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Convention

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between the Government of the
United Kingdom of Great Britain and Northern Ireland
and the Government of the Arab Republic of Egypt
for the Avoidance of Double Taxation
and the Prevention of Fiscal Evasion
with respect to Taxes on
Income and Capital Gains

Cairo, 25 April 1977

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by the Secretary of State for Foreign and Commonwealth Affairs
by Command of Her Majesty
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CONVENTION
BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM
OF GREAT BRITAIN AND NORTHERN IRELAND AND THE
GOVERNMENT OF THE ARAB REPUBLIC OF EGYPT FOR
THE AVOIDANCE OF DOUBLE TAXATION AND THE
PREVENTION OF FISCAL EVASION WITH RESPECT TO
TAXES ON INCOME AND CAPITAL GAINS

The Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Arab Republic of Egypt;

Desiring to conclude a Convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital gains;

Have agreed as follows:

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) The taxes which are the subject of this Convention are:

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

- (i) the income tax;
- (ii) the corporation tax; and
- (iii) the capital gains tax

(hereinafter referred to as "United Kingdom tax");

(b) in the Arab Republic of Egypt:

- (i) the tax on income derived from immovable property (including the land tax, the building tax and the ghaffir tax);
- (ii) the tax on income from movable capital;
- (iii) the tax on commercial and industrial profits;
- (iv) the tax on wages, salaries, indemnities and pensions;
- (v) the tax on profits from liberal professions and all other non-commercial professions;
- (vi) the general income tax;
- (vii) the defence tax;
- (viii) the national security tax;

- (ix) the jihad tax; and
 - (x) supplementary taxes imposed as a percentage of taxes which are the subject of this Convention
- (hereinafter referred to as "Egyptian tax").

(2) This Convention shall also apply to any identical or substantially similar taxes which are imposed by either Contracting State after the date of signature of this Convention in addition to, or in place of, the existing taxes. The competent authorities of the Contracting States shall notify each other of substantial changes which are made in their respective taxation laws.

ARTICLE 3

General definitions

- (1) In this Convention, unless the context otherwise requires:
 - (a) the term "United Kingdom" means Great Britain and Northern Ireland, including any area outside the territorial sea of the United Kingdom which in accordance with international law has been or may hereafter be designated, under the laws of the United Kingdom concerning the Continental Shelf, as an area within which the rights of the United Kingdom with respect to the sea bed and subsoil and their natural resources may be exercised;
 - (b) (i) the term "Egypt" means the Arab Republic of Egypt; and
(ii) when used in a geographical sense the term "Egypt" includes:
 - (a) the territorial sea thereof; and
 - (b) the sea bed and subsoil of the submarine areas adjacent to the coast thereof, but beyond the territorial sea, over which Egypt exercises sovereign rights, in accordance with international law, for the purpose of exploration and exploitation of the natural resources of such area, but only to the extent that the person, property, or activity to which this Convention is being applied is connected with such exploration or exploitation;
 - (c) the term "national" means:
 - (i) in relation to the United Kingdom, any citizen of the United Kingdom and Colonies who derives his status as such from his connection with the United Kingdom and any legal person, partnership, association or other entity deriving its status as such from the law in force in the United Kingdom;
 - (ii) in relation to Egypt, any individual possessing the nationality of the Arab Republic of Egypt; and any legal person, partnership and association deriving its status as such from the law in force in Egypt;
 - (d) the term "tax" means United Kingdom tax or Egyptian tax, as the context requires;

- (e) the terms "a Contracting State" and the other "Contracting State" mean the United Kingdom or Egypt, as the context requires;
- (f) the term "person" comprises an individual, a company and any other body of persons;
- (g) the term "company" means any body corporate or any entity which is treated as a body corporate for tax purposes;
- (h) 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;
- (i) the term "competent authority" means, in the case of the United Kingdom, the Commissioners of Inland Revenue or their authorised representative, and in the case of Egypt, the Minister of Finance or his authorised representative;
- (j) the term "international traffic" includes traffic between places in one country in the course of a voyage which extends over more than one country.

