No. 7460

ISRAEL
and
FRANCE

Convention for the avoidance of double taxation and the establishment of rules for reciprocal administrative assistance with respect to taxes on income. Signed at Paris, on 20 August 1963

Official texts: Hebrew and French.

Registered by Israel on 18 November 1964.

ISRAËL
et
FRANCE

Convention tendant à éviter les doubles impositions et à établir des règles d'assistance administrative réciproque en matière d'impôts sur le revenu. Signée à Paris, le 20 août 1963

Textes officiels hébreu et français.

Enregistré par Israël le 18 novembre 1964.

[TRANSLATION — TRADUCTION]

No. 7460. CONVENTION[1] BETWEEN ISRAEL AND FRANCE FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE ESTABLISHMENT OF RULES FOR RECIPROCAL ADMINISTRATIVE ASSISTANCE WITH RESPECT TO TAXES ON INCOME. SIGNED AT PARIS, ON 20 AUGUST 1963

The Government of the State of Israel and the Government of the French Republic, desiring to avoid double taxation with respect to taxes on income, with a view in particular to encouraging international trade and investment, and to establish rules for administrative assistance, have for that purpose agreed upon the following provisions :

Article 1

1. The existing taxes to which this Convention applies are :

A. In the case of Israel :

(1) The income tax ;
(2) The company tax ;
(3) The tax on gains from the sale of land under the Land Value Improvement Tax Law.

B. In the case of France :

(1) The tax on the income of individuals ;
(2) The complementary tax ;
(3) The tax on the profits of companies and other bodies corporate.

2. This Convention shall also apply to any identical or similar taxes which are subsequently imposed in addition to, or in place of, the existing taxes. The competent authorities of the Contracting States shall notify each other, at the end of each fiscal year, of any changes which have been made in their taxation laws.

3. If the taxation laws of either State are amended in a manner substantially affecting the nature, character or rate of the taxes referred to in paragraph (1) of this article, the competent authorities of the Contracting States shall agree on such action as may be necessary.

[1] Came into force on 1 September 1964, the first day of the month following the exchange of notifications, which took place at Paris on 31 August 1964, confirming completion of the respective constitutional formalities, in accordance with article 27 (2).

Article 2

1. For the purposes of this Convention :

(1) The term "France" means Metropolitan France and the overseas departments (Guadeloupe, Guiana, Martinique and Réunion).

The term "Israel" means the State of Israel.

(2) The term "person" means :

(*a*) Any individual ;
(*b*) Any body corporate ;
(*c*) Any unincorporated group of individuals.

(3) (*a*) For the purposes 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 similar criterion.

(*b*) Where, by reason of the provisions of the preceding sub-paragraph (*a*), an individual is deemed to be a resident of both Contracting States, the case shall be resolved in accordance with the following rules :

(*aa*) 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 he has the closer personal and economic ties (centre of vital interests) ;

(*bb*) If the Contracting State in which he has his centre of vital interests cannot be determined, or if he has no 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 ;

(*cc*) If he has an habitual abode in both Contracting States or in neither of them, the competent authorities of the Contracting States shall determine the question by agreement.

(*c*) Where, under the provisions of sub-paragraph (*a*) above, a body corporate is a resident of both Contracting States, then it shall be deemed to be a resident of the Contracting State in which its place of actual management is situated. The same shall apply to partnerships and associations which are not bodies corporate under the national laws by which they are governed.

(4) Within the meaning of this Convention, the place of actual management of an enterprise is the centre of general management of its business.

(5) The term "French enterprise" means an industrial or commercial enterprise carried on by a resident of the French Republic.

The term "Israel enterprise" means an industrial or commercial enterprise carried on by a resident of Israel.

The terms "enterprise of a Contracting State" and "enterprise of the other Contracting State" mean a French enterprise or an Israel enterprise, as the context requires.

(6) The term "permanent establishment" means a fixed place of business in which the business of the enterprise is wholly or partly carried on.

(*a*) The following shall, in particular, be deemed to be permanent establishments :

(*aa*) A place of management ;
(*bb*) A branch ;
(*cc*) An office ;
(*dd*) A factory ;
(*ee*) A workshop ;
(*ff*) A mine, quarry or other place of extraction of natural resources ;
(*gg*) A building site or construction or assembly project which exists for more than twelve months.

(*b*) The term "permanent establishment" shall not be deemed to include :

(*aa*) The use of facilities solely for the purpose of storage, display or delivery of merchandise belonging to the enterprise ;
(*bb*) The maintenance of a stock of merchandise belonging to the enterprise solely for the purpose of storage, display or delivery ;
(*cc*) The maintenance of a stock of merchandise belonging to the enterprise solely for the purpose of processing by another enterprise ;
(*dd*) The maintenance of a fixed place of business solely for the purpose of purchasing merchandise, or for collecting information, for the enterprise ;
(*ee*) 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.

(*c*) A person acting in a Contracting State on behalf of an enterprise of the other Contracting State—other than an agent of independent status to whom sub-paragraph (*e*) below applies—shall be deemed to be a "permanent establishment" in the first-mentioned State if he has, and habitually exercises in that State, an authority to conclude contracts in the name of the enterprise, unless his activities are limited to the purchase of merchandise for the enterprise.

(*d*) An insurance enterprise of a Contracting State shall be deemed to have a permanent establishment in the other State if it collects premiums in the territory of that State or insures risks situated therein through a representative who does not fall within the category of persons referred to in sub-paragraph (*e*) below.

(*e*) 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 independent status, where such persons are acting in the ordinary course of their business.

(*f*) 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.

(7) The term "competent authorities" means : in the case of Israel, the Minister of Finance or his duly authorized representative ; in the case of France, the Minister of Finance and Economic Affairs or his duly authorized representative.

2. In the application of this Convention by one of the Contracting States, any term not defined in this Convention shall unless the context otherwise requires have the meaning which it has under the laws in force in that State relating to the taxes which are the subject of this Convention.

Article 3

1. Income from immovable property shall be taxable only in the Contracting State in which such property is situated.

2. The term "immovable property" shall be defined in accordance with 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 of agricultural and forestry enterprises, 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 mineral deposits, mineral springs and other mineral resources ; ships, boats and aircraft shall not be regarded as immovable property.

3. The provisions of paragraphs (1) and (2) above shall apply to income derived from the direct use of immovable property or from the letting or use in any other form of such property, including income from agricultural or forestry enterprises. They shall likewise apply to profits from the alienation of immovable property.

4. The provisions of paragraphs 1-3 above shall also apply to the income from immovable property of any enterprises other than agricultural or forestry enterprises and to income from immovable property used for the performance of professional services.

Article 4

1. The profits of an enterprise of a Contracting State shall be taxable only in that State unless the enterprise carries on a trade or business in the other State