SYNTHESISED TEXT OF THE MLI AND THE CONVENTION BETWEEN THE GOVERNMENT OF THE FRENCH REPUBLIC AND THE GOVERNMENT OF THE REPUBLIC OF ICELAND FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME

General disclaimer on the Synthesised text

This document presents the synthesised text for the application of Convention between the Government of the French Republic and the Government of the Republic of Iceland for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (with a protocol) signed on 29 August 1990 (the "Convention"), as modified by the Multilateral Convention to Implement Tax Related Measures to Prevent Base Erosion and Profit Shifting signed by France and Iceland on 7 June 2017 (the "MLI").

This document was prepared by the Competent Authority of Iceland, after consultation with the Competent Authority of France, and represents their shared understanding of the modifications made to the Convention by the MLI

The document was prepared on the basis of the MLI position of France submitted to the Depositary upon ratification on 26 September 2018 and of the MLI position of Iceland submitted to the Depositary upon acceptance on 26 September 2019. These MLI positions are subject to modifications as provided in the MLI. Modifications made to MLI positions could modify the effects of the MLI on the Convention.

The authentic legal texts of the Convention and the MLI take precedence and remain the legal texts applicable.

The provisions of the MLI that are applicable with respect to the provisions of the Convention are included in boxes throughout the text of this document in the context of the relevant provisions of the Convention. The boxes containing the provisions of the MLI have generally been inserted in accordance with the ordering of the provisions of the 2017 OECD Model Tax Convention.

Changes to the text of the provisions of the MLI have been made to conform the terminology used in the MLI to the terminology used in the Convention (such as „Covered Tax Agreement" and "Convention", "Contracting Jurisdictions" and "States"), to ease the comprehension of the provisions of the MLI. The changes in terminology are intended to increase the readability of the document and are not intended to change the substance of the provisions of the MLI. Similarly, changes have been made to parts of provisions of the MLI that describe existing provisions of the Convention: Descriptive language has been replaced by legal references of the existing provisions to ease the readability.

In all cases, references made to the provisions of the Convention or to the Convention must be understood as referring to the Convention as modified by the provisions of the MLI, provided such provisions of the MLI have taken effect.

References

The authentic legal texts of the MLI and the Convention can be found at the following links:

The MLI:
https://www.oecd.org/tax/treaties/multilateral-convention-to-implement-tax-treaty-related-measures-to-prevent-BEPS.pdf

In France:
https://www.impots.gouv.fr/portail/les-conventions-internationale

https://www.impots.gouv.fr/portail/files/media/10_conventions/islande/islande_convention-avec-l-islande_fd_1884.pdf

https://www.impots.gouv.fr/portail/files/media/10_conventions/islande/version_consolidee_de_la_convention_avec_lislande_modifiee_par_la_convention_multilaterale.pdf

In Iceland:
https://www.stjornarradid.is/library/02-Rit--skyrslur-og-skrar/frakkland.pdf

The MLI position of France submitted to the Depositary upon ratification 26 September 2018 and of the MLI position of Iceland submitted to the Depositary upon acceptance on 26 September 2019 can be found on the MLI Depositary (OECD) webpage.

Entry into Effect of the MLI Provisions

The provisions of the MLI applicable to this Convention do not take effect on the same dates as the original provisions of the Convention. Each of provisions of the MLI could take effect on different dates, depending on the types of taxes involved (taxes withheld at source or other taxes levied) and on the choices made by France and Iceland in their MLI positions.

Dates of the deposit of instruments of ratification, acceptance or approval: 26 September 2018 for France and 26 September 2019 for Iceland.

Entry into force of the MLI: 1 January 2019 for France and 1 January 2020 for Iceland.

Unless it is stated otherwise elsewhere in this document, the provisions of the MLI have effect with respect to the Convention:

In France:

- with respect to taxes withheld at source on amounts paid or credited to non-residents, where the event giving rise to such taxes occurs on or after 1 January 2020.

- with respect to all other taxes in France, for taxes levied with respect to taxable periods beginning on or after 1 July 2020.

In Iceland:

- with respect to taxes withheld at source on amounts paid or credited to non-residents, where the event giving rise to such taxes occurs on or after 1 January 2020.

- with respect to all other taxes in Iceland, for taxes levied with respect to taxable periods beginning on or after 1 January 2021.

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

The Government of the Republic of Iceland and the Government of the French Republic,

[REPLACED by paragraph 1 of Article 6 of the MLI] [~~DESIRING to conclude a Convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income,~~]

The following paragraph 1 of Article 6 of the MLI replaces the text referring to an intent to eliminate double taxation in the preamble of this Convention:

ARTICLE 6 OF THE MLI – PURPOSE OF A COVERED TAX AGREEMENT

Intending to eliminate double taxation with respect to the taxes covered by this Convention without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through treaty-shopping arrangements aimed at obtaining reliefs provided in the Convention for the indirect benefit of residents of third states),

HAVE AGREED as follows:

Article 1
PERSONAL SCOPE

This Convention shall apply to persons who are residents of one or both of the States.