(2) As regards 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, subject to the provisions of paragraphs (2) and (3) of this Article, 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) of this Article an individual is a resident of both Contracting States, then his status shall be determined in accordance with the following rules:

- (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 closer (centre of vital interests);
- (b) if the Contracting 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 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) of this Article a person other than an individual is a resident of both Contracting States, then it shall be deemed to be a resident of the Contracting 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 in which the business of the enterprise is wholly or partly carried on.

(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 farm or plantation;

(g) premises used as a sales outlet;

(h) a mine, oil well or oil field, quarry or other place of extraction of natural resources;

(i) an installation or structure used for the exploration of natural resources;

(j) a building site or construction or assembly project which exists for more than six months.

(3) 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.

(4) 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 the provisions of paragraph (5) of this Article apply—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.

(5) 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.

(6) 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 constitute either company a permanent establishment of the other.

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) (a) The term “immovable property” shall, subject to the provisions of sub-paragraph (b) of this paragraph, be defined in accordance with the law of the Contracting State in which the property in question is situated.

(b) The term “immovable property” 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, boats and aircraft shall not be regarded as immovable property.

(3) The provisions of paragraph (1) of this Article 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) of this Article 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) 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 at arm's length 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 of the enterprise (other than expenses which would not be deductible if the permanent establishment were a separate enterprise) 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 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) of this Article shall preclude such 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 of this Article, 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 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.

(8) The term "profits" as used in this Convention includes, but is not limited to, income derived from manufacturing, mercantile, banking, insurance, agricultural, fishing or mining activities, the operation of ships or aircraft, the furnishing of services, the rental of tangible personal (movable) property, and the rental or licensing of cinematograph films or films or tapes used for radio or television broadcasting. Such term does not include the performance of personal services by an individual either as an employee or in an independent capacity.

ARTICLE 8

Shipping and air transport

(1) Profits from the operation of ships or aircraft in international traffic shall be taxable only in the Contracting State in which the place of effective management of the enterprise is situated.

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

(3) The provisions of this Article shall likewise apply to the share in respect of participation in shipping or aircraft pools of any kind by such an enterprise engaged in shipping or air transport.

ARTICLE 9

Associated enterprises

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) A dividend derived from a company which is a resident of the United Kingdom by a resident of Egypt may be taxed in Egypt. Such dividend may also be taxed in the United Kingdom and according to the laws of the United Kingdom but where it is beneficially owned by a resident of Egypt the tax so charged shall not exceed 20 per cent of the gross amount of the dividend.

(2) A dividend derived from a company which is a resident of Egypt by a resident of the United Kingdom may be taxed in the United Kingdom. Such dividend may also be taxed in Egypt and according to the laws of Egypt provided that:

- (a) the dividend shall be allowed as a deduction from the amount of the taxable profits of the company to the extent that it does not exceed the amount of those profits before such deduction; and
- (b) where such dividend is beneficially owned by an individual who is a resident of the United Kingdom the general income tax imposed on the dividend shall not exceed 20 per cent of the amount of that dividend after deduction of Egyptian tax (other than the general income tax).

(3) The term "dividend" as used in this Article means income from shares, jouissance shares or jouissance rights, founders' shares or other rights, not being debt-claims, participating in profits, as well as income from *other corporate rights treated in the same manner as income from shares* by the taxation law of the State of which the company making the distribution is a resident and also includes any other item (other than interest relieved from tax under the provisions of Article 11) which is treated as a distribution under the taxation law of the Contracting State of which the company making the payment is a resident.

(4) The provisions of paragraphs (1) and (2) of this Article shall not apply if the beneficial owner of the dividend, being a resident of a Contracting State, carries on business in the other Contracting State of which the company paying the dividend 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 dividend 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.

(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, 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 subject the undistributed profits of the company 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 that other State.

Provided that nothing in this paragraph shall affect the application in Egypt of Article 11 (paragraphs (1) and (2)) and Article 11 bis of Law No. 14 of 1939 as they may be amended from time to time in minor respects without affecting the general principle thereof.

ARTICLE 11

Interest

(1) Interest arising in a Contracting State which is derived and 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 law of that State, but the tax so charged shall not exceed 15 per cent of the gross amount of the interest.

