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**Republic of Korea
and
Iceland**

Convention between the Republic of Korea 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 (with protocol). Seoul, 15 May 2008

Entry into force: *23 October 2008, in accordance with article 29*

Authentic texts: *English, Icelandic and Korean*

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**République de Corée
et
Islande**

Convention entre la République de Corée et la République d'Islande tendant à éviter la double imposition et à prévenir l'évasion fiscale en matière d'impôts sur le revenu et sur la fortune (avec protocole). Séoul, 15 mai 2008

Entrée en vigueur : *23 octobre 2008, conformément à l'article 29*

Textes authentiques : *anglais, islandais et coréen*

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**CONVENTION BETWEEN
THE REPUBLIC OF KOREA 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 the Republic of Korea 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 a Contracting State or of its political subdivisions or 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, taxes on the total amount of wages or salaries paid by enterprises, as well as taxes on capital appreciation.

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

- a) in Korea:
 - (i) the income tax;
 - (ii) the corporation tax;
 - (iii) the special tax for rural development; and
 - (iv) the inhabitant tax,
(hereinafter referred to as "Korean tax");
- b) in Iceland:
 - (i) the income taxes to the state;
 - (ii) the net wealth tax to the state; and
 - (iii) the income tax to the municipalities,
(hereinafter referred to as "Icelandic tax").

4. The Convention shall apply also to any identical or substantially similar taxes that 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 that have been made in their taxation laws.

Article 3 GENERAL DEFINITIONS

1. For the purposes of this Convention, unless the context otherwise requires:

- a) the term “Korea” means the Republic of Korea, and when used in a geographical sense, means the territory of the Republic of Korea, including its territorial sea, and any other area adjacent to the territorial sea of the Republic of Korea as an area within which the sovereign rights or jurisdiction of the Republic of Korea with respect to the waters, the sea-bed and subsoil, and their natural resources may be exercised;
 - 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 sea bed, its subsoil and its superjacent waters, and their natural resources;
 - c) the terms “a Contracting State” and “the other Contracting State” mean Korea or Iceland, as the context requires;
 - d) the term “tax” means Korean tax or Icelandic tax, as the context requires;
 - e) the term “person” includes an individual, a company and any other body of persons;
 - f) the term “company” means any body corporate or any entity that is treated as a body corporate for tax purposes;
 - g) 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;
 - h) the term “international traffic” means any transport by a ship or aircraft operated by an enterprise of a Contracting State, except when the ship or aircraft is operated solely between places in the other Contracting State;
 - i) 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;
 - j) the term “competent authority” means:
 - (i) in Korea: the Minister of Strategy and Finance or his authorised representative;
 - (ii) in Iceland: the Minister of Finance or his authorised representative.
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 any person who, under the laws of that State, is liable to tax therein by reason of his domicile, residence, place of head or main office, place of management or any other criterion of a similar nature, and also includes that State and any political subdivision or local authority thereof. 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 or capital situated in that State.
2. Where by reason of the provisions of paragraph 1 an individual is a resident of both Contracting States, then his status shall be determined as follows:

- a) he shall be deemed to be a resident only of the State in which he has a permanent home available to him; if he has a permanent home available to him in both States, he shall be deemed to be a resident only of the State with which his personal and economic relations are closer (centre of vital interests);
 - b) if the State in which he has his centre of vital interests cannot be determined, or if he does not have a permanent home available to him in either State, he shall be deemed to be a resident only of the State in which he has a habitual abode;
 - c) if he has a habitual abode in both States or in neither of them, he shall be deemed to be a resident only of the State of which he is a national;
 - d) if he 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.
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 only of the State in which its place of effective management is situated. In case of doubt, the competent authorities of the Contracting States shall settle the question by mutual agreement.

Article 5 **PERMANENT ESTABLISHMENT**

1. For the purposes of this Convention, the term “permanent establishment” means a fixed place of business through which the business of an enterprise is wholly or partly carried on.
2. The term “permanent establishment” includes especially:
- a) a place of management;
 - b) a branch;
 - c) an office;
 - d) a factory;
 - e) a workshop; and
 - f) a mine, an oil or gas well, a quarry or any other place of extraction of natural resources.
3. A building site or construction or installation project constitutes a permanent establishment only if it lasts more than twelve months.
4. Notwithstanding the preceding provisions of this Article, the term “permanent establishment” shall be deemed not 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;
 - d) the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise or of collecting information, for the enterprise;
 - e) the maintenance of a fixed place of business solely for the purpose of carrying on, for the enterprise, any other activity of a preparatory or auxiliary character;
 - f) the maintenance of a fixed place of business solely for any combination of activities mentioned in subparagraphs a) to e), provided that the overall activity of the fixed place of business resulting from this combination is of a preparatory or auxiliary character.