Article 2
TAXES COVERED

1. This Convention shall apply to taxes on income imposed on behalf of a State or of its territorial authorities, irrespective of the manner in which they are levied.

2. There shall be regarded as taxes on income all taxes imposed on total income, or on elements of income, 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:

a) in the case of France:

i) the income tax;

ii) the corporation tax, including any withholding tax, prepayment (précomptes) and advance payment with respect to the aforesaid taxes

(hereinafter referred to as "French tax");

b) in the case of Iceland:

i) the national income tax;

ii) the municipal income tax;

iii) the church tax;

iv) the cemetery charge, in addition to the municipal income tax, including any withholding tax, prepayment and advance payment with respect to the aforesaid taxes

(hereinafter referred to as "Icelandic tax").

4. The Convention shall apply also to any taxes which are identical or substantially similar to those covered by paragraph 3 of this Article, and 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 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 "France" means the European and overseas departments of the French Republic, including the territorial sea and any area outside the territorial sea within which, in accordance with international law, the French Republic has sovereign rights for the purpose of exploring and exploiting the natural resources of the seabed and its subsoil and of the superjacent waters;

b) the term "Iceland" means the territory of the Republic of Iceland as well as any area adjacent to the territorial waters of Iceland within which, under the laws of Iceland and in accordance with international law, Iceland has sovereign rights for the purpose of exploring and exploiting the natural resources of the seabed and its subsoil;

c) the terms "a State" and "the other State" mean France or Iceland, as the context requires;

d) the term "person" includes an individual, a company 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 State" and "enterprise of the other State" mean, respectively, an enterprise carried on by a resident of a State and an enterprise carried on by a resident of the other State;

g) the term "international traffic" means any transport by a ship or an aircraft operated by an enterprise which has its place of effective management in a State, except when the ship or aircraft is operated solely between places in the other State;

h) the term "competent authority" means:

i) in the case of France, the Minister in charge of the Budget or his authorized representative;

ii) in the case of Iceland, the Minister of Finance or his authorized representative.

2. As regards the application of the Convention by a State any term not defined therein shall, unless the context otherwise requires, have the meaning which it has under the law of that State concerning the taxes to which the Convention applies.

Article 4
RESIDENT

1. For the purposes of this Convention, the term "resident of a State" means any person who, under the laws of that State, is liable to tax therein by reason of his domicile, residence, place of management or any other criterion of a similar nature. However, this term does not include any person who is liable to tax in that State in respect only of income from sources in that State.

2. Where by reason of the provisions of paragraph 1 an individual is a resident of both States, then his status shall be determined as follows:

a) he shall be deemed to be a resident 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 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 has not a permanent home available to him in either State, he shall be deemed to be a resident of the State in which he has an habitual abode;

c) if he has an habitual abode in both States or in neither of them, he shall be deemed to be a resident 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 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 States, then it shall be deemed to be a resident of the State in which its place of effective management is situated.

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 sub-paragraphs (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.

5. Notwithstanding the provisions of paragraphs 1 and 2, where a person other than an agent of an independent status to whom paragraph 6 applies is acting on behalf of an enterprise and has, and habitually exercises, in a State an authority to conclude contracts in the name of the enterprise, that enterprise shall be deemed to have a permanent establishment in that State in respect of any activities which that person undertakes for the enterprise, unless the activities of such person are limited to those mentioned in paragraph 4 which, if exercised through a fixed place of business, would not make this fixed place of business a permanent establishment under the provisions of that paragraph.

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

7. The fact that a company which is a resident of a State controls or is controlled by a company which is a resident of the other 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.

Article 6
INCOME FROM IMMOVABLE PROPERTY

1. Income derived by a resident of a State from immovable property (including income from agriculture or forestry) situated in the other State may be taxed in that other State.

2. The term "immovable property" shall have the meaning which it has under the law of the State in which the property in question is situated. The term shall in any case include property accessory to immovable property, livestock and equipment used in agriculture and forestry, rights to which the provisions of general law respecting landed property apply, usufruct of immovable property and rights to variable or fixed payments as consideration for the working of, or the right to work, mineral deposits, sources and other natural resources; ships and aircraft shall not be regarded as immovable property.

3. The provisions of paragraph 1 shall apply to income derived from the direct use, letting, or use in any other form of immovable property.

4. The provisions of paragraphs 1 and 3 shall also apply to the income from immovable property of an enterprise and to income from immovable property used for the performance of independent personal services.