(3) The term "interest" as used in this Article means income from Government securities, bonds or debentures, whether or not secured by mortgage (exclusive of interest on debts secured by mortgage on immovable property to which the provisions of Article 6 of this Convention shall apply) and whether or not carrying a right to participate in profits, and other debt-claims of every kind as well as all other income assimilated to income from money lent by the taxation law of the State in which the income arises. The term "interest" shall not include any item which is treated as a distribution under the provisions of Article 10 of this Convention.

(4) Notwithstanding paragraph (2) of this Article, interest arising in Egypt which is paid to and beneficially owned by a resident of the United Kingdom shall be exempt from Egyptian tax if it is paid in respect of a loan made, guaranteed or insured, or any other debt-claim or credit guaranteed or insured by the United Kingdom Export Credits Guarantee Department.

(5) Notwithstanding paragraph (2) of this Article, interest arising in a Contracting State shall be exempt from tax in that State if that interest is derived and beneficially owned by the Government of the other Contracting State or by an instrumentality of that other State which is not subject to tax in that other State on its income. The term "instrumentality" as used in this paragraph means any agency or entity created or organised by the Government of either of the Contracting States in order to carry out Government functions.

(6) The provisions of paragraphs (1) and (2) 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 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.

(7) 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 that permanent establishment, then such interest shall be deemed to arise in the Contracting State in which the permanent establishment is situated.

(8) Where, owing to a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the interest paid exceeds, for whatever reason, the amount which would have been paid 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 which are derived and beneficially owned by a resident of the other Contracting State may be taxed in that other State.

(2) However, such royalties may also be taxed in the Contracting State in which they arise and according to the law of that State, but the tax so charged shall not exceed 15 per cent of the gross amount of the royalties.

(3) 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, any patent, trade mark, design or model, plan, secret formula or process, or for the use of, or the right to use, industrial, commercial or scientific equipment, or for information concerning industrial, commercial or scientific experience.

(4) The provisions of paragraphs (1) and (2) of this Article shall not apply if the beneficial owner 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 rights 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 maybe, shall apply.

(5) Royalties shall be deemed to arise in a Contracting State where 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 obligation to pay the royalties was incurred and the royalties are borne by that permanent establishment, then the royalties shall be deemed to arise in the Contracting State in which the permanent establishment is situated.

(6) Where, owing to a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the royalties paid exceeds for whatever reason the amount which would have been paid 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.

(7) The provisions of this Article shall not apply to dividends on founders shares issued in Egypt as consideration for rights mentioned in

paragraph (3) of this Article and which are taxed in Egypt in accordance with the provisions of Article 1 of Law No 14 of 1939, as it may be amended from time to time in minor respects without affecting the general principle thereof. In such a case, the provisions of Article 10 of this Convention shall apply.

ARTICLE 13

Capital gains

(1) Capital gains from the alienation of immovable property, as defined in paragraph (2) of Article 6, or from the alienation of shares in a company the assets of which consist principally of such property, may be taxed in the Contracting State in which such property is situated.

(2) Capital 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.

(3) Notwithstanding the provisions of paragraph (2) of this Article, capital gains derived by a resident of a Contracting State from the alienation of ships and aircraft operated in international traffic and movable property pertaining to the operation of such ships and aircraft shall be taxable only in that Contracting State.

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

(5) The provisions of paragraph (4) of this Article shall not affect the right of a Contracting State to levy according to its own law a tax on capital gains from the alienation of movable property derived by an individual who is a resident of the other Contracting State and has been a resident of the first-mentioned Contracting State at any time during the five years immediately preceding the alienation of the property.

ARTICLE 14

Independent personal services

(1) Income derived by an individual who is a resident of one of the Contracting States from the performance of professional services in an independent capacity may be taxed in that State. Such income may also be taxed in the other Contracting State if:

(a) the individual is present in that other State for a period or periods exceeding in the aggregate 120 days in the tax year concerned, but only so much thereof as is attributable to services performed in that state; or

(b) the individual has a fixed base regularly available to him in that other State for the purpose of performing his activities, but only so much thereof as is attributable to services performed in that State.

