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**SUBSIDIARY LEGISLATION 123.09**

**DOUBLE TAXATION RELIEF (TAXES ON  
INCOME) (ISLAMIC REPUBLIC OF PAKISTAN)  
ORDER**

13th June, 1980

*LEGAL NOTICE 54 of 1980.*

**1.** The title of this Order is Double Taxation Relief (Taxes on Income) (Islamic Republic of Pakistan) Order. Title.

**2.** It is hereby declared -

Arrangements to  
have effect.

(a) that the arrangements specified in the Convention out in the Schedule to this Order have been made with the Government of the Islamic Republic of Pakistan with a view to affording relief from double taxation and preventing fiscal evasion in relation to the following taxes imposed by the laws of the Islamic Republic of Pakistan:

the income tax, super-tax and the surcharge;

(b) that it is expedient that those arrangements should have effect.

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**SCHEDULE****CONVENTION  
BETWEEN  
THE REPUBLIC OF MALTA  
AND THE ISLAMIC REPUBLIC OF PAKISTAN FOR THE AVOIDANCE OF  
DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH  
THE RESPECT TO TAXES ON INCOME**

The Government of the Republic of Malta and the Government of the Islamic Republic of Pakistan, desiring to conclude a Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to taxes on income, have agreed as follows:

**CHAPTER I****Scope of the Convention****ARTICLE 1***Personal Scope*

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 imposed on behalf of each Contracting State 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 the total amounts of wages and salaries paid by enterprises.

(3) The existing taxes to which the Convention shall apply are:

(a) In the case of Pakistan:

the income tax, supertax and the surcharge,  
(hereinafter referred to as "Pakistan tax").

(b) In the case of Malta:

the income tax and surtax, including prepayments of tax whether made by deduction at source or otherwise,  
(hereinafter referred to as "Malta tax").

(4) This Convention shall also apply to any identical or substantially similar taxes which are imposed after the date of signature of this Convention in addition to, or in place of, the existing taxes by either Contracting State or by the Government of any territory to which the present Convention is extended under Article 27 of this Convention. The competent authorities of the Contracting States shall notify to each other any significant changes which have been made in their respective taxation laws.

## CHAPTER II

### Definitions

#### ARTICLE 3

##### *General Definitions*

(1) In this Convention, unless the context otherwise requires -

(a) the term "Pakistan" used in a geographical sense means Pakistan as defined in the Constitution of the Islamic Republic of Pakistan and also includes any area outside the territorial waters of Pakistan which in accordance with international law, has been or may hereafter be designated, under the laws of Pakistan, as an area within which the rights of Pakistan with respect to the sea-bed and sub-soil and their natural resources may be exercised;

(b) the term "Malta" when used in a geographical sense means the Republic of Malta including the Island of Malta, the Island of Gozo, the other islands of the Maltese Archipelago together with the territorial waters thereof, and any area outside the territorial sea of Malta which, in accordance with international law, has been or may hereafter be designated, under the law of Malta concerning the continental shelf, as an area within which the rights of Malta with respect to the sea-bed and sub-soil and their natural resources may be exercised;

(c) the terms "a Contracting State" and "the other Contracting State" mean Pakistan or Malta 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 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 "national" means -

- (i) any individual possessing the citizenship of a Contracting State;
- (ii) any legal person, partnership and association deriving its status as such from the law in force in a Contracting State;

(h) the term "competent authority" means:

- (i) in the case of Pakistan, the Central Board of Revenue;
- (ii) in the case of Malta, the Minister responsible for finance or his authorised representative.

(2) In the application of this Convention by a Contracting State, any term not otherwise defined shall, unless the context otherwise requires, have the meaning which it has under the laws of that Contracting State relating to the taxes which are the subject of this Convention.

#### ARTICLE 4

##### *Fiscal Domicile*

(1) For the purposes of this Convention, the term "resident of a Contracting

State" means any person who, under the law of that State, is liable to taxation therein by reason of his domicile, residence, place of management or any other criterion of a similar nature.

(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 of the Contracting State in which he has a permanent home available to him. If he has a permanent home available to him in both Contracting States, he shall be deemed to be a resident of the Contracting State with which his personal and economic relations are closest (centre of vital interests).
- (b) If the Contracting State in which he has this centre of vital interests cannot be determined, or if he has no permanent home available to him in either Contracting State, he shall be deemed to be a resident of the Contracting State in which he has an habitual abode.
- (c) If he has an habitual abode in both Contracting States or in neither of them, he shall be deemed to be a resident of the Contracting State of which he is a national.
- (d) If he is a national of both Contracting 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 company is a resident of both Contracting States, then it shall be deemed to be a resident of the Contracting State from whose law it derives its status as such.

