

CONVENTION  
BETWEEN THE GOVERNMENT OF THE RUSSIAN FEDERATION  
AND THE GOVERNMENT OF THE KINGDOM OF DENMARK FOR THE  
AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL  
EVASION WITH RESPECT TO TAXES ON INCOME AND ON CAPITAL

(Moscow, 8.II.1996)

The Government of the Russian Federation and the Government of the Kingdom of Denmark

desiring to conclude a Convention for the avoidance of double taxation with respect to taxes on income and on capital and the prevention or fiscal evasion  
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. This Convention shall apply to all taxes on income and on capital imposed in each Contracting State irrespective of the manner in which they are levied.

2. There shall be regarded as taxes on income and on capital all taxes imposed on total income, on total capital, or on elements of income or of capital, including taxes on gains from the alienation of movable or immovable property.

3. The existing taxes to which the Convention shall apply are in particular:

a) In the case of the Russian Federation the taxes imposed in accordance with the laws of the Russian Federation:

- (i) "On tax on profits of enterprises and organizations";
  - (ii) "On income tax on individuals";
  - (iii) "On tax on capital of enterprises";
  - (iv) "On taxes on capital of individuals";
- (hereinafter referred to as "Russian tax");

b) In the case of Denmark:

- (i) the income tax to the State (indkomstskatten til staten);
  - (ii) the municipal income tax (den kommunale indkomstskat);
  - (iii) the income tax to the county municipalities (denamtskommunale indkomstskat);
  - (iv) the special income tax (den sa rlige indkomstskat);
  - (v) the church tax (kirkeskatten);
  - (vi) the tax on dividends (udbytteskatten);
  - (vii) the tax on interest (renteskatten);
  - (viii) the tax on royalties (royaltyskatten);
  - (ix) taxes imposed under the Hydrocarbon Tax Act (skatter i henhold til kulbrinteskatteloven);
  - (x) the capital tax to the State (formueskatten til staten);
- (hereinafter referred to as "Danish tax").

4. The Convention shall also apply to any identical or substantially similar taxes which are imposed after the date of entry into force of the 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 have been made in their respective taxation laws.

Article 3

## General Definitions

1. For the purposes of this Convention, unless the context otherwise requires:

a) the terms "a Contracting State" and "the other Contracting State" mean as the context requires the Russian Federation (Russia) or the Kingdom of Denmark (Denmark) and include their territories, as well as areas where economic activity is exercised in respect to which the laws of the corresponding State apply in accordance with international law. In respect of Denmark the term does not comprise the Faroe Islands and Greenland;

b) the term "person" includes an individual, a legal person (including an enterprise, an organization, an institution and a company), or any other body of persons;

c) the term "company" means any body of persons which is regarded as a corporate body for tax purposes;

e) the term "enterprise" means any form of business activity carried on by a resident of a Contracting State;

f) the term "international traffic" means any transport of passengers or cargo by any means of transport by a resident of a Contracting State outside that Contracting State, except when the means of transport is operated solely between places in the other Contracting State;

g) the term "competent authority" means:

(i) in Russia - the Ministry of Finance or its authorised representative;

(ii) in Denmark - the Minister for Taxation or his authorised representative.

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

## Article 4

### Resident

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

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 State in which he has a permanent home available to him; if he has a permanent home available to him in both States, he shall be deemed to be a resident of the State with which his personal and economic relations are closer (centre of vital interests);

b) if the State in which he has his centre of vital interests cannot be determined, or if he has not a permanent home available to him in either State, he shall be deemed to be a resident of the state in which he has an habitual abode;

c) if he has an habitual abode in both States or in neither of them, he shall be deemed to be a resident of the State of which he is a citizen;

d) if both Contracting States consider him as their citizen or neither of them considers him as such, 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 person other than an individual is a resident of both Contracting States, then it shall be deemed to be a resident of the State in which its place of effective management is situated.

## Article 5

### Permanent Establishment

1. For the purposes of this Convention, the term "permanent establishment" means a fixed place of business through which a resident of the Contracting State wholly or partly carries on business in the other Contracting State.

2. The term "permanent establishment" includes especially:

- a) a place of management;
- b) a branch;
- c) an office;
- d) a factory;
- e) a workshop, and
- f) a mine, an oil or gas well, a quarry, a place of preliminary surveys, exploration, extraction or any other place of exploitation of natural resources.