(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, 20 and 21 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) of this Article, 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 fiscal 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 in international traffic may be taxed in the Contracting State of which the person deriving the profits from the operation of the ship or aircraft is a resident.

ARTICLE 16

Directors' fees

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

ARTICLE 17

Public entertainers

(1) Notwithstanding the provisions of Article 14 and 15, income derived by public entertainers (such as theatre, motion picture, radio or television

artistes, musicians, and athletes) from their personal activities as such may be taxed in the Contracting State in which those activities are exercised.

(2) Where income in respect of personal activities as such of an entertainer accrues not to that entertainer himself but to another person that income may, notwithstanding the provisions of Articles 7, 14 and 15, be taxed in the Contracting State in which the activities of the entertainer are exercised.

(3) Where the services mentioned in paragraph (1) of this Article are provided in one of the Contracting States by an enterprise of the other Contracting State, then the income derived from providing those services by such enterprise shall be exempt from tax in the first-mentioned Contracting State, if the enterprise is directly or indirectly supported, wholly or substantially, from the public funds of the Government of that other Contracting State in connection with the provision of such services.

ARTICLE 18

Pensions

(1) Subject to the provisions of paragraphs (1) and (2) of Article 19, pensions and other similar remuneration paid in consideration of past employment to a resident of a Contracting State and any annuity paid to such a resident shall be taxable only in that State.

(2) The term "annuity" means a stated sum payable periodically at stated times during life or during a specified or ascertainable period of time under an obligation to make the payments in return for adequate and full consideration in money or money's worth.

ARTICLE 19

Governmental functions

(1) Remuneration or pensions paid out of public funds of the United Kingdom or Northern Ireland or of the funds of any local authority in the United Kingdom to any individual in respect of services rendered to the Government of the United Kingdom or Northern Ireland or a local authority in the United Kingdom in the discharge of functions of a governmental nature, shall be taxable only in the United Kingdom unless the individual is an Egyptian national without also being a United Kingdom national.

(2) Remuneration or pensions paid by, or out of funds created by Egypt or a political subdivision or a local authority thereof to any individual in respect of services rendered to the Government of Egypt or a political subdivision or a local authority thereof, in the discharge of functions of a governmental nature, shall be taxable only in Egypt unless the individual is a United Kingdom national without also being an Egyptian national.

(3) The provisions of this Article shall not apply to remuneration or pensions in respect of services rendered in connection with any trade or business.

ARTICLE 20

Students

(1) An individual who is a resident of one of the Contracting States at the time he becomes temporarily present in the other Contracting State and who is temporarily present in the other Contracting State solely for the purpose of:

- (a) studying in the other Contracting State at a University or other recognised educational institution; or
- (b) securing training at a recognised educational institution required to qualify him to practice a profession; or
- (c) studying or carrying out research as a recipient of a grant, allowance or award from a governmental, religious, charitable, scientific, literary or educational organisation;

shall be exempt from tax in that other Contracting State on:

- (i) remittances from abroad for the purpose of his maintenance, education, study, research or training;
- (ii) the grant, allowance or award; and
- (iii) income from personal services rendered in the other Contracting State (other than any rendered by an articulated clerk or other individual undergoing professional training to the person or partnership to whom he is articulated or who is providing the training) provided that the income constitutes earnings reasonably necessary for his maintenance and education.

(2) In no event shall an individual have the benefit of the provisions of this Article for more than five years.

ARTICLE 21

Teachers etc

(1) An individual who visits one of the Contracting States for a period not exceeding two years for the purpose of teaching or engaging in research at a university, college or other recognised educational institution in that Contracting State, and who was immediately before that visit a resident of the other Contracting State, shall be exempted from tax by the first-mentioned Contracting State on any remuneration for such teaching or research for a period not exceeding two years from the date he first visits that State for such purpose.

(2) This Article shall only apply to income from research if such research is undertaken by the individual in the public interest and not primarily for the benefit of some other private person or persons.