5. Where the ownership of stocks, shares or other rights in a company or other legal entity entitles the owner to use the immovable property situated in a State which is held by that company or other legal entity, income derived by the owner from the direct use, rental or use in any other form of his right to use the property shall be taxable in that State.

Article 7
BUSINESS PROFITS

1. The profits of an enterprise of a State shall be taxable only in that State unless the enterprise carries on business in the other State through a permanent establishment situated therein. If the enterprise carries on business as aforesaid, the profits of the enterprise may be taxed in the other State but only so much of them as is attributable to that permanent establishment.

2. Subject to the provisions of paragraph 3, where an enterprise of a State carries on business in the other State through a permanent establishment situated therein, there shall in each State be attributed to that permanent establishment the profits which it might be expected to make if it were a distinct and separate enterprise engaged in the same or similar activities under the same or similar conditions and dealing wholly independently with the enterprise of which it is a permanent establishment.

3. In determining the profits of a permanent establishment, there shall be allowed as deductions expenses which are incurred for the purposes of the permanent establishment, including executive and general administrative expenses so incurred, whether in the State in which the permanent establishment is situated or elsewhere.

4. Insofar as it has been customary in a State to determine the profits to be attributed to a permanent establishment on the basis of an apportionment of the total profits of the enterprise to its various parts, nothing in paragraph 2 shall preclude that State from determining the profits to be taxed by such an apportionment as may be customary; the method of apportionment adopted shall, however, be such that the result shall be in accordance with the principles contained in this Article.

5. No profits shall be attributed to a permanent establishment by reason of the mere purchase by that permanent establishment of goods or merchandise for the enterprise.

6. For the purposes of the preceding paragraphs, the profits to be attributed to the permanent establishment shall be determined by the same method year by year unless there is good and sufficient reason to the contrary.

7. Where profits include items of income which are dealt with separately in other Articles of this Convention, then the provisions of those Articles shall not be affected by the provisions of this Article.

Article 8
SHIPPING AND AIR TRANSPORT

1. Profits from the operation of ships or aircraft in international traffic shall be taxable only in the State in which the place of effective management of the enterprise is situated. Such profits shall also include any incidental income derived by the enterprise from the use of containers for the transport in international traffic of goods or merchandise.

2. If the place of effective management of a shipping enterprise is aboard a ship, then it shall be deemed to be situated in the State in which the home harbour of the ship is situated, or, if there is no such home harbour, in the State of which the operator of the ship is a resident.

3. The provisions of paragraph 1 shall also apply to profits from the participation in a group, a joint business or an international operating agency.

Article 9
ASSOCIATED ENTERPRISES

1. Where

    a) an enterprise of a State participates directly or indirectly in the management, control or capital of an enterprise of the other State, or

    b) the same persons participate directly or indirectly in the management, control or capital of an enterprise of a State and an enterprise of the other State, and 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, then 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.

The following paragraph 1 of Article 17 of the MLI applies and supersedes the provisions of this Convention:

ARTICLE 17 OF THE MLI – CORRESPONDING ADJUSTMENTS

Where a State includes in the profits of an enterprise of that State — and taxes accordingly — profits on which an enterprise of the other State has been charged to tax in that other State and the profits so included are profits which would have accrued to the enterprise of the first-mentioned State if the conditions made between the two enterprises had been those which would have been made between independent enterprises, then that other State shall make an appropriate adjustment to the amount of the tax charged therein on those profits. In determining such adjustment, due regard shall be had to the other provisions of the Convention and the competent authorities of the States shall if necessary consult each other.

Article 10
DIVIDENDS

1. Dividends paid by a company which is a resident of a State to a resident of the other State may be taxed in that other State.

2. However, such dividends may also be taxed in the State of which the company paying the dividends is a resident and according to the laws of that State, but if the recipient is the beneficial owner of the dividends the tax so charged shall not exceed:

a) if the beneficial owner is a company, other than a partnership, which holds at least 10% of the capital of the company paying the dividends:

i) 5% of the gross amount of the dividends; or

ii) 15% of the gross amount of the dividends distributed by an Icelandic company, insofar as such dividends are deductible from the taxable base in Iceland;

b) 15% of the gross amount of the dividends in all other cases.

The provisions of this paragraph shall not affect the taxation of the company in respect of the profits out of which the dividends are paid.

3.

a) A resident of Iceland who receives dividends from a company resident in France which would entitle a resident of France receiving such dividends to a special tax credit ("avoir fiscal") is entitled to a payment from the French Treasury equal to

such tax credit ("avoir fiscal"), subject to deduction of the tax provided for in paragraph 2(b).

b) The provisions of sub-paragraph (a) shall apply only to a resident of Iceland who is:

i) an individual; or

ii) a company which holds directly less than 10% of the capital of the French company paying the dividends;

iii) a company or investment fund resident in Iceland which is not covered by the provisions of subparagraph (ii) of this paragraph, and which meets the conditions laid down by mutual agreement by the competent authorities.

c) The provisions of sub-paragraph (a) shall not apply if the recipient of the payment from the French Treasury provided for in that sub-paragraph is not liable to tax in Iceland on such payment.

d) The payments from the French Treasury mentioned in sub- paragraph (a) shall be considered dividends for the purposes of this Convention.

