No. 9648

FRANCE
and
PAKISTAN

Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (with exchange of letters). Signed at Paris on 22 July 1966

Authentic texts: French and English.

Registered by France on 23 June 1969.

FRANCE
et
PAKISTAN

Convention tendant à éviter la double imposition et l'évasion fiscale en matière d'impôts sur le revenu (avec échange de lettres). Signée à Paris le 22 juillet 1966

Textes authentiques: français et anglais.

Enregistrée par la France le 23 juin 1969.

CONVENTION[1] BETWEEN THE REPUBLIC OF FRANCE AND THE REPUBLIC OF PAKISTAN FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME

The President of the French Republic and the President of the Republic of Pakistan,

Desiring to conclude a Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income,

Have appointed for that purpose as their Plenipotentiaries:

The President of the French Republic

His Excellency Mr. Gilbert de Chambrun, Ministre Plénipotentiaire, Directeur des Conventions Administratives et des Affaires Consulaires au Ministère des Affaires Étrangères;

The President of the Republic of Pakistan,

His Excellency Mr. Jalaluddin Abdur Rahim, Ambassadeur Extraordinaire et Plénipotentiaire;

Who, having exhibited their respective powers, found in good and due form, have agreed as follows:

Article I

(1) The taxes which are the subject of this Convention are:

(*a*) in Pakistan:

— the income-tax, and

— the super-tax;
(hereinafter referred to as " Pakistan tax ").

(*b*) in France:

— the income-tax on individuals (*impôt sur le revenu des personnes physiques*),

— the complementary tax (*taxe complémentaire*),

[1] Came into force on 13 February 1969 by the exchange of the instruments of ratification, which took place at Islamabad, in accordance with article XXVI.

— the tax on the profits of the companies and other legal entities *(impôt sur les bénéfices des sociétés et autres personnes morales)*,
(hereinafter referred to as " French tax ").

(2) This Convention shall also apply to any identical or substantially similar taxes which are subsequently imposed in addition to, or in place of, the existing taxes by either Contracting Government subsequently to the date of signature of this Convention. The competent authorities of the Contracting States shall notify to each other, at the beginning of each year, any changes which have been made in their respective taxation laws and when the tax laws of any of the Contracting States are modified affecting substantially the nature or the character of the taxes mentioned in paragraph (1) of the present Article, the competent authorities of both States shall consult together to determine the changes it would be eventually necessary to make in the present Convention.

Article II

(1) In this Convention,

(*a*) The term " Pakistan " means the Provinces of Pakistan;

(*b*) The term " France " means the metropolitan France and the overseas departments (Guadeloupe, Guiana, Martinique and Réunion);

(*c*) The terms " one of the territories " and " the other territory " mean Pakistan or France as the context requires;

(*d*) The term " tax " means Pakistan tax or French tax as the context requires;

(*e*) The term " person " includes natural persons, companies and all other entities which are treated as taxable units under the tax laws of the respective States;

(*f*) The term " citizen " means a natural person, who is a citizen according to the laws of the respective States;

(*g*) The term " company " means any body corporate or any entity which is treated as a body corporate for tax purpose under the laws of the respective States;

(*h*) The terms " resident of Pakistan " and " resident of France " mean respectively any person who is resident in Pakistan for the purposes of Pakistan tax and not resident in France for the purposes of French tax, and any person who is resident in France for the purposes of French tax and not resident in Pakistan for the purposes of Pakistan tax.

A company shall be regarded as resident in Pakistan if its business is managed and controlled in Pakistan.

A company shall be regarded as resident in France if its business is managed and controlled in France.

(*i*) The term " Pakistan company " means a company which is a resident of Pakistan and the term " French company " means a company which is a resident of France;

(*j*) The terms " Pakistan enterprise " and " French enterprise " mean respectively an industrial or commercial enterprise or undertaking carried on in Pakistan by a resident of Pakistan and an industrial or commercial enterprise or undertaking carried on in France by a resident of France; and the terms " enterprise of one of the territories " and " enterprise of the other territory " mean a Pakistan enterprise or a French enterprise, as the context requires;

(*k*) The term " permanent establishment ", when used with respect to an enterprise of one of the territories, means a fixed place of business in which the business of the enterprise is wholly or partly carried on, a branch, a place of management, an office, a factory, a workshop, a mine, quarry or other place of extraction of natural resources.

An enterprise of one of the territories shall be deemed to have a permanent establishment in the other territory if it has, in the other territory, an agent or an employee, who has and habitually exercises a general authority to negotiate and conclude contracts on behalf of the enterprise, or, has in that other territory a stock of goods or merchandise from which he regularly fills orders secured by him on behalf of the enterprise.

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

The use of mere storage facilities or the maintenance of a stock of goods or merchandise, in one of the territories by an enterprise of the other territory, whether in a warehouse or not, merely for convenience of delivery and not for purposes of display shall not constitute by itself a permanent establishment, even if such goods or merchandise are delivered according to the instructions given by the enterprise in that other territory, after it has accepted an order obtained by an agent of the enterprise other than that who maintains this stock of goods.

An enterprise of one of the territories shall not be deemed to have a permanent establishment in the other territory if it carries on in that territory technical installations or setting up of machinery, if the duration of that activity does not exceed 183 days in a taxable year, notwithstanding the fact that it has a fixed place of business in such other territory within the meaning of paragraph (*k*) of the present Article unless such activity is attributable to that permanent establishment.

An enterprise of one of the territories shall not be deemed to have a permanent establishment in the other country merely because it maintains a fixed place of business solely for the purpose of advertising or the supply of information, for scientific research or for similar activities which have a preparatory or auxiliary character, for that enterprise.

The fact that a company which is 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.

(2) The term " competent authorities " means, in the case of Pakistan, the Central Board of Revenue or their authorised representative, and, in the case of France, the Director General of Taxes (Directeur Général des Impôts) and in the case of any territory to which the present Convention is extended under Article XXV, the competent authority for the administration in such territory of the taxes to which the present Convention applies;

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

Article III

(1) The industrial or commercial profits of an enterprise of one of the territories shall not be subjected to tax in the other territory unless the enterprise carries on a trade or business in the other territory through a permanent establishment situated therein. If it carries on a trade or business in that other territory through a permanent establishment situated therein, tax may be imposed on those profits in the other territory but only on so much of them as is attributable to that permanent establishment.