ARTICLE 22

Elimination of double taxation

(1) Subject to the provisions of the law of the United Kingdom regarding the allowance as a credit against United Kingdom tax of tax payable in

a territory outside the United Kingdom (which shall not affect the general principle hereof):

- (a) Egyptian tax payable under the laws of Egypt and in accordance with this Convention, on profits, income or chargeable gains from sources within Egypt (excluding in the case of a dividend, tax payable in respect of the profits out of which the dividend is paid) shall be allowed as a credit against any United Kingdom tax computed by reference to the same profits, income or chargeable gains by reference to which Egyptian tax is computed.
- (b) In the case of a dividend paid by a company which is a resident of Egypt to a company which is a resident of the United Kingdom and which controls directly or indirectly at least 10 per cent of the voting power in the company paying the dividend, the credit shall take into account (in addition to any Egyptian tax for which credit may be allowed under the provisions of sub-paragraph (a) of this paragraph) the Egyptian tax payable by the company in respect of the profits out of which such dividend is paid.

Provided that this paragraph shall not apply to a company which is a resident of the United Kingdom and is a Petroleum Company as defined for the purposes of Schedule 9 of the Oil Taxation Act 1975.

(2) Where a resident of Egypt derives income which, in accordance with the provisions of this Convention, may be taxed in the United Kingdom, Egypt shall allow as a deduction from the tax on the income of that person an amount equal to the tax paid in the United Kingdom; such deduction shall not however exceed that part of the tax, as computed before the deduction is given, which is appropriate to the income derived from the United Kingdom. Where such income is a dividend paid to a company which is a resident of Egypt and which directly or indirectly controls at least 10 per cent of the voting power in the company paying the dividend the credit shall take into account the United Kingdom tax payable by the company in respect of the profits or income out of which the dividend is paid.

(3) For the purposes of paragraph (1) of this Article the term "Egyptian tax payable" shall be deemed to include any amount which would have been payable as Egyptian tax for any year but for an exemption or reduction of tax granted for that year or any part thereof under:

- (a) Articles 16 and 18 of Law No 43 of 1974 so far as they were in force on and have not been modified since the date of signature of this Convention, or have been modified only in minor respects so as not to affect their general character; or
- (b) any other provision which may subsequently be made granting an exemption or reduction from tax which is agreed by the competent authorities of the Contracting State to be of a substantially similar character, if it has not been modified thereafter or has been modified only in minor respects so as not to affect its general character. Provided that relief from United Kingdom tax shall not be given by virtue of this paragraph in respect of income from any source if the

income arises in a period starting more than 10 years after the exemption from, or reduction of, Egyptian tax was first granted in respect of that source.

(4) For the purposes of paragraphs (1) and (2) of this Article profits, income and capital gains owned by a resident of a Contracting State which may be taxed in the other Contracting State in accordance with this Convention shall be deemed to arise from sources in that other Contracting State.

(5) Where profits on which an enterprise of a Contracting State has been charged to tax in that State are also included in the profits of an enterprise of the other State and the profits so included are profits which would have accrued to that enterprise of the other State if the conditions made between the enterprises had been those which would have been made between independent enterprises dealing at arm's length, the amount included in the profits of both enterprises shall be treated for the purposes of this Article as income from a source in the other State of the enterprise of the first-mentioned State and relief shall be given accordingly under the provisions of paragraph (1) or paragraph (2) of this Article.

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) 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 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.

(4) Nothing contained in this Article shall be constructed as :

- (a) obliging either Contracting State to grant to individuals not resident in that State any of the personal allowances, reliefs and reductions for tax purposes which are granted to individuals so resident;
- (b) affecting the application in Egypt of Articles 5 and 6 of Law No 14 of 1939 (as they may be amended from time to time in minor respects without affecting the general principle thereof) provided that if the exemptions given by either of these Articles are made available to

nationals of any State or territory other than a Contracting State such exemption shall likewise be made available to nationals of the United Kingdom:

- (c) affecting the application in Egypt of Article 11 (paragraphs (1) and (2)) and Article 11 bis of Law No 14 of 1939 (as they may be amended from time to time in minor respects without affecting the general principle thereof) provided that if any relief from the application of those provisions is given to nationals of any State or territory other than a Contracting State such relief shall likewise be given to nationals of the United Kingdom.

