

No. 41711

**Italy
and
United Arab Republic**

Convention between the Italian Republic and the United Arab Republic for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income. Cairo, 26 March 1966

Entry into force: *7 September 1968 by the exchange of instruments of ratification, in accordance with article 22*

Authentic texts: *English*

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**Italie
et
République arabe unie**

Convention entre la République italienne et la République arabe unie tendant à éviter la double imposition et à prévenir l'évasion fiscale en matière d'impôts sur le revenu. Le Caire, 26 mars 1966

Entrée en vigueur : *7 septembre 1968 par échange des instruments de ratification, conformément à l'article 22*

Textes authentiques : *anglais*

Enregistrement auprès du Secrétariat des Nations Unies : *Italie, 1er août 2005*

[ENGLISH TEXT – TEXTE ANGLAIS]

CONVENTION BETWEEN THE ITALIAN REPUBLIC AND THE UNITED ARAB REPUBLIC FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME

The Government of the Italian Republic and the Government of the United Arab Republic,

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 I

1 - The taxes which are the subject of the present Convention are :

a) In the United Arab Republic (and hereinafter referred to as "United Arab Republic Tax").

1. Tax on income derived from immovable property (including the land tax, the building tax and the ghaffir tax);

2. Tax on income from movable capital;

3. Tax on commercial and industrial profits;

4. Tax on wages, salaries, indemnities and pensions;

5. Tax on profits from liberal professions and all other non-commercial professions;

6. General income tax;

7. Defence tax;

8. Supplementary taxes imposed as a percentage of taxes mentioned above (including municipal taxes).

b) In the Italian Republic (and hereinafter referred to as "Italian Tax").

1. Tax on land (imposta sul reddito dei terreni);

2. Tax on buildings (imposta sul reddito dei fabbricati);

3. Tax on income from movable wealth (imposta sui redditi di ricchezza mobile);

4. Tax on agricultural income (imposta sui redditi agrari);

5. Complementary tax (imposta complementare progressiva sul reddito complessivo);

6. Tax on companies (imposta sulle società) in so far as the tax is charged on income and not on capital;

7. Taxes on income imposed on behalf of Regions, Provinces, Municipalities, Chambers of Commerce (imposte regionali, provinciali, comunali e camerali sul reddito).

2 - The present Convention shall also apply to any other taxes of a substantially similar character imposed in the United Arab Republic or in the Italian Republic subsequently to the date of signature of this Convention.

3 - In the event of substantial changes in their fiscal laws, the Contracting States will consult together in order to determine whether it is necessary for that reason to amend any of the provisions of this Convention.

Article 2

1 - In the present Convention unless the context otherwise requires:

- a) The term "United Arab Republic" means Egypt.
- b) The term "Italian Republic" means the territory in which the Italian laws are in force.
- c) The term "one of the Contracting States" and "the other Contracting State" means the United Arab Republic or the Italian Republic as the context requires.
- d) The term "tax" means United Arab Republic tax or Italian tax, as the context requires.
- e) The term "person" includes any individual (natural person) or any body of persons, corporate or not corporate.
- f) The term "company" means any body corporate and any entity which is treated as a body corporate for tax purposes.
- g) The term "resident of a Contracting State" means :
 - a) in the case of a company, one having its principal seat of control and management in that Contracting State;
 - b) in the case of any other person (including partnerships, and associations which are not legal persons) one who, under the law of that State, is liable to taxation by reason of his domicile, residence, place of management or any other similar criterium. Where by reason of this provision any person (including partnerships and associations which are not legal persons) is deemed to be resident of both Contracting States, the competent authorities of the two Contracting States shall solve the case by mutual agreement.
- h) The terms "resident of one of the Contracting States" and "resident of the other Contracting State" means a person who is resident of the United Arab Republic or a person who is resident of the Italian Republic as the context requires;
- i) The terms "United Arab Republic enterprise" and "Italian enterprise" mean respectively an industrial or commercial enterprise or undertaking carried on by a resident of the United Arab Republic and an industrial or commercial enterprise or undertaking carried on by a resident of the Italian Republic. And the terms "enterprise of one of the Contracting States" and "enterprise of the other Contracting State" mean a United Arab Republic enterprise or an Italian enterprise, as the context requires; ;
- j) The term "permanent establishment" means a fixed place of business in which the business of the enterprise is wholly or partly carried on.

