that enterprise for the sole purpose of obtaining a benefit from the provisions of the Convention and that permanent establishment takes a principal part in the negotiation and conclusion of the contracts for such sales made by that enterprise, then, the profits of that enterprise derived from such sales may be taxed in that Contracting State, as being attributable to that permanent establishment, to the extent which corresponds to the proportion of measurable contribution made by the permanent establishment with

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[1] Paragraph 1 of the Protocol to the Convention is replaced by paragraph 2 of Article 13 of the MLI (see page 8).

[2] Paragraph 2 of the Protocol to the Convention is replaced by paragraph 2 of Article 12 of the MLI (see page 11).

respect to such sales to that made by that enterprise as a whole.

4. With reference to Article 7 of the Convention, it is understood that profits attributable to a permanent establishment during its existence may be taxed in the Contracting State in which that permanent establishment is situated even after that permanent establishment has ceased to exist in that Contracting State.

5. With reference to paragraph 3 of Article 7 of the Convention, it is understood that no deduction shall be allowed in respect of any amounts paid (other than reimbursement of actual expenses) by a permanent establishment of an enterprise of a Contracting State to the head or main office of the enterprise or any of its other offices, by way of:

(a) royalties, fees or other similar payments in return for the use of patents or other rights;

(b) commission, for specific services performed or for management; or

(c) except in the case of a bank, interest on money lent to the permanent establishment.

6. With reference to Article 8 of the Convention, it is understood that profits from the operation of ships or aircraft in international traffic do not include profits from:

(a) any direct delivery of goods or merchandise to a consignee by inland surface;

(b) the inland surface transport of individuals; or

(c) the provision of hotel accommodation.

7. With reference to Article 8 of the Convention, residents of Japan whose profits derived from Mexico may not be taxed by Mexico in accordance with the provisions of Article 8 of the Convention, may not be subject to the Mexican assets tax on the assets which are used to produce such profits.

8. With reference to paragraph 2 of Article 10, paragraph 2 of Article 11 and paragraph 3 of Article 13 of the Convention, the term “recognized stock exchange” means:

(a) in the case of Mexico, stock exchanges duly authorized under the terms of the Stock Market Law (Ley del Mercado de Valores) of January 2, 1975, as amended;

(b) in the case of Japan, stock exchanges established under the terms of the Securities and Exchange Law of April 13, 1948 (Law No. 25), as amended;

(c) any other stock exchange agreed upon by the Governments of the Contracting States.

9. With reference to paragraph 3 of Article 11 of the Convention, the provisions of the said paragraph shall not apply to the interest arising in a Contracting State and derived by any financial institution wholly owned by the Government of the other Contracting State in respect of debt-claims granted for a period of less than three years, or by any resident of the other Contracting State with respect to debt-claims granted for a period of less than three years, which are guaranteed or insured by any financial institution wholly owned by the Government of that other Contracting State.

10. With reference to paragraph 7 of Article 11 of the Convention, where a loan is contracted by the head or main office of an enterprise and its proceeds are used for several permanent establishments which that enterprise has in different States, the interest shall be deemed as arising in the Contracting State in which the permanent establishment is situated but only so much of the interest as is borne by such permanent establishment.

11. With reference to Article 11 of the Convention, it is understood that the provisions of the said Article shall not apply when:

~~(a) the competent authorities of the Contracting States agree that the debt-claim in respect of which the interest is paid was created or assigned with the main purpose of taking advantage of the said Article; or~~[3]

(b) the interest arising in Mexico and paid to a resident of Japan falls into the cases referred to in the provisions of Article 66 of the Mexican Income Tax Law of January 1, 1981 so far as these provisions were in force on, and have not been modified since the date of signature of the Convention, or have been modified only in minor respects so as not to affect their general character.

In such case, the interest may be taxed according to

[3] Subparagraph (a) of paragraph 11 of the Protocol to the Convention is replaced by paragraph 1 of Article 7 of the MLI (see page 32).

the laws of each Contracting State, due regard being had to the other provisions of the Convention.

12. With reference to paragraph 4 of Article 12 of the Convention, where the obligation to pay the royalties is contracted by the head or main office of an enterprise and the right or property in respect of which they are paid is used by several permanent establishments which that enterprise has in different States, the royalties shall be deemed as arising in the Contracting State in which the permanent establishment is situated but only so much of the royalties as are borne by such permanent establishment.

~~13. With reference to Article 12 of the Convention, it is understood that the provisions of the said Article shall not apply when the competent authorities of the Contracting States agree that the rights in respect of which the royalties are paid were created or assigned with the main purpose of taking advantage of the said Article. In such case, the royalties may be taxed according to the laws of each Contracting State, due regard being had to the other provisions of the Convention.~~[4]

14. With reference to Articles 12 and 13 of the Convention, it is understood that the provisions of paragraph 5 of Article 12 shall not apply to the proceeds from a genuine alienation of 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, or secret formula or process. The provisions of paragraph 4 or 6 of Article 13 shall apply to the gains from such alienation. An alienation shall be considered genuine if it does not leave the alienator any right on such property.

15. With reference to sub-paragraph (a) of paragraph 2 of Article 13 of the Convention, the provisions of the said paragraph shall apply if the shares or rights held or owned by the alienator and its related persons referred to therein amount to at least 25 per cent of the total shares or of the total rights at any time during the taxable year in which the alienation takes place or its two preceding taxable years.

16. With reference to Article 16 of the Convention, it is understood that the provisions of the said Article shall also apply, in the case of Mexico, to fees and other similar payments derived by a resident of Japan in his capacity as an “administrador” or “comisario”, the meaning of which is provided for in the relevant Mexican laws, of a

[4] Paragraph 13 of the Protocol to the Convention is replaced by paragraph 1 of Article 7 of the MLI (see page 32).

company which is a resident of Mexico.

17. With reference to Article 17 of the Convention, it is understood that the income referred to in paragraph 1 of the said Article shall include income derived from any personal activities performed in a Contracting State by an individual who is a resident of the other Contracting State relating to his reputation as an entertainer or sportsman.

18. With reference to sub-paragraph (b) of paragraph 1 of Article 22 of the Convention, Mexico shall allow its residents as credit against the Mexican tax the Japanese tax paid by the company paying the dividend only if the company receiving the dividend owns at least 10 per cent of the capital of the company paying the dividend.

19. With reference to sub-paragraph (b) of paragraph 2 of Article 22 of the Convention, the provisions of the said sub-paragraph shall apply only if the company receiving the dividend owns not less than 25 per cent either of the voting shares, or of the total shares issued by the company paying the dividend.

~~20. With reference to paragraph 2 of Article 24 of the Convention, it is understood that, in the case of Mexico, the provisions of the said paragraph shall not be construed as to impose Mexico the obligation to implement on a resident of Mexico any agreement reached after ten years from the due date or the date of filing the tax return, whichever is later, of such resident.~~[5]

IN WITNESS WHEREOF the undersigned, duly authorized thereto by their respective Governments, have signed this Protocol.

DONE in duplicate at Mexico City this ninth day of April, 1996, in the Japanese, Spanish and English languages, all texts being equally authentic. In the case of any divergence of interpretation, the English text shall prevail.

For the Government of Japan:	For the Government of the United Mexican States:
Terusuke Terada	Guillermo Ortiz

[5] The second sentence of paragraph 2 of Article 16 of the MLI applies to the Convention (see page 29).