4. A resident of Iceland who receives dividends paid by a company resident in France and who is not entitled to the payment from the French Treasury mentioned in paragraph 3 may obtain a refund of the prepayment (précompte) effectively paid by the company on account of such dividends. The gross amount of the prepayment refunded is considered a dividend for the purposes of this Convention. It shall be taxed in France in accordance with the provisions of paragraph 2.

5. The term "dividends" as used in this Article means income from shares, "jouissance" shares or "jouissance" rights, mining shares, founders' shares or other rights, not being debt-claims, participating in profits, as well as income which is subjected to the treatment of distributions by the laws of the State of which the company making the distribution is a resident.

6. The provisions of paragraphs 1, 2 and 3 shall not apply if the beneficial owner of the dividends, being a resident of a State, carries on business in the other State of which the company paying the dividends is a resident, through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the holding in respect of which the dividends are paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14, as the case may be, shall apply.

7. Where a company which is a resident of a State derives profits or income from the other State, that other State may not impose any tax on the dividends paid by the company, except insofar as such dividends are paid to a resident of that other State or insofar as the holding in respect of which the dividends are paid is effectively connected with a permanent establishment or a fixed base situated in that other State. Nor may that other State subject the company's

undistributed profits to a tax on the company's undistributed profits, even if the undistributed profits arise wholly or partly in such other State.

8. Notwithstanding the provisions of paragraph 7, where a company which is a resident of a State carries on business in the other State through a permanent establishment situated therein, the profits of that permanent establishment, already subject to company tax, shall be liable, in accordance with the legislation of that other State, to a tax not exceeding 5%.

Article 11
INTEREST

1. Interest arising in a State and beneficially owned by a resident of the other State shall be taxable only in that other State.

2. The term "interest" as used in this Article means income from debt-claims of every kind, whether or not secured by mortgage and whether or not carrying a right to participate in the debtor's profits, and in particular, income from government securities and income from bonds or debentures, including premiums and prizes attaching to such securities, bonds or debentures. Penalty charges for late payment shall not be regarded as interest for the purposes of this Article.

3. The provisions of paragraph 1 shall not apply if the beneficial owner of the interest, being a resident of a State, carries on business in the other State in which the interest arises, through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the debt-claim in respect of which the interest is paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14, as the case may be, shall apply.

4. Interest shall be deemed to arise in a State when the payer is that State itself, a territorial authority, a public legal entity or a resident of that State. Where, however, the person paying the interest, whether he is a resident of a State or not, has in a State a permanent establishment or a fixed base in connection with which the indebtedness on which the interest is paid was incurred, and such interest is borne by such permanent establishment or fixed base, then such interest shall be deemed to arise in the State in which the permanent establishment or fixed base is situated.

5. Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the interest, having regard to the debt-claim for which it is paid, exceeds the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case, the excess part of the payments shall be taxable according to the laws of each State, due regard being had to the other provisions of this Convention.

Article 12
ROYALTIES

1. Royalties arising in a State and paid to a resident of the other State shall be taxable only in that other State if such resident is the beneficial owner of the royalties.

2. The term "royalties" as used in this Article means payments of any kind received as a consideration for the use of, or the right to use, any copyright of literary, artistic or scientific work including cinematograph films and films or tapes for television or radio broadcasting, any patent, trade mark, design or model, plan, secret formula or process, or for information concerning industrial, commercial or scientific experience.

3. The provisions of paragraph 1 shall not apply if the beneficial owner of the royalties, being a resident of a State, carries on business in the other State in which the royalties arise, through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the right or property in respect of which the royalties are paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14, as the case may be, shall apply.

4. Royalties shall be deemed to arise in a State when the payer is that State itself, a territorial authority, a public body corporate, or a resident of that State. Where, however, the person paying the royalties, whether he is a resident of a State or not, has in a State a permanent establishment or fixed base with which the right or property in respect of which the royalties are paid is effectively connected, and such royalties are borne by such permanent establishment, then such royalties shall be deemed to arise in the State in which the permanent establishment or fixed base is situated.

5. Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the royalties, having regard to the use, right or information for which they are paid, exceeds the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. The excess part of the payments shall be taxable according to the laws of each State, due regard being had to the other provisions of this Convention.