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.

(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 of this Article.

ARTICLE 25

Exchange of information

The competent authorities of the Contracting States shall exchange such information (being information which is at their disposal under their respective taxation laws in the normal course of administration) as is necessary for carrying out the provisions of this Convention or for the prevention of fraud or the administration of statutory provisions against legal avoidance in relation to the taxes which are the subject of this Convention. Any information so exchanged shall be treated as secret but may be disclosed to persons (including a court or administrative body) concerned with assessment, collection, enforcement or prosecution in respect of taxes which are the subject of this Convention. No information shall be exchanged which would disclose any trade, business, industrial or professional secret or any trade process.

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) Notwithstanding paragraph (1) of Article 4, an individual who is a member of the diplomatic, consular or permanent mission of a Contracting State which is situated in the other Contracting State and who is subject to tax in that other State only if he derives income from sources therein, shall not be deemed to be a resident of that other State.

ARTICLE 27

Miscellaneous rules

(1) Where under any provision of this Convention income arising in one of the Contracting States is relieved from tax in that Contracting State and, under the law in force in the other Contracting State a person, in respect of the said income, is subject to tax by reference to the amount thereof which is remitted to or received in that other Contracting State and not by reference to the full amount thereof, then the relief to be allowed under this Convention in the first-mentioned Contracting State shall apply only to so much of the income as is remitted to or received in the other Contracting State.

(2) Items of income of a resident of a Contracting State, wherever arising, being income of a class or from sources not expressly mentioned in this Convention shall be taxable only in that State.

ARTICLE 28

Entry into force

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

(2) This Convention shall enter into force immediately after the expiration of thirty days following the date on which the instruments of ratification are exchanged⁽¹⁾ and shall thereupon have effect :

(a) in the United Kingdom :

(i) in respect of income tax and capital gains tax, for any year of assessment beginning on or after 6 April, 1977; and

(ii) in respect of corporation tax, for any financial year beginning on or after 1 April, 1977;

(b) in Egypt :

(i) in respect of tax on income from movable capital and tax on wages, salaries, indemnities and pensions, which taxes are due on or after 1 January 1977;

(ii) in respect of tax on commercial and industrial profits for any accounting period ending on or after 1 January 1977;

(1) The Convention entered into force on 23 August 1980.

- (iii) in respect of tax on income derived from immovable property (including the land tax, the building tax and the ghaffir tax), tax on profits from liberal professions and all other non-commercial professions and the general income tax, for the calendar year commencing 1 January 1977.

ARTICLE 29

Termination

(1) This Convention shall remain in force until terminated by one of the Contracting States. Either Contracting State may terminate the Convention, through the diplomatic channel, by giving notice of termination at least six months before the end of any calendar year after the year 1981. In such event, the Convention shall cease to have effect:

(a) in the United Kingdom:

- (i) in respect of income tax and capital gains tax, for any year of assessment beginning on or after 6 April in the calendar year next following that in which the notice is given; and
- (ii) in respect of corporation tax, for any financial year beginning on or after 1 April in the calendar year next following that in which the notice is given;

(b) in Egypt:

- (i) in respect of tax on income from movable capital and tax on wages, salaries, indemnities and pensions, which taxes are due on or after 1 January in the calendar year next following that in which notice is given;
- (ii) in respect of tax on commercial and industrial profits for any accounting period ending on or after 1 January in the calendar year next following that in which notice is given;
- (iii) in respect of tax on income derived from immovable property (including the land tax, the building tax and the ghaffir tax), tax on profits from liberal professions and the general income tax, for the calendar year commencing 1 January in the year next following that in which notice is given.

In witness whereof the undersigned, duly authorised thereto by their respective Governments, have signed this Convention.

Done in duplicate at Cairo this twenty fifth day of April 1977.

For the Government of the United Kingdom of Great Britain and Northern Ireland:

DAVID OWEN

For the Government of the Arab Republic of Egypt:

ISMAIL FAHMI