(4) Where by reason of the provisions of paragraph (1) a person other than an individual or a company is a resident of both Contracting States, the competent authorities of the Contracting States shall by mutual agreement endeavour to settle the question and to determine the mode of application of the Convention to such persons.

## ARTICLE 5

### *Permanent Establishment*

(1) For the purposes of this Convention the term "permanent establishment" means a fixed place of business in which the business of the enterprise is wholly or partly carried out.

(2) The term "permanent establishment" shall include especially-

- (a) a place of management;
- (b) a branch;
- (c) an office;
- (d) a factory;
- (e) a workshop;
- (f) a mine, quarry or other place of extraction of natural resources including an offshore drilling site;
- (g) a building site or construction or assembly project which exists for more than 12 months.

(3) An enterprise of a Contracting State shall be deemed to have a permanent establishment in other Contracting State if it carries on supervisory activities in that

other State for more than 12 months in connection with a construction or assembly project.

- (4) The term "permanent establishment" shall not be deemed 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 for collecting information, for the enterprise;
  - (e) the maintenance of a fixed place of business solely for the purpose of advertising, for the supply of information, for scientific research or for similar activities which have a preparatory or auxiliary character, for the enterprise.

(5) A person acting in a Contracting State on behalf of an enterprise of the other Contracting State - other than an agent of an independent status to whom paragraph (6) applies - shall be deemed to be a permanent establishment in the first-mentioned State if he has, and habitually exercises in that State, an authority to conclude contracts in the name of the enterprise, unless his activities are limited to the purchase of goods or merchandise for the enterprise.

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

(7) The fact that a company which is a resident of a Contracting State controls or is controlled by a company, which is a resident of the other Contracting State, or which carries on business in that other State (whether through a permanent establishment or otherwise), shall not of itself make either company a permanent establishment of the other.

### CHAPTER III

#### Taxation of Income

##### ARTICLE 6

###### *Income from Immovable Property*

(1) Income from immovable property may be taxed in the Contracting State in which such property is situated.

(2) The term "immovable property" shall be defined in accordance with the law of the Contracting State in which the property in question is situated. The term shall in any case include property accessory to immovable property, rights to which the provisions of general law respecting immovable 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, boats 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 professional services.

## ARTICLE 7

### *Business Profits*

(1) The profits of an enterprise of a Contracting State shall be taxable only in that State unless the enterprise carries on business in the other Contracting 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 Contracting State carries on business in the other Contracting State through a permanent establishment situated therein, there shall in each Contracting 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 the determination of 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) In so far as it has been customary in a Contracting 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 Contracting 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 embodied 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 derived by an enterprise of a Contracting State from the operation of ships or aircraft in international traffic shall be taxable only in that State.

(2) Notwithstanding the provisions of paragraph (1) of Article 7, profits derived

from the operation of ships or aircraft used principally to transport passengers or goods exclusively between places in a Contracting State may be taxed in that State.

(3) The provisions of paragraphs (1) and (2) shall also apply to profits referred to in those paragraphs derived by an enterprise of a Contracting State from its participation in a pool, a joint business or in an international operating agency.

(4) For the purposes of this Article, profits derived from the operation of ships or aircraft in international traffic also include income derived from -

- (a) the rental, lease or maintenance of ships or aircraft;
- (b) the rental, lease, use or maintenance of containers, trailers for the inland transport of containers and other related equipment;
- (c) training schemes, management and other services:

Provided that such income -

- (i) accrues to a resident of a Contracting State whose income is wholly or mainly derived from the operation of ships or aircraft in international traffic; and
- (ii) is paid by a resident of the other Contracting State whose income is also wholly or mainly derived from the operation of ships or aircraft in international traffic.

(5) Notwithstanding the other provisions of this Article, profits from the operation of a ship in international traffic derived by a company which is a resident of Malta having more than 25 per cent of its capital owned, directly or indirectly, by persons not residents of Malta, may be taxed in Pakistan unless the company proves that the profits derived from the operation of such ship are subject to Malta tax without regard to any relief therefrom as provided for in section 86 of the Merchant Shipping Act, or in any identical or similar provision.