Article 13
CAPITAL GAINS

1. Gains derived by a resident of a State from the alienation of immovable property referred to in Article 6 shall be taxable in the State in which the property is situated. Gains from the alienation of stocks, shares or other rights in a company or other legal entity owning immovable property situated in a State shall be taxable in that State if, in accordance with the laws of that State, they are subject to the same tax treatment as gains arising from the alienation of immovable property.

2. Gains arising from the alienation of shares or bonds other than those referred to in the second part of paragraph 1 and which form part of a substantial participation in the capital of a

company which is a resident of a State shall be taxable in that State. A substantial participation is deemed to exist when the alienator, alone or with related persons, owns directly or indirectly at least 25% of the capital of the company.

3. Gains from the alienation of movable property forming part of the business property of a permanent establishment which an enterprise of a State has in the other State or of movable property pertaining to a fixed base available to a resident of a State in the other State, including gains from the alienation of such a permanent establishment (alone or with the whole enterprise) or of such fixed base, may be taxed in that other State.

4. Gains from the alienation of ships or aircraft operated in international traffic, or movable property pertaining to the operation of such ships or aircraft, shall be taxable only in the State in which the place of effective management of the enterprise is situated.

5. Gains from the alienation of any property other than that referred to in the preceding paragraphs of this Article shall be taxable only in the State of which the alienator is a resident.

Article 14
INDEPENDENT PERSONAL SERVICES

1. Income derived by a resident of a State in respect of professional services or other independent activities shall be taxable only in that State unless he has a fixed base regularly available to him in the other State for the purpose of performing his activities. If he has such a fixed base, the income may be taxed in the other State but only so much of it as is attributable to that fixed base.

2. The term "professional services" includes especially independent scientific, literary, artistic, educational or teaching activities as well as the independent activities of physicians, lawyers, engineers, architects, dentists and accountants.

Article 15
DEPENDENT PERSONAL SERVICES

1. Subject to the provisions of Articles 16, 18 and 19, salaries, wages and other similar remuneration derived by a resident of a State in respect of an employment shall be taxable only in that State unless the employment is exercised in the other State. If the employment is so exercised, such remuneration as is derived therefrom may be taxed in that other State.

2. Notwithstanding the provisions of paragraph 1, remuneration derived by a resident of a State in respect of an employment exercised in the other State shall be taxable only in the first-mentioned State if:

a) the recipient is present in the other State for a period or periods not exceeding in the aggregate 183 days in any period of twelve consecutive months; and

b) the remuneration is paid by, or on behalf of, an employer who is not a resident of the other State; and

c) the remuneration is not borne by a permanent establishment or a fixed base which the employer has in the other State.

3. Subject to the provisions of Article 19, and notwithstanding the provisions of paragraphs 1 and 2, remuneration which a teacher or researcher who is, or was immediately before visiting a State, a resident of the other State and who is present in the first- mentioned State solely for the purpose of teaching or conducting research receives in respect of such activities shall be taxed only in that other State. This provision shall apply during a period not exceeding 24 months starting from the date of arrival of the teacher or researcher in the first-mentioned State until the end of the teaching or research period.

4. Notwithstanding the preceding provisions of this Article, remuneration derived in respect of an employment exercised aboard a ship operated in international traffic, may be taxed in the State in which the place of effective management of the enterprise is situated.

5. Notwithstanding the preceding provisions of this Article, remuneration derived in respect of an employment exercised aboard an aircraft operated in international traffic by an enterprise of a State, shall be taxable only in the State of which the recipient is a resident.

Article 16
MEMBERS OF BOARDS OF DIRECTORS

Directors' fees and other similar remuneration derived by a resident of a State in his capacity as a member of the board of directors of a company which is a resident of the other State may be taxed in that other State.

Article 17
ARTISTES AND ATHLETES

1. Notwithstanding the provisions of Articles 14 and 15, income derived by a resident of a State as an entertainer, such as a theatre, motion picture, radio or television artiste, or a musician, or as an athlete, from his personal activities as such exercised in the other State, may be taxed in that other State. Where an entertainer or an athlete, who is a resident of a State, derives income in the other State from performances that have a connection with his professional standing, such income may be taxed in that other State.

2. Where income referred to in paragraph 1 accrues not to the entertainer or the athlete himself but to another person, that income may, notwithstanding the provisions of Articles 7, 14 and 15, be taxed in the State in which it arises.

3. Notwithstanding the provisions of paragraph 1, income of an entertainer or an athlete, who is a resident of a State, arising from his personal activities as such exercised in the other State, shall be taxable only in the first-mentioned State if those activities in the other State are financed substantially by public funds of that first-mentioned State, one of its local authorities or one of its public legal entities.

4. Notwithstanding the provisions of paragraph 2, where income in respect of personal activities exercised by an entertainer or an athlete, who is a resident of a State, in his capacity as such in the other State accrues not to the entertainer or athlete himself but to another person, that income may, notwithstanding the provisions of Articles 7, 14 and 15, be taxed only in the first- mentioned State if that other person is financed substantially by public funds of that State, one of its local authorities or one of its public legal entities.

