No. 3444

PAKISTAN
and
UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND

Agreement for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income. Signed at Karachi, on 10 June 1955

Official text: English.

Registered by Pakistan on 28 May 1956.

PAKISTAN
et
ROYAUME-UNI DE GRANDE-BRETAGNE ET D'IRLANDE DU NORD

Convention tendant à éviter la double imposition et à prévenir l'évasion fiscale en matière d'impôts sur le revenu. Signée à Karachi, le 10 juin 1955

Texte officiel anglais.

Enregistrée par le Pakistan le 28 mai 1956.

No. 3444. AGREEMENT[1] BETWEEN THE GOVERNMENT OF PAKISTAN AND THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME. SIGNED AT KARACHI, ON 10 JUNE 1955

The Government of Pakistan and the Government of the United Kingdom of Great Britain and Northern Ireland,

Desiring to conclude an agreement 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 Agreement are :

(*a*) In the United Kingdom of Great Britain and Northern Ireland :

The income-tax (including surtax), the profits tax and the excess profits levy (hereinafter referred to as " United Kingdom tax ").

(*b*) In Pakistan :

The income-tax, super-tax and the business profits tax (hereinafter referred to as " Pakistan tax ").

(2) The present Agreement shall also apply to any other taxes of a substantially similar character imposed by either Contracting Government subsequently to the date of signature of the present Agreement, or by the Government of any territory to which the present Agreement is extended under Article XVI.

Article II

(1) In the present Agreement, unless the context otherwise requires :

(*a*) The term "United Kingdom" means Great Britain and Northern Ireland;

[1] Came into force on 29 July 1955, in accordance with article XVII.

(*b*) The term " Pakistan " means the Provinces of Pakistan, the Capital of the Federation and the Acceding States to which the laws of the Federal Government relating to taxes, which are the subject of the present Agreement, have been, or may hereafter be, extended;

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

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

(*e*) The term " person " includes anybody of persons, corporate or not corporate;

(*f*) The term " company " means anybody corporate or not corporate, assessed as a company under the relevant laws of either Contracting Government;

(*g*) The term " resident of the United Kingdom " means :

(i) Any company whose business is managed and controlled in the United Kingdom; or

(ii) Any other person who is resident in the United Kingdom for the purposes of United Kingdom tax and not resident in Pakistan for the purposes of Pakistan tax;

(*h*) The term " resident of Pakistan " means :

(i) Any company whose business is managed and controlled in Pakistan; or

(ii) Any other person who is resident in Pakistan for the purposes of Pakistan tax and not resident in the United Kingdom for the purposes of United Kingdom tax;

(*i*) The terms " resident of one of the territories " and " resident of the other territory " mean a person who is a resident of the United Kingdom or a person who is a resident of Pakistan, as the context requires;

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

(*k*) The term " industrial or commercial profits " does not include rents or royalties in respect of motion picture films or income in the form of dividends, interest, rents, or royalties, or a fee or other remuneration derived by an enterprise from the management, control or supervision of the trade, business, or other activity of another enterprise or concern, or remuneration for labour or personal services, or income from the operation of ships or aircraft :

(*l*) The term " permanent establishment ", when used with respect to an enterprise of one of the territories, means a branch, management, factory, or other fixed place of business, but does not include an agency unless the agent has, and habitually exercises, a general authority to negotiate and conclude contracts on behalf of such enterprise or has a stock of merchandise from which he regularly fills orders on its behalf. In this connection :

(i) An enterprise of one of the territories shall not be deemed to have a permanent establishment in the other territory merely because it carries on business dealings in that other territory through a *bona fide* broker or general commission agent acting in the ordinary course of his business as such; and

(ii) The fact that a company which is a resident of one of the territories has a subsidiary company which is a resident of the other territory or which is engaged in trade or business in that other territory (whether through a permanent establishment or otherwise) shall not of itself constitute that subsidiary company a permanent establishment of its parent company.

(2) Where under this Agreement any income is exempt from tax in one of the territories if (with or without other conditions) it is subject to tax in the other territory, and that income is subject to tax in that other territory by reference to the amount thereof which is remitted to or received in that other territory, the exemption to be allowed under this Agreement in the first-mentioned territory shall apply only to the amount so remitted or received.

(3) In the application of the provisions of the present Agreement by one of the Contracting Governments, any term not otherwise defined shall, unless the context otherwise requires, have the meaning which it has under the laws of that Contracting Government relating to the taxes which are the subject of the present Agreement.

Article III

(1) The industrial or commercial profits of a United Kingdom enterprise shall not be subject to Pakistan tax unless the enterprise is engaged in trade or business in Pakistan through a permanent establishment situated therein. If it is so engaged, tax may be imposed on those profits by Pakistan, but only on so much of them as is attributable to that permanent establishment.

(2) The industrial or commercial profits of a Pakistan enterprise shall not be subject to United Kingdom tax unless the enterprise is engaged in trade or business in the United Kingdom through a permanent establishment situated

therein. If it is so engaged, tax may be imposed on those profits by the United Kingdom, but only on so much of them as is attributable to that permanent establishment.

(3) Where an enterprise of one of the territories is engaged in trade or business in the other territory through a permanent establishment situated therein, there shall be attributed to such permanent establishment the industrial or commercial profits which it might be expected to derive in that other territory 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.

Article IV

Where :

(*a*) an enterprise of one of the territories participates directly or indirectly in the management, control or capital of an enterprise of the other territory, or

(*b*) the same persons participate directly or indirectly in the management, control or capital of an enterprise of one of the territories and an enterprise of the other territory, and

(*c*) in either case, conditions are made or imposed between the two enterprises, in their commercial or financial relations, which differ from those which would be made between independent enterprises, any profits, which would but for those conditions have accrued to one of the enterprises but by reason of those conditions have not so accrued, may be included in the profits of that enterprise and taxed accordingly.

Article V

(1) Notwithstanding the provisions of Articles III and IV, profits derived by a resident of the United Kingdom from operating aircraft registered in the United Kingdom or ships whose port of registry is in the United Kingdom shall be exempt from Pakistan tax, unless the aircraft or ship is operated wholly or mainly between places within Pakistan.

(2) Notwithstanding the provisions of Articles III and IV, profits derived by a resident of Pakistan from operating aircraft registered in Pakistan or ships whose port of registry is in Pakistan shall be exempt from United Kingdom tax, unless the aircraft or ship is operated wholly or mainly between places within the United Kingdom.