

**CONVENTION BETWEEN THE REPUBLIC OF THE PHILIPPINES  
AND THE KINGDOM OF SWEDEN FOR THE AVOIDANCE OF  
DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION  
WITH RESPECT TO TAXES ON INCOME**

The Government of the Republic of the Philippines and the Government of the Kingdom of Sweden

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

Have agreed as follows:

**ARTICLE 1  
PERSONAL SCOPE**

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

**ARTICLE 2  
TAXES COVERED**

1. This Convention shall apply to taxes on income imposed on behalf of each Contracting State, 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.

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

(a) in the case of Sweden:

the general Swedish income taxes, including sailors' tax, coupon tax and the tax on public entertainers, the profit sharing tax, the tax on undistributed profits of companies and the tax on distribution in connection with reduction of share capital or the winding-up of a company (hereinafter referred to as "Swedish tax").

(b) in the case of the Philippines:

the income taxes imposed by the Government of the Philippines, (hereinafter referred to as "Philippine tax").

4. The Convention shall apply also to any identical or substantially similar taxes on income which are imposed after the date of signature of this Convention in addition to, or in place of, the existing taxes. The Contracting States shall notify each other of the substantial changes which have been made to their respective taxation laws.

**ARTICLE 3  
GENERAL DEFINITIONS**

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

(a) (i) the term "Sweden" means the Kingdom of Sweden and includes any area outside the territorial sea of Sweden within which under the laws of Sweden and in accordance with international law the rights of Sweden with respect to the exploration and exploitation of the natural resources on the sea-bed or in its subsoil may be exercised;

(ii) the term "Philippines" means the Republic of the Philippines and when used in a geographical sense means the national territory comprising the Republic of the Philippines;

(b) the terms "a Contracting State" and "the other Contracting State" mean, as the context, requires, Sweden or the Philippines;

(c) the term "person" comprises an individual, an estate, a trust, a company, and any other body of persons;

(d) the term "company" means anybody corporate or any other entity which is treated as a body corporate for tax purposes;

(e) 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;

(f) the term "competent authority" means:

(i) in the case of Sweden, the Minister of Finance or his authorized representative;

(ii) in the case of the Philippines, the Secretary of Finance or his authorized representative;

(g) the term "tax" means Swedish tax or Philippine tax as the context requires;

(h) the term "national" means:

(i) any individual possessing the citizenship of a Contracting State;

(ii) any legal person, partnership and association created, organized or incorporated under the laws of a Contracting State;

(i) the term "international traffic" means any transport by 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.

2. As regards the application of the 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 of that Contracting State relating to the taxes which are the subject of the Convention.

Notwithstanding the preceding sentence, if the meaning of such term under the Laws of a Contracting State is different from the meaning of the term under the laws of the other Contracting State , or if the meaning of such term is not readily

determinable under the laws of a Contracting State, the competent authorities of the Contracting States may, in order to prevent double taxation or to further any purpose of this Convention, establish a common meaning of the term for the purpose of this Convention.

#### **ARTICLE 4**

#### **FISCAL DOMICILE**

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

2. Where by reason of the provisions of paragraph 1 an individual is a resident of both Contracting States, then his status shall be determined, as follows:

(a) he shall be deemed to be a resident of the State in which he has a permanent home available to him; if he has a permanent home available to him in both States, he shall be deemed to be a resident of the State with which his personal and economic relations are closer (hereinafter referred to as his "centre of vital interests");

(b) if the 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 State, he shall be deemed to be a resident of the State in which he has an habitual abode;

(c) if he has an habitual abode in both States or in neither of them, he shall be deemed to be a resident of the State of which he is a national;

(d) if he is a national of both States or of neither of them, the competent authorities of the Contracting States shall settle the question by mutual agreement.

3. Where by reason of the provisions of paragraph 1 a person other than an individual is a resident of both Contracting States, then this case shall be determined in accordance with the following rules:

(a) it shall be deemed to be a resident of the State of which it is a national;

(b) if it is a national of neither of the States, then it shall be deemed to be a resident of the State in which its place of effective management is situated;

(c) if the place of effective management cannot be determined, then the competent authorities of the Contracting States shall by a mutual agreement endeavour to settle the question, and to determine the mode of application of the Convention to such person.

#### **ARTICLE 5**

#### **PERMANENT ESTABLISHMENT**

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" shall include especially:

(a) a place of management;

(b) a branch;

(c) an office;

(d) a factory;

(e) a workshop;

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

(g) a building site or construction or installation project or supervisory activities in connection therewith, where such site, project or activities continue for a period of more than six months;

(h) premises used as a sales outlet;

(i) a warehouse, in relation to a person providing storage facilities for others;

(j) the furnishing of services, including consultancy services, by a resident of a Contracting State through employees or other personnel, provided the activities of that nature continue (for the same or a connected project) within the other Contracting State for a period or periods aggregating more than 183 days during any taxable year.

3. The term "permanent establishment" shall not be deemed to include:

(a) the use of facilities solely for the purposes 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.

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

paragraph 6 applies) shall be deemed to be a permanent establishment in the first-mentioned State if:

(a) he has and habitually exercises in that State an authority to conclude contracts on behalf of the enterprise, unless his activities are limited to the purchase of goods or merchandise for that enterprise; or

(b) he has no such authority, but habitually maintains in the first-mentioned State a stock of goods or merchandise from which he regularly delivers goods or merchandise on behalf of the enterprise.

5. An insurance enterprise of a Contracting State shall, except in regard to reinsurance, be deemed to have a permanent establishment in the other Contracting State if it collects premiums in the territory of that State or insures risks situated therein through an employee or through a representative who is not an agent of an independent status within the meaning of paragraph 6.

6. 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 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.

However, when the activities of such an agent are performed wholly or almost wholly on behalf of the enterprise, he shall not be considered as agent of an independent status within the meaning of this paragraph if it is shown that the transaction between the agent and the enterprise were not made under arms-length conditions. In such a case the provisions of paragraph 4 shall apply.

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

## **ARTICLE 6**

### **INCOME FROM IMMOVABLE PROPERTY**

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 State.

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 landed 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 shall apply to income derived from the direct use, letting or use in any other form of immovable property.