## ARTICLE 9

### *Associated Enterprises*

(1) Where -

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

## ARTICLE 10

### *Dividends*

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

(2) However, such dividends may be taxed in the Contracting State of which the company paying the dividends is a resident, and according to the law of that State but -

- (a) where the dividends are paid by a company resident of Pakistan to a company resident of Malta which is the beneficial owner thereof, and which owns 20 per cent or more of the voting power of the first-mentioned company, the Pakistan tax so charged shall not exceed 15 per cent of the gross amount;
- (b) where the dividends are paid by a company resident of Malta to a resident of Pakistan who is the beneficial owner thereof, Malta tax shall not exceed that chargeable on the company paying the dividends in respect of the profits so distributed, and the shareholder shall be entitled to receive a credit in respect of the tax paid by the company on the profits so distributed.

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

(3) 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 from other corporate rights which is subjected to the same taxation treatment as income from shares by the taxation law of the State of which the Company making the distribution is a resident.

(4) The provisions of paragraphs (1) and (2) shall not apply if the recipient of the dividends, being a resident of a Contracting State, carries on business in the other Contracting State, of which the company paying the dividends is a resident, through a permanent establishment situated therein or performs in that other State professional 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 a case, the provisions of Article 7 or Article 14, as the case may be, shall apply.

(5) Where a company which is a resident of a Contracting State derives profits or income from the other Contracting State, that other State may not impose any tax on the dividends paid by the company to persons who are not residents of that other State, or subject the company's undistributed profits to a tax on undistributed profits, even if the dividends paid or the undistributed profits consist wholly or partly of profits or income arising in such other State.

## ARTICLE 11

### *Interest*

(1) Interest arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State.

(2) However, such interest may be taxed in the Contracting State in which it arises, and according to the law of that State, but if the recipient is the beneficial owner of the interest, the tax so charged shall not exceed 10 per cent of the gross amount of the interest.

(3) Notwithstanding the provisions of paragraph (2) -

- (a) interest arising in Malta and paid to the Government of Pakistan or to the State Bank of Pakistan shall be exempt from Malta tax;

- (b) interest arising in Pakistan and paid to the Malta Government, the Central Bank of Malta or the Malta Development Corporation shall be exempt from Pakistan tax;
- (c) interest arising in a Contracting State to a financial institution of the other Contracting State, not less than 51 per cent of whose shares carrying voting rights are held by the Government of that other State, shall be exempt from tax in the first-mentioned State.

(4) 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 bonds or debentures.

(5) The provisions of paragraphs (1) and (2) shall not apply if the recipient 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 professional 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 a case, the provisions of Article 7 or Article 14, as the case may be, shall apply.

(6) Interest shall be deemed to arise in a Contracting State, when the payer is that State itself, a political subdivision, a local authority or a resident of that State. Where, however, the person paying the interest, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment in connection with which the indebtedness on which the interest is paid was incurred, and such interest is borne by such permanent establishment, then such interest shall be deemed to arise in the Contracting State in which the permanent establishment is situated.

(7) Where, owing to a special relationship between the payer and the recipient or between both of them and some other person, the amounts or the interest paid, 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 recipient in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In that case, the excess part of the payments shall remain taxable according to the law of each Contracting State, due regard being had to the other provisions of this Convention.

## ARTICLE 12

### *Royalties*

(1) Royalties arising in a Contracting State and paid to a resident of the other Contracting State shall be taxable only in that other State if such resident is the beneficial owner of the royalties and the royalties consist of payments of any kind received as consideration for the use of, or the right to use, any copyright of literary, artistic or scientific work, including cinematographic films or tapes for television or broadcasting.

(2) Royalties arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other Contracting State if the royalties consist of payments of any kind received as a consideration for the use of, or the right to use, any patent, trade mark, design, model, plan, secret formula or process, industrial, commercial or scientific equipment, or information concerning industrial, commercial or scientific experience. However, such royalties may also be taxed in

the Contracting State in which they arise, and according to the law of that State, but if the recipient is the beneficial owner of the royalties, the tax so charged shall not exceed 10 per cent of the gross amount of such royalties.