3. The term "permanent establishment" also includes:

- a) a building site or construction or installation project if the work on such objects lasts more than twelve months;
- b) a drilling rig if its activity is carried on for a period or periods exceeding 365 days in any 18 month period.

4. Notwithstanding the preceding provisions of this Article, the term "permanent establishment" shall be deemed not to include:

- a) the use of facilities solely for the purpose of storage, display or delivery of goods or merchandise belonging to the person;
- b) the maintenance of a stock of goods or merchandise belonging to the person solely for the purpose of storage, display or delivery;
- c) the maintenance of a stock of goods or merchandise belonging to the person solely for the purpose of processing by another person;
- d) the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise or of collecting information, for the person;
- e) the maintenance of a fixed place of business solely for the purpose of carrying on, for the person, any other activity of a preparatory or auxiliary character;
- f) the maintenance of a fixed place of business solely for any combination of activities mentioned in subparagraphs "a" to "e".

5. Notwithstanding the provisions of paragraphs 1 and 2, where a person carries on activities in the other Contracting State through an agent, that person shall be deemed to have a permanent establishment in that other State in respect of any activities which the agent undertakes for that person, if the agent meets each of the following conditions:

- a) he has an authority to conclude contracts in that other State in the name of that person;
- b) he habitually exercises that authority;
- c) he is not an agent of an independent status to whom the provisions of paragraph 6 apply; and
- d) his activities are not limited to those mentioned in paragraph 4.

6. A person shall not be deemed to have a permanent establishment in a Contracting State merely because he carries on business in that State through a broker, general commission agent or any other agent of an independent status, provided that such

brokers or agents 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 constitute either company a permanent establishment of the other.

## Article 6

### Income from Immovable Property

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

2. The term "immovable property" shall have the meaning which it has under the law of the Contracting State in which the property in question is situated. The term shall in any case include all 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, aircraft, railway and road vehicles 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 a person (as defined in Article 3) including income from immovable property used for the performance of independent personal services.

## Article 7

### Business Profits

1. The profits of a person of a Contracting State shall be taxable only in that State unless the person carries on business in the other Contracting State through a permanent establishment situated therein. If the person carries on business as aforesaid, the profits of that person 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 a person 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 person 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, 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 person (as defined in Article 3) 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 results shall be in accordance with the principles contained in this Article.

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

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

### Income from International Traffic

1. Income received by a resident of a Contracting State from the operation of transport vehicles in international traffic shall be taxable only in that Contracting State. This provision is extended to income from operating means of transport by a resident of a Contracting State for transportation of equipment, provisions, other materials and personnel to a place of activity connected with preliminary surveys, exploration or extraction of hydrocarbons on the territory of the other Contracting State.

2. For the purpose of this Convention income from international traffic includes income derived from direct use, leasing or use of transport facilities in any other form, including the use, maintenance or lease of containers and related equipment.

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

4. With respect to profits derived by the Danish, Norwegian and Swedish air transport consortium, known as the Scandinavian Airlines System (SAS), the provisions of paragraph 1 shall apply only to such proportion of the profits as corresponds to the participation in that consortium held by Det Danske Luftfartsselskab (DDL), the Danish partner of Scandinavian Airlines System (SAS).

## Article 9

### Adjustment of Income

1. Where

a) a person 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 persons, then any profits which would, have accrued to one of the persons, but, by reason of those conditions, have not so accrued, may be included in the profits of that person and taxed accordingly.

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

## 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 also be taxed in the Contracting State of which the company paying the dividends is a resident, and according to the laws of that State, but if the recipient is the beneficial owner of the dividends the tax so charged shall not exceed 10 per cent of the gross amount of the dividends. For the application of this rate in Denmark the competent authorities of Denmark settle the mode of application of the provisions of this paragraph.

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 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 laws 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 beneficial owner 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 independent personal services from a fixed base situated therein, and the holding in respect of which the dividends are paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14, as the case may be, shall apply.

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 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 shall be taxable only in that other State if such resident is the beneficial owner of the interest.

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

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

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

## 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.

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

3. The provision of paragraph 1 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 independent personal services from a fixed base situated therein, and the right or property in respect of which the royalties are paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14, as the case may be, shall apply.