Article 18
PENSIONS

Subject to the provisions of paragraph 2 of Article 19, pensions and other similar remuneration paid to a resident of a State in consideration of past employment shall be taxable only in that State.

Article 19
GOVERNMENT REMUNERATION AND PENSIONS

1.

a) Remuneration, other than a pension, paid by a State or one of its local authorities or public legal entities to an individual in respect of services rendered to that State, that authority or public legal entity, shall be taxable only in that State.

b) However, such remuneration shall be taxable only in the other State if the services are rendered in that State and the individual is a resident of that State who:

i) is a national of that State; or

ii) did not become a resident of that State solely for the purpose of rendering the services.

2.

a) Any pension paid by, or out of funds created by, a State or one of its local authorities or public legal entities in respect of services rendered to that State, that authority or public legal entity, shall be taxable only in that State.

b) However, such pension shall be taxable only in the other State if the individual is a resident of, and a national of, that State.

3. The provisions of Articles 15, 16 and 18 shall apply to remuneration and pensions in respect of services rendered in connection with a business carried on by a State or a local authority or public legal entity thereof.

Article 20
STUDENTS

Payments which a student or business apprentice who is, or was immediately before visiting a State, a resident of the other State and who is present in the first-mentioned State solely for the purpose of his education or training receives for the purpose of his maintenance, education or training shall not be taxed in that State, provided that such payments arise from sources outside that State.

Article 21
OTHER INCOME

1. Items of income of a resident of a State, wherever arising, not dealt with in the foregoing Articles of this Convention shall be taxable only in that State.

2. The provisions of paragraph 1 shall not apply to income, other than income from immovable property referred to in Article 6, if the recipient of such income, being a resident of a State, carries on business in the other State through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the right or property in respect of which the income is paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14, as the case may be, shall apply.

The following paragraph 1 of Article 7 of the MLI applies and supersedes the provisions of this Convention:

ARTICLE 7 OF THE MLI – PREVENTION OF TREATY ABUSE

(Principal purposes test provision)

Notwithstanding any provisions of the Convention, a benefit under the Convention shall not be granted in respect of an item of income if it is reasonable to conclude, having regard to all relevant facts and circumstances, that obtaining that benefit was one of the principal purposes of any arrangement or transaction that resulted directly or indirectly in that benefit, unless it is established that granting that benefit in these circumstances would be in accordance with the object and purpose of the relevant provisions of the Convention.

Article 22
PENSION PREMIUMS

Contributions paid by, or for, an individual who is a resident of a State or who temporarily visits that State to a pension fund accepted by the competent authorities of the other State of which that individual was a resident before, shall be subjected to the same tax treatment in the first-mentioned State as contributions paid to a pension fund recognized by the competent authorities of that State, provided they recognize the agreement obtained in that other State from such pension fund.

Article 23
PROVISIONS FOR ELIMINATION OF DOUBLE TAXATION

Double taxation shall be avoided as follows:
Where a resident of a State derives income which, in accordance with the provisions of the Convention, may be taxed in the other State, the first-mentioned State may also tax that income. The tax levied in the other State shall not be deductible for purposes of calculating the income taxable in the first-mentioned State. However, the resident is entitled to a tax credit against the tax levied in the first-mentioned State in the basis of which such income is included. Such tax credit shall be equal to:
-- for income mentioned in Articles 10, 16 and 17, the amount of tax paid in the other State in accordance with the provisions of those Articles. The credit may not, however, exceed the amount of tax in the first-mentioned State pertaining to such income;
-- for all other income, the amount of tax of the first-mentioned State pertaining to such income.
This provision shall equally apply to remuneration and pensions mentioned in Article 19.

Article 24
NON-DISCRIMINATION

1. Nationals of a State shall not be subjected in the other State to any taxation or any requirement connected therewith, which is other or more burdensome than the taxation and connected requirements to which nationals of that other State in the same circumstances are or may be subjected. This provision shall, notwithstanding the provisions of Article 1, also apply to persons who are not residents of one or both of the States.

2. The term "nationals" means:

a) all individuals possessing the nationality of a State;

b) all legal persons, partnerships and associations deriving their status as such from the laws in force in a State.

3. Stateless persons who are residents of a State shall not be subjected in the other State to any taxation or any requirement connected therewith, which is other or more burdensome than the taxation and connected requirements to which nationals of that State in the same circumstances are or may be subjected.

4. The taxation on a permanent establishment which an enterprise of a State has in the other State shall not be less favourably levied in that other State than the taxation levied on enterprises of that other State carrying on the same activities.