(3) The provisions of paragraphs (1) and (2) shall not apply if the recipient of the royalties, being a resident of a Contracting State, carries on business in the other Contracting State in which the royalties arise through a permanent establishment situated therein, or performs in that other State professional 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 a 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 Contracting State when the payer is that State itself, a political subdivision, a local authority or a resident of that State. Where, however, the person paying the royalties, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment in connection with which the liability to pay the royalties was incurred, and such royalties are borne by such permanent establishment, then such royalties shall be deemed to arise in the Contracting State in which the permanent establishment is situated.

(5) Where, owing to a special relationship between the payer and the recipient or between both of them and some other person, the amount of the royalties paid, 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 recipient in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In that case, the excess part of the payments shall remain taxable according to the law of each Contracting State, due regard being had to the other provisions of this Convention.

(6) Any sum derived from sources within one of the Contracting States from the sale of patent rights by a resident of the other Contracting State who does not carry on a trade or business in the first-mentioned Contracting State through a permanent establishment situated therein with which the patent rights are effectively connected, shall be exempt from tax in the first-mentioned Contracting State.

## ARTICLE 13

### *Capital Gains*

(1) Gains from the alienation of immovable property, as defined in paragraph (2) of Article 6, may be taxed in the Contracting State in which such property is situated.

(2) Gains from the alienation of movable property forming part of the business property of a permanent establishment which an enterprise of a Contracting State has in the other Contracting State or of movable property pertaining to a fixed base available to a resident of a Contracting State in the other Contracting State for the purpose of performing professional services, including such gains from the alienation of such a permanent establishment (alone or together with the whole enterprise) or of such a fixed base, may be taxed in the other State. However, gains from the alienation of ships or aircraft operated by an enterprise of a Contracting State in international traffic and movable property pertaining to the operation of such ships or aircraft, shall be taxable only in that Contracting State.

(3) Gains from the alienation of any property other than those mentioned in paragraphs (1) and (2) shall be taxable only in the Contracting State of which the alienator is a resident.

ARTICLE 14

*Independent Personal Services*

(1) Income derived by a resident of a Contracting State in respect of professional services or other independent activities of a similar character shall be taxable only in that State unless he has a fixed base regularly available to him in the other Contracting State for the purpose of performing his activities. If he has such a fixed base, the income may be taxed in the other Contracting 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, 19 and 20, salaries, wages and other similar remuneration derived by a resident of a Contracting State in respect of an employment shall be taxable only in that State unless the employment is exercised in the other Contracting 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 Contracting State in respect of an employment exercised in the other Contracting 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 the calendar year concerned, 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) Notwithstanding the preceding provisions of this Article, remuneration in respect of an employment exercised aboard a ship or aircraft operated in international traffic by an enterprise of a Contracting State may be taxed in that State.

ARTICLE 16

*Directors' Fees*

Directors' fees and similar payment derived by a resident of a Contracting State in his capacity as a member of the board of directors or any other similar organ of a company which is a resident of the other Contracting 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 public entertainers, such as theatre, motion picture, radio or television artistes, and musicians, and by athletes, from their personal activities as such may be taxed in the

Contracting State in which these activities are exercised.

(2) Notwithstanding the provisions of Article 7, where the activities mentioned in paragraph (1) of this Article are provided in a Contracting State by an enterprise of the other Contracting State the profits derived from providing these activities by such an enterprise may be taxed in the first-mentioned Contracting State.

(3) The provisions of paragraphs (1) and (2) shall not apply in the case of cultural and sports programmes sponsored by or on behalf of each of the Contracting States.

## ARTICLE 18

### *Pensions*

(1) Subject to the provisions of paragraph (1) of Article 19, pensions and other similar remuneration paid to a resident of a Contracting State shall be taxable only in that State.

(2) As used in this Article the term "pensions and other similar remuneration" means periodic payments made after retirement in consideration of past employment, or by way of compensation for injuries received in connection with past employment.

## ARTICLE 19

### *Government Service*

(1) (a) Remuneration, other than a pension, paid by a Contracting State or a political subdivision or a local authority thereof to any individual in respect of services rendered to that State or subdivision or local authority thereof shall be taxable only in that State.

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

- (i) is a national of that State; or
- (ii) did not become a resident of that State solely for the purpose of performing the services.

(2) (a) Any pension paid by, or out of funds created by, a Contracting State or a political subdivision or a local authority thereof to any individual in respect of services rendered to that State or subdivision or local authority thereof shall be taxable only in that State.