4. Where, by reason of a special relationship between the payer and the beneficial owner of the royalties or between both of them and some other person, the amount of the royalties, having regard to the use, right or information for which they are paid, exceeds the amount which would have been agreed upon by the payer

and the beneficial owner of the royalties in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case, the excess part of the payments shall remain taxable according to the laws of each Contracting State, due regard being had to the other provisions of this Convention.

#### Article 13

##### Income from the Alienation of Property

1. Income derived by a resident of a Contracting State from the alienation of immovable property referred to in Article 6 and situated in the other Contracting State may be taxed in that other State.

2. Income from the alienation of movable property forming part of the business property of a permanent establishment which a person of a Contracting State has in the other Contracting State or of movable property pertaining to a fixed base available to a person of a Contracting State in the other Contracting State for the purpose of performing independent personal services, including such income from the alienation of such a permanent establishment (alone or with the whole enterprise) or on such fixed base, may be taxed in that other State.

3. Income from the alienation of means of transport (including containers and related equipment) operated in international traffic or movable property pertaining to the operation of such means of transport (including containers and related equipment) shall be taxable only in the Contracting State of which the alienator is a resident.

4. Income from the alienation of any other property shall be taxable only in the Contracting State of which the alienator is a resident

5. With respect to gains derived by the Danish, Norwegian and Swedish air transport consortium Scandinavian Airlines System (SAS), the provision of paragraph 3 shall apply only to such proportion of the gains as corresponds to the participation in that consortium held by Det Danske Luftfartsselskab (DDL), the Danish partner of Scandinavian Airlines System (SAS).

#### Article 14

##### Income from Independent Personal Services

1. Income derived by a resident of a Contracting State in respect of professional services or other activities of an independent 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 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, dentists, lawyers, engineers, architects, auditors and accountants.

#### Article 15

##### Income from Employment

1. Subject to the provisions of Articles 16, 18 and 19, 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 any twelve month period commencing or ending 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 derived in respect of an employment exercised aboard a transport vehicle operated in international traffic (including such traffic as mentioned in the last sentence of paragraph 1 of Article 8) by a resident of a Contracting State may be taxed in that State.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Article salaries, wages and other similar remuneration, derived by a resident of a Contracting State in respect of employment in connection with a building site or construction or installation project in the other Contracting State, in which income shall not be taxed within the period mentioned in subparagraph "a" of paragraph 3 of Article 5, shall be taxable only in the first-mentioned State.

5. Notwithstanding the provisions of paragraphs 1 and 2 of this Article remuneration derived by a resident of a Contracting State who is present in a period not exceeding five years in the other Contracting State as a journalist or a correspondent, shall be taxable only in the Contracting State from which the remuneration is derived.

6. Where a resident of Denmark derives remuneration in respect of an employment exercised aboard an aircraft operated in international traffic by the Scandinavian Airlines System (SAS) consortium, such remuneration shall be taxable only in Denmark.

## Article 16

### Directors' Fees

Directors' fees and other 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

### Income of Artistes and Sportsmen

1. Notwithstanding the provisions of Articles 7, 14 and 15, income derived by a resident of a Contracting State as an artistic performer, such as a theatre, motion picture, radio or television artiste, or a musician, or as a sportsman, from his personal activities as such exercised in the other Contracting State, may be taxed in that other State.

2. Where income in respect of personal activities exercised by an artistic performer or a sportsman in his capacity as such, accrues not to the artistic performer or sportsman 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 artistic performer or sportsman are exercised.

3. Notwithstanding the preceding provisions of this Article income of an artistic performer or a sportsman from his personal activities shall be exempt from tax in the Contracting State in which these activities are exercised if the activities are exercised within the framework of a programme for cultural co-operation and of a visit which is wholly financed by the other Contracting State or state power and administrative authorities created in that State. The afore-mentioned incentive shall be given upon presenting to the tax authorities of a Contracting State a document of a competent state administrative authority of the other Contracting State which confirms that all necessary requirements have been compiled with.

#### Article 18

##### Pensions and Similar Payments

1. Pensions, annuities and other similar payments received by an individual from sources of a Contracting State shall be taxable only in that State.