5. Except where the provisions of Article 9, paragraph 5 of Article 11 or paragraph 5 of Article 12 apply, interest, royalties and other disbursements paid by an enterprise of a State to a resident of the other State shall, for the purpose of determining the taxable profits of such enterprise, be deductible under the same conditions as if they had been paid to a resident of the first-mentioned State.

6. Enterprises of a State, the capital of which is wholly or partly owned or controlled, directly or indirectly, by one or more residents of the other State, shall not be subjected in the first-mentioned State to any taxation or any requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which other similar enterprises of the first-mentioned State are or may be subjected.

7. No provision of this Article may be interpreted in such a way as to enable a State to subject residents and nonresidents of that State to different tax treatments and to reserve exemptions, deductions, reductions or tax allowances eitherto residents or non- residents.

8. The provisions of this Article shall, notwithstanding the provisions of Article 2, apply to taxes of every kind and description.

Article 25
MUTUAL AGREEMENT PROCEDURE

1. **[The first sentence of paragraph 1 of Article 25 of this Convention is REPLACED by the first sentence of paragraph 1 of Article 16 of the MLI]** [~~Where a person considers that the actions of one or both of the~~ States ~~result or will result for him in taxation not in accordance with the provisions of this Convention, he may, irrespective of the remedies provided by the domestic law of those States, present his case to the competent authority of the~~ State ~~of which he is a resident or, if his case comes under paragraph 1 of Article 24, to that of the State of which he is a national.~~] The case must be presented within three years from the first notification of the action resulting in taxation not in accordance with the provisions of the Convention.

The following first sentence of paragraph 1 of Article 16 of the MLI replaces the first sentence of paragraph 1 of Article 25 of this Convention:

ARTICLE 16 OF THE MLI – MUTUAL AGREEMENT PROCEDURE

Where a person considers that the actions of one or both of the States result or will result for that person in taxation not in accordance with the provisions of this Convention, that person may, irrespective of the remedies provided by the domestic law of those States, present the case to the competent authority of either State.

2. The competent authority shall endeavour, if the objection appears to it to be justified and if it is not itself able to arrive at a satisfactory solution, to resolve the case by mutual agreement with the competent authority of the other State, with a view to the avoidance of taxation which is not in accordance with the Convention. Any agreement reached shall be implemented notwithstanding any time limits in the domestic law of the States.

3. The competent authorities of the States shall endeavour to resolve by mutual agreement any difficulties or doubts arising as to the interpretation or application of the Convention. They may also consult together for the elimination of double taxation in cases not provided for in the Convention.

4. The competent authorities of the States may communicate with each other directly for the purpose of reaching an agreement in the sense of the preceding paragraphs. When it seems advisable in order to reach agreement to have an oral exchange of opinions, they may establish to that effect a commission consisting of their respective representatives.

5. The competent authorities of the States may resolve by mutual agreement the means of application of this Convention, and in particular stipulate the formalities which must be satisfied by the residents of a State in order to obtain in the other State the tax reductions or exemptions which are provided by the Convention.

Article 26
EXCHANGE OF INFORMATION

1. The competent authorities of the States shall exchange such information as is necessary for carrying out the provisions of this Convention or of the domestic laws of the States concerning taxes covered by the Convention insofar as the taxation thereunder is not contrary to the Convention. The exchange of information is not restricted by Article 1. Any information received by a State shall be treated as secret in the same manner as information obtained under the domestic laws of that State and shall be disclosed only to persons or authorities (including courts and administrative bodies) involved in the assessment or collection of, the enforcement or prosecution in respect of, or the determination of appeals in relation to, the taxes covered by the Convention. Such persons or authorities shall use the information only for such purposes. They may disclose the information in public court proceedings or in judicial decisions.

2. In no case shall the provisions of paragraph 1 be construed so as to impose on a State the obligation:

a) to carry out administrative measures at variance with the laws and administrative practice of that or of the other State;

b) to supply information which is not obtainable under the laws or in the normal course of the administration of that or of the other State;

c) to supply information which would disclose any trade, business, industrial, commercial or professional secret or trade process, or information, the disclosure of which would be contrary to public policy (ordre public).

Article 27
DIPLOMATIC AND CONSULAR OFFICERS

1. Nothing in this Convention shall affect the fiscal privileges of members of diplomatic missions and their personal servants, consular officers or members of permanent delegations to international organisations under the general rules of international law or under the provisions of special agreements.

2. Notwithstanding the provisions of Article 4, any individual who is a member of a diplomatic mission, a consular post or a permanent delegation of a State which is situated in the other State or in a third State shall be deemed for the purposes of the Convention to be a resident of the sending State, under the condition that:

a) in accordance with international law, he is not subject to tax in the host State for income from sources outside that State; and

b) he is subject in the sending State to the same obligations in relation to tax to total income as are residents thereof.

