

No. 53162*

**Canada
and
Iceland**

Convention between Canada and the Republic of Iceland for the avoidance of double taxation and the prevention of fiscal evasion with respect of taxes on income and on capital. Reykjavik, 19 June 1997

Entry into force: *30 January 1998, in accordance with article 29*

Authentic texts: *English, French and Icelandic*

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**Canada
et
Islande**

Convention entre le Canada et la République d'Islande en vue d'éviter les doubles impositions et de prévenir l'évasion fiscale en matière d'impôts sur le revenu et sur la fortune. Reykjavik, 19 juin 1997

Entrée en vigueur : *30 janvier 1998, conformément à l'article 29*

Textes authentiques : *anglais, français et islandais*

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CONVENTION BETWEEN CANADA AND THE REPUBLIC OF ICELAND FOR THE
AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL
EVASION WITH RESPECT TO TAXES ON INCOME AND ON CAPITAL

The Government of Canada and the Government of the Republic of Iceland, desiring to conclude a Convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and on capital, have agreed as follows:

Article 1

Persons Covered

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 and on capital imposed on behalf of Canada and on behalf of Iceland or of its local authorities, 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 Canada:

the taxes imposed by the Government of Canada under the Income Tax Act,
(hereinafter referred to as "Canadian tax");
 - (b) in the case of Iceland:
 - (i) the national income tax;

- (ii) the extraordinary national income tax;
- (iii) the municipal income tax;
- (iv) the national capital tax;
- (v) the extraordinary national capital tax; and
- (vi) the tax levied on the income and the capital of banking institutions,
(hereinafter referred to as "Icelandic tax").

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

Article 3

General Definitions

1. For the purposes of this Convention, unless the context otherwise requires:
 - (a) the term "Canada" used in a geographical sense, means the territory of Canada, including:
 - (i) any area beyond the territorial sea of Canada which, in accordance with international law and the laws of Canada, is an area within which Canada may exercise rights with respect to the seabed and subsoil and their natural resources;
 - (ii) the sea and airspace above every area referred to in subparagraph (i) in respect of any activity carried on in connection with the exploration for or the exploitation of the natural resources referred to therein;
 - (b) the term "Iceland" means the Republic of Iceland and, when used in a geographical sense, means the territory of the Republic of Iceland, including its territorial sea, and any area beyond the territorial sea within which Iceland, in accordance with international law, exercises jurisdiction or sovereign rights with respect to the seabed, its subsoil and its superjacent waters, and their natural resources;

- (c) the terms "a Contracting State" and "the other Contracting State" mean, as the context requires, Canada or Iceland;
- (d) the term "person" includes an individual, an estate, a trust, a company, a partnership and any other body of persons;
- (e) the term "company" means any body corporate or any entity which is treated as a body corporate for tax purposes;
- (f) 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;
- (g) the term "competent authority" means:
 - (i) in the case of Canada, the Minister of National Revenue or the Minister's authorised representative;
 - (ii) in the case of Iceland, the Minister of Finance or the Minister's authorised representative;
- (h) the term "national" means:
 - (i) any individual possessing the nationality of a Contracting State;
 - (ii) any legal person, partnership or association deriving its status as such from the laws in force in a Contracting State;
- (i) the term "international traffic" means any voyage of a ship or aircraft operated by an enterprise of a Contracting State to transport passengers or property except where the principal purpose of the voyage is to transport passengers or property between places within the other Contracting State.

2. As regards the application of the Convention at any time by a Contracting State, any term not defined therein shall, unless the context otherwise requires, have the meaning that it has at that time under the law of that State for the purposes of the taxes to which the Convention applies, any meaning under the applicable tax laws of that State prevailing over a meaning given to the term under other laws of that State.

Article 4

Resident

1. For the purposes of this Convention, the term "resident of a Contracting State" means:
 - (a) any person who, under the laws of that State, is liable to tax therein by reason of the person's domicile, residence, place of management or any other criterion of a similar nature; this term, however, does not include any person who is liable to tax in that State in respect only of income from sources in that State;
 - (b) the Government of that State or a political subdivision or local authority thereof or any agency or instrumentality of any such government, subdivision or authority;
 - (c) a trust, company or other organisation constituted and operated exclusively to administer or provide benefits under one or more funds or plans established to provide pension, retirement or other employee benefits that is generally exempt from tax in a Contracting State and is a resident of that State according to the laws of that State.
2. Where by reason of the provisions of paragraph 1 an individual is a resident of both Contracting States, then the individual's status shall be determined as follows:
 - (a) the individual shall be deemed to be a resident only of the State in which the individual has a permanent home available; if the individual has a permanent home available in both States, the individual shall be deemed to be a resident only of the State with which the individual's personal and economic relations are closer (centre of vital interests);
 - (b) if the State in which the individual's centre of vital interests cannot be determined, or if there is not a permanent home available to the individual in either State, the individual shall be deemed to be a resident only of the State in which the individual has an habitual abode;
 - (c) if the individual has an habitual abode in both States or in neither of them, the individual shall be deemed to be a resident only of the State of which the individual is a national;
 - (d) if the individual 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.