No. 8450

ISRAEL
and
FINLAND

Convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital. Signed at Jerusalem, on 21 January 1965

Official text: English.

Registered by Israel on 14 December 1966.

ISRAËL
et
FINLANDE

Convention tendant à éviter la double imposition et à prévenir l'évasion fiscale en matière d'impôts sur le revenu et d'impôts sur la fortune. Signée à Jérusalem, le 21 janvier 1965

Texte officiel anglais.

Enregistrée par Israël le 14 décembre 1966.

No. 8450. CONVENTION[1] BETWEEN THE GOVERNMENT OF THE STATE OF ISRAEL AND THE GOVERNMENT OF THE REPUBLIC OF FINLAND FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME AND CAPITAL. SIGNED AT JERUSALEM, ON 21 JANUARY 1965

The Government of the State of Israel and

The Government of the Republic of Finland,

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

Have appointed for that purpose as their respective Plenipotentiaries :

The Government of the State of Israel :

Mr. Simcha Gafni, Director of State Revenue, Ministry of Finance

The Government of the Republic of Finland :

Mr. Alexander Thesleff, Director of Legal Affairs, Foreign Ministry

Who, having communicated to one another their full powers, found in good and due form,

Have agreed as follows :

CHAPTER I

SCOPE OF THE CONVENTION

Article 1

PERSONAL SCOPE

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

[1] Came into force on 23 February 1966, the date of the exchange of instruments of ratification at Jerusalem, in accordance with article 29.

Article 2

TAXES COVERED

1. This Convention shall apply to taxes on income and on capital imposed on behalf of each Contracting State or its subdivisions, local authorities, or public communities, irrespective of the manner in which they are levied.

2. There shall be regarded as taxes on income and on capital all taxes imposed on total income, on total capital, or on elements of income or of capital, including taxes on gains from the alienation of movable or immovable property, as well as taxes on capital appreciation.

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

(*a*) In the case of Israel :
(1) the income tax ;
(2) the company profits tax ;
(3) the national and municipal property taxes , and
(4) the tax on gains from the sale of land under the Land Appreciation Tax Law ;
(hereinafter referred to as "Israeli tax") ;

(*b*) In the case of Finland :
(1) State income and capital tax ;
(2) communal tax ;
(3) sailors tax ,
(hereinafter referred to as "Finnish tax").

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

CHAPTER II

DEFINITIONS

Article 3

GENERAL DEFINITIONS

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

(*a*) the terms "a Contracting State" and "the other Contracting State" mean the State of Israel or the Republic of Finland, as the context requires ;

(*b*) the term "person" includes individuals, companies and all other entities which are treated as taxable units under the taxation laws in force in either Contracting State ,

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

(*d*) 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 ;

(*e*) the term "competent authorities" means in the case of Israel, the Minister of Finance or his authorised representative ; and in the case of Finland, the Ministry of Finance.

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.

Article 4

Fiscal domicile

1. 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 criterion of a similar nature.

2. Where by reason of the provisions of paragraph 1 an individual is a resident of both Contracting States, then this 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 closest (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*) If he is a national of both Contracting 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 it shall be deemed to be a resident of the Contracting State in which its place of effective management is situated.

Article 5

PERMANENT ESTABLISHMENT

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

2. The term "permanent establishment" shall include especially :

(*a*) a place of management ;
(*b*) a branch ,
(*c*) an office ;
(*d*) a factory ,
(*e*) a workshop ,
(*f*) a mine, quarry or other place of extraction of natural resources ;

(*g*) a building site or construction or assembly project which exists for more than twelve months.

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

(*a*) the use of facilities solely for the purpose of storage, display or delivery of goods or merchandise belonging to the enterprise ,
(*b*) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage, display or delivery ;
(*c*) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise, provided that the processing has been done under arrangements or conditions which are or would be made between independent persons ,
(*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.