(b) However, such pension shall be taxable only in the other Contracting State if the recipient is a national of and a resident 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 any business carried on by a Contracting State or a political subdivision or a local authority thereof.

(4) The provisions of paragraph (1)(a) shall likewise apply in respect of remuneration paid, under a development assistance programme of a Contracting State, a political subdivision or a local authority thereof, out of funds exclusively supplied by that State, those political subdivisions or local authorities thereof, to a specialist or volunteer seconded to the other Contracting State with the consent of that other State.

ARTICLE 20

*Teachers, Students and Trainees*

(1) A resident of a Contracting State who visits the other Contracting State for a period not exceeding two years, for the purpose of teaching or research at a university, research institute, college, school or other educational establishment in that other Contracting State shall be exempt from tax in that other Contracting State in respect of any payments which he receives for such activity.

(2) A resident of one of the Contracting States who is temporarily present in the other Contracting State solely -

- (a) as a student at a recognized university, college or school in the other Contracting State;
- (b) as an apprentice to acquire technical, professional or business experience from a person other than his employer or an organization referred to in (c) below;
- (c) as the recipient of a grant, allowance or award for the primary purpose of study or research from a religious, charitable, scientific or educational organization of the former State; or
- (d) as a trainee under arrangements with the Government of the other Contracting State or any agency or instrumentality thereof for the purpose of training, study or orientation,

shall not be taxed in the other Contracting State in respect of remittances from abroad for the purpose of his maintenance, education or training or in respect of a scholarship grant.

ARTICLE 21

*Other Income*

(1) Items of income of a resident of a Contracting 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 if the recipient of the income, being a resident of a Contracting State, carries on business in the other Contracting State through a permanent establishment situated therein, or performs in that other State professional 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 a case, the provisions of Article 7 or Article 14, as the case may be, shall apply.

CHAPTER IV

**Elimination of Double Taxation**

ARTICLE 22

*Elimination of Double Taxation*

(1) Subject to the provisions of Pakistan tax law regarding the allowance of credit against Pakistan tax in respect of foreign tax, Malta tax payable, whether directly or by deduction by a person resident in Pakistan, in respect of income from sources within Malta (including income accruing or arising in Malta but deemed,

under the provisions of the law of Pakistan, to accrue or arise in Pakistan) shall be allowed as a credit against any Pakistan tax payable in respect of that income.

(2) Subject to the provisions of the law of Malta regarding the allowance of credit against Malta tax in respect of foreign tax, where, in accordance with the provisions of this Convention there is included in a Malta assessment income from sources within Pakistan, Pakistan tax on such income shall be allowed as a credit against the relative Malta tax payable thereon.

(3) For the purpose of allowing credit in accordance with the provisions of this Article, the tax referred to in paragraph (2) of Article 11 and paragraph (2) of Article 12 of this Convention, shall be deemed to have been effectively borne at the rate actually charged plus 15 per cent of the net income from the sources referred to in the said provisions, so however that the rate of tax shall in no case be deemed to be less than 15 per cent of the net income.

## CHAPTER V

### Special Provisions

#### ARTICLE 23

##### *Non-discrimination*

(1) The nationals of a Contracting State shall not be subjected in the other Contracting 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.

(2) The taxation on a permanent establishment which an enterprise of a Contracting State has in the other Contracting 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.

(3) Except where the provisions of paragraph (1) of Article 9, paragraph (7) of Article 11, or paragraph (5) of Article 12 apply, interest, royalties and other disbursements paid by an enterprise of a Contracting State to a resident of the other Contracting 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: provided that the provisions of this paragraph shall be without prejudice to the requirements of the law of either Contracting States regulating the deduction of the said disbursements.

(4) Enterprises of a Contracting State, the capital of which is wholly or partly owned or controlled, directly or indirectly, by one or more residents of the other Contracting State, shall not be subjected in the first-mentioned Contracting 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 that first-mentioned State are or may be subjected.

- (5) Nothing contained in the other paragraphs of this Article shall be construed -
- (i) as obliging either of the Contracting States to grant to persons not resident in its territory those personal allowances and reliefs for tax purposes which are by law available only to persons who are so resident;
  - (ii) as affecting any provisions of the law of Pakistan regarding the grant of rebate of tax to companies fulfilling specified requirements regarding

the declaration and payment of dividends.