3. The Convention shall not apply to international organizations, to organs or officials thereof nor to persons who are members of a diplomatic mission, consular post or permanent mission of a third State, if they are present in the territory of a State and are not treated as residents of either State with respect to taxes on income.

Article 28
TERRITORIAL EXTENSION

1. The Convention may be extended, either in its entirety or with any necessary modifications, to the overseas territories and other territorial authorities of the French Republic which impose taxes substantially similar in character to those to which the Convention applies. Any such extension shall take effect from such date as may be specified and agreed between the States in notes to be exchanged through diplomatic channels or in any other manner in accordance with their constitutional procedures. This agreement shall also provide the necessary changes to the Convention and the conditions under which it shall apply to the overseas territories and other territorial authorities to which it has been extended.

2. Unless otherwise agreed by both States, the termination of the Convention by one of them under Article 30 shall also terminate, in the manner provided for in that Article, the application of the Convention to any territory and territorial authority to which it has been extended under this Article.

Article 29
ENTRY INTO FORCE

1. Each of the States shall notify the other that it has completed the required procedures with respect to the entry into force of this Convention. It shall enter into force on the first day of the second month following the date on which the latter of such notifications has been received.

2. Its provisions shall apply for the first time:

a) with respect to taxes withheld at source, to income derived on or after the first day of the month following the date of entry into force of the Convention;

b) with respect to other taxes on income, to income arising in the calendar year following that in which the Convention enters into force or pertaining to accounting years which have started in the course of that calendar year.

3. The provisions of the agreement of 8 May 1981 between the Government of the French Republic and the Government of the Republic of Iceland for the avoidance of double taxation with respect to air transport shall cease to apply to taxes to which this Convention shall apply on the effective dates of the Convention referred to in paragraph 2.

Article 30
TERMINATION

1. This Convention shall remain in force indefinitely. However, after a period of five years from the date of entry into force, either State may terminate the Convention, through diplomatic channels, by giving notice of termination at least six months before the end of any calendar year.

2. In such event, its provisions shall cease to have effect:

a) with respect to taxes withheld at source, to income arising on or after the first day of the calendar year following that in the course of which notice of termination has been given;

b) with respect to other taxes on income, to income arising during the calendar year following that in the course of which notice of termination has been given or during the accounting year which has started during that calendar year.

In witness whereof the undersigned, duly authorized thereto, have signed this Convention.

Done at Reykjavik, 29 August 1990, in duplicate in the French and Icelandic languages, both texts being equally authoritative.

Protocol

At the moment of signing the Convention between the Government of the French Republic and the Government of the Republic of Iceland for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income, the undersigned have agreed to the following provisions which shall form an integral part of the Convention.

1.

a) With respect to paragraphs 1 and 2 of Article 7, where an enterprise of a State sells goods or carries on an activity in the other State through a permanent establishment situated therein, the profits of that permanent establishment shall not be calculated on the basis of the total amount received by the enterprise but solely on the basis of the remuneration attributable to the actual activity of the permanent establishment concerning such sales or such activity.

In the case of contracts, particularly contracts for studies, for the supply, installation or construction of equipment, or for industrial, commercial or scientific establishments or for public works, if the enterprise has a permanent establishment, the profits of that permanent establishment shall not be determined on the basis of the total amount of the contract, but only on the basis of the part of the contract which is effectively executed by that permanent establishment in the State in which it is situated. The profits pertaining to that part of the contract which is executed in the State in which the place of effective management is situated shall be taxable only in that State.

b) With respect to paragraph 1 of Article 7, any type of remuneration paid for the use of, or the right to use, industrial, commercial or scientific equipment shall be considered business profits to which the provisions of Article 7 apply.

2. With respect to paragraph 2 of Article 12, remuneration paid for technical services, including analyses or studies of a scientific, geological or technical nature, for engineering projects including plans pertaining thereto, or for consultation or supervisory services, shall not be considered remuneration paid for information concerning industrial, commercial or scientific experience.

3. With respect to Article 24:

a) nothing in paragraph 1 shall prevent France from reserving to French nationals, in accordance with Article 150 C of the General Tax Code, the exemption in respect of gains arising from the alienation of immovable property or parts of immovable property constituting the place of residence in France of French persons not domiciled therein;

b) nothing in paragraph 5 shall prevent France from applying the provisions of Article 212 of the General Tax Code with respect to interest paid by a French company to its foreign parent.

4. In the case of termination of the Convention, it is understood that the provisions relating to the elimination of double taxation, to the mutual agreement procedure and to the exchange

of information shall continue to apply, after the date of effect of the termination, to the taxes on income covered by the Convention.

In witness whereof the undersigned, duly authorized thereto, have signed this Protocol.

Done at Reykjavik, 29 August 1990, in duplicate in the French and Icelandic languages, both texts being equally authoritative.