

The text below shows an example of a selected Article that imaginary negotiating partners have put forward as part of their opening texts in a negotiation. It is presented only to illustrate how a comparison of two proposed provisions might be laid out using square brackets and colours, in preparation for a negotiation, and their particularities are not necessarily endorsed by the PCT, the four partner organizations, their respective managements, or the organizations' member countries.

### Preparation for negotiations:

Example of compared opening texts of Country X and Country Y using square brackets and colours

#### *Article 11*

#### INTEREST

1. Interest arising in a Contracting State and [X: paid to] [Y: beneficially owned by] a resident of the other Contracting State may be taxed in that other State.

2. However, such interest may also be taxed in the Contracting State in which it arises and according to the laws of that State, but [X: if the beneficial owner of the interest is a resident of the other Contracting State,] the tax so charged shall not exceed [X.:15][Y: 10] percent of the gross amount of the interest.

[Y: 3. Notwithstanding paragraph 2, interest arising in a Contracting State and beneficially owned by a resident of the other Contracting State may not be taxed in the first-mentioned State if:

- a) the interest is derived from the investment of official reserve assets by the government of a Contracting State, its monetary institutions or a bank performing central banking functions in that State; or
- b) the interest is derived by a financial institution which is unrelated to and dealing wholly independently with the payer. For the purposes of this Article, the term "financial institution" means a bank or other enterprise substantially deriving its profits by raising debt finance in the financial markets or by taking deposits at interest and using those funds in carrying on a business of providing finance.]

[Y: 4. Notwithstanding paragraph 3, interest referred to in subparagraph b) of that paragraph may be taxed in the State in which it arises at a rate not exceeding 10 per cent of the gross amount of the interest if the interest is paid as part of an arrangement involving back-to-back loans or other arrangement that is economically equivalent and intended to have a similar effect to back-to-back loans.]

[X: 3] [Y: 5] The term "interest" [X:as used] in this Article [X: means] [Y: includes] [X:income from debt-claims of every kind, whether or not secured by mortgage, and in particular, income]

[Y: interest] from government securities [X: and income] [Y: or] from bonds or debentures, [Y: whether or not secured by mortgage, interest from any other form of indebtedness,] as well as income which is subjected to the same taxation treatment as income from money lent by the laws of the State in which the income arises. [X: The term interest shall not include income dealt with in Article 10.]

[X:4] [Y:6] The provisions of paragraphs 1 and 2 [Y: subparagraph b) of paragraph 3 and paragraph 4 of this Article] shall not apply if the beneficial owner of the interest, being a resident of a Contracting State, carries on business in the other Contracting 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 [X: debt-claim] [Y: indebtedness] 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.

[X: 5] [Y: 7] Interest shall be deemed to arise in a Contracting State when the payer is a resident of that State [Y: for the purposes of its tax]. Where, however, the person paying the interest, whether [Y: the person is] a resident of a Contracting State or not, has in a Contracting State or outside both Contracting States 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.

[X:6] [Y: 8] Where, [X: there is] [Y: by reason of a ] a special relationship between the payer and the beneficial owner [Y: of the interest] or between both of them and some other person [X: and] the amount of the interest exceeds, for whatever reason, the amount which [X: would] [Y: might have been expected to] 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 remain taxable according to the laws of each Contracting State, due regard being had to the other provisions of this Convention.