#### ARTICLE 24

##### *Mutual Agreement Procedure*

(1) Where a resident of a Contracting State considers that the actions of one or both of the Contracting States result or will result for him in taxation not in accordance with this Convention, he may, notwithstanding the remedies provided by the national laws of those States, present his case to the competent authority of the Contracting State of which he is a resident.

(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 an appropriate solution, to resolve the case by mutual agreement with the competent authority of the other Contracting State, with a view to the avoidance of taxation not in accordance with the Convention.

(3) The competent authorities of the Contracting 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 with respect to the allocation of profits to a resident of a Contracting State and its permanent establishment in the other Contracting State or to the allocation of profits between a resident of a Contracting State and any associated person provided for in Article 9.

(4) The competent authorities of the Contracting States may communicate with each other directly for the purpose of reaching an agreement in the sense of the preceding paragraphs.

#### ARTICLE 25

##### *Exchange of Information*

(1) The competent authorities of the Contracting States shall exchange such information as is necessary for the carrying out of this Convention and of the domestic laws of the Contracting States concerning taxes covered by this Convention insofar as the taxation thereunder is in accordance with this Convention and for the prevention or evasion of such taxes. The competent authorities shall, through consultations, develop appropriate conditions, methods and techniques concerning the matters respecting which such exchange shall be made, as well as exchange of information regarding avoidance of tax where appropriate. Any information so exchanged shall be treated as secret, but may be disclosed to any person (including a court or administrative body) concerned with the assessment, enforcement or prosecution in respect of the taxes which are the subject of the Convention.

(2) In no case shall the provisions of paragraph (1) be construed so as to impose on one of the Contracting States the obligation -

- (a) to carry out administrative measures at variance with the laws or the administrative practice of that or of the other Contracting State;
- (b) to supply particulars which are not obtainable under the laws or in the normal course of the administration of that or of the other Contracting 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.

## ARTICLE 26

*Diplomatic and Consular Officials*

(1) Nothing in this Convention shall affect the fiscal privileges of diplomatic or consular officials under the general rules of international law or under the provisions of special agreements.

(2) Insofar as, due to privileges granted to diplomatic or consular officials under the general rules of international law or under the provisions of special international treaties, income is not subject to tax in the receiving State, the right to tax shall be reserved to the sending State.

## ARTICLE 27

*Territorial Extension*

(1) The present Convention may be extended, either in its entirety or with modifications, to any territory for whose international relations either State is responsible and which imposes taxes substantially similar in character to those which are the subject of the present Convention and any such extension shall take effect from such date and subject to such modifications and conditions (including conditions as to termination) as may be specified and agreed to between the Contracting States in notes to be exchanged for this purpose.

(2) The termination in respect of Pakistan or Malta of the present Convention under Article 29 shall, unless otherwise expressly agreed to by both Contracting States, terminate the application of the present Convention to any territory to which the Convention has been extended under this Article.

**CHAPTER VI****Final Provisions**

## ARTICLE 28

*Entry into Force*

(1) This Convention shall be ratified and the instruments of ratification shall be exchanged at Malta as soon as possible.

(2) The Convention shall enter into force 30 days after the exchange of instruments of ratification, and its provisions shall have effect -

- (a) in Pakistan, in respect of Pakistan tax for the "previous years" (as defined by the tax laws of Pakistan) beginning on or after the first day of January 1973; and
- (b) in Malta, in respect of Malta tax for any year of assessment beginning on or after the first day of January 1974.

## ARTICLE 29

*Termination*

This Convention shall remain in force indefinitely but either of the Contracting States may, on or before the thirtieth day of June in any calendar year beginning after the expiration of a period of three years from the date of its entry into force, give to the other Contracting State, through diplomatic channels, written notice of

termination and, in such event, the Convention shall cease to be effective:

- (a) in Pakistan, in respect of Pakistan tax for the "previous years" (as defined by the tax laws of Pakistan) beginning on or after the first day of January in the calendar year next following that in which notice of termination is given; and
- (b) in Malta, in respect of Malta tax for the years of assessment beginning with the second year of assessment following the calendar year during which notice of termination is given.

IN WITNESS WHEREOF the undersigned, being duly authorised thereto by their respective Governments, have signed this Convention.

DONE at Valletta this 8th day of October, 1975, in duplicate in the English language.

J ABELA  
For the Government of the  
Republic of Malta

AFTAB AHMAD KHAN  
For the Government of the  
Islamic Republic of Pakistan

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