aa) A permanent establishment shall include e.g.: a place of management, branch, office, factory, workshop, mine, oilfield, quarry or other place of extraction of natural resources, a building site or construction or assembly project which exists for more than six months;

bb) The term "permanent establishment" shall not be deemed to include:

1. The use of facilities solely for the purpose of storage or display of goods or merchandise "belonging to the enterprise;

2. The maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage or display;

3. The maintenance of a stock of goods or merchandise, whether in a warehouse or not, merely for convenience of delivery unless sub-paragraph (cc) (2) applies;

4. The maintenance of a place of business solely for the purchase of goods or merchandise, or for collecting information, for the enterprise;

5. The maintenance of a 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;

cc) An enterprise of one of the Contracting States shall be deemed to have a permanent establishment in the other Contracting State if it has in that other State an agent or employee who,

1. Has and habitually exercises in this other Contracting State an authority to negotiate and conclude contracts on behalf of the enterprise unless his activities are limited to the purchase of goods or merchandise for the enterprise; or

2. Maintains in the other Contracting State a stock of goods belonging to the enterprise from which he regularly fills orders on its behalf;

dd) An enterprise shall not be deemed to have a permanent establishment in the other Contracting State merely because it carries on business dealings in that other State through:

- a broker,

- general commission agent or

- any other agent of a genuinely independent status where such persons are acting in the ordinary course of their business as such;

ee) The fact that a company which is a resident of one of the Contracting States has a subsidiary company which is a resident of the other Contracting State or which carries on a trade or business in that other State (whether through a permanent establishment or otherwise) shall not, of itself, constitute that subsidiary company a permanent establishment of its parent company.

2 - The term "competent authorities" means in the case of the United Arab Republic the Minister of the Treasury or his authorised representatives and in the case of the Italian Republic the Ministry of Finance, General Directorship for Direct Taxation.

3 - In the application of the provisions of the present Convention by one of the Contracting States any term not otherwise defined shall, unless the context otherwise re-

quires, 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 the present Convention.

Article 3

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

2 - The share of the industrial or commercial profits of an undertaking accruing to a partner therein who is a resident of one of the Contracting States shall likewise not be subject to tax in the other Contracting State unless the undertaking carries on a trade or business in that other Contracting State through a permanent establishment situated therein. If it carries on a trade or business in that other Contracting State through a permanent establishment situated therein, tax may be imposed in the other Contracting State on the share of the profits accruing to that partner, but only on so much as represents his share of the profits attributable to the permanent establishment.

3 - Where an enterprise of one of the Contracting States carries on a trade or business in the other Contracting State through a permanent establishment situated therein, there shall be attributed to that permanent establishment the industrial or commercial profits which it might be expected to derive in that other Contracting State if it were an independent enterprise engaged in the same or similar activities under the same or similar conditions and dealing at arm's length with the enterprise of which it is a permanent establishment. Such industrial and commercial profits will in principle be determined on the basis of the separate accounts pertaining to such establishment. In the determination of the net industrial and commercial profits of the permanent establishment, there shall be allowed as deduction all expenses wherever incurred which are reasonably allocable to the permanent establishment, including executive and general administrative expenses so attributable .

Provided that if the information available to the taxation authority concerned is inadequate to determine the profits to be attributed to the permanent establishment, nothing in this paragraph shall affect the application of the law of either Contracting State in relation to the liability of the permanent establishment to pay tax on an amount determined by the exercise of a discretion or the making of an estimate by the taxation authority of that Contracting State; such discretion shall be exercised or such estimate shall be made so far as the information available to the taxation authority permits, in accordance with the principle stated in this paragraph.

4 - No portion of any profits arising to an enterprise of one of the Contracting States shall be attributed to a permanent establishment situated in the other Contracting State by reason of the mere purchase of goods or merchandise within that other Contracting State, provided that no expenses or costs relating directly or indirectly to such purchases shall be allowed as deductions in determining the profits of the permanent establishment.