2. The term "annuities" means stated sums 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

##### Remuneration of State Employees

1. Remuneration, other than a pension, paid by State power or administrative authorities created in a Contracting State, including local authorities, to an individual in respect of services rendered to those authorities shall be taxable only in that State.

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

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

3. The provisions of Articles 15, 16 shall apply to remuneration paid in respect of services rendered in connection with a business carried on by a State power or administrative authority created in a Contracting State, including local authorities.

#### Article 20

##### The Amounts Paid to Students, Business Apprentices, Teachers and Researchers

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

2. The provisions of paragraph 1 are also extended to

remuneration paid to a teacher or a researcher who is, or immediately before visiting a Contracting State was, a resident of the other Contracting State and is present in the first-mentioned Contracting State for the primary purpose of teaching, giving lectures or conducting research at a university, college, school or other educational institution or a scientific research institution, the activities of which have been approved by the Government of the first-mentioned State. Such remuneration shall be exempt from tax in the first-mentioned Contracting State for a period of two years from the date of his first arrival in that State in respect of remuneration for such teaching, lectures or research, provided that such remuneration arises from sources within the other Contracting State.

#### Article 21

##### Other Income

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.

#### Article 22

##### Capital

1. Capital represented by immovable property referred to in Article 6, owned by a resident of a Contracting State and situated in the other Contracting State, may be taxed in that other State.

2. Capital represented by 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 by 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 independent personal services may be taxed in that other State.

3. Capital represented by means of transport (including containers and related equipment) operated in international traffic or movable property pertaining to the operation of such means of transport (including containers and related equipment) shall be taxable only in the Contracting State of which the owner of the capital is a resident.

4. All other elements of capital of a resident of a Contracting State shall be taxable only in that State.

5. With respect to capital derived by the Danish, Norwegian and Swedish air transport consortium Scandinavian Airlines System (SAS), the provision of paragraph 3 shall apply only to such proportion of the capital as corresponds to the participation in that consortium held by Det Danske Luftfartsselskab (DDL), the Danish partner of Scandinavian Airlines System (SAS).

#### Article 23

##### Methods for Elimination of Double Taxation

Double taxation shall be avoided as follows:

1. In the Russian Federation:

Where a resident of the Russian Federation receives income or owns capital which according to the provisions of this Convention may be taxed in Denmark, the amount of tax on such income or such capital due to be paid in Denmark shall be deducted from the tax levied on the income or the capital of such a person in the Russian Federation. Such deduction shall not, however, exceed the amount of the tax calculated in respect of such income or capital

in accordance with the laws and rules of the Russian Federation.

2. In Denmark:

a) Subject to the provisions of subparagraph c), where a resident of Denmark derives income or owns capital which, in accordance with the provisions of this Convention, may be taxed in Russia, Denmark shall allow:

i) as a deduction from the tax on the income of that resident, an amount equal to the income tax paid in Russia;

ii) as a deduction from the tax on the capital of that resident, an amount equal to the capital tax paid in Russia;

b) Such deduction in either case shall not, however, exceed that part of the income tax or capital tax, as computed before the deduction is given, which is attributable, as the case may be, to the income or the capital which may be taxed in Russia;

c) Where a resident of Denmark derives income or owns capital which, in accordance with the provisions of this Convention shall be taxable only in Russia, Denmark may include this income or capital in the tax base, but shall allow as a deduction from the income tax or capital tax that part of the income tax or capital tax, which is attributable, as the case may be to the income derived from or the capital owned in Russia.

## Article 24

### Non-Discrimination

1. Citizens, legal persons or any body of persons of a Contracting State deriving their status as such from the laws in force in that State or wholly or partly owned by persons who are residents of that 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 citizens, legal persons or any body of persons of that other State in the same circumstances are or may be subjected. This provision shall, notwithstanding the provisions of Article 1, also apply to persons who are not residents of one or both of the Contracting States as well as to stateless persons who are residents of a Contracting State. The provisions of this paragraph shall not be construed as obliging a Contracting State to grant to citizens, legal persons or any body of persons of the other State tax benefits granted by special agreements to citizens, legal persons or any body of persons of a third State.

2. The taxation on a person of a Contracting State who carries on business in the other Contracting State through a permanent establishment shall not be less favourably levied in that other State than the taxation levied on residents of that other State carrying on similar activities under the same conditions.

3. Nothing contained in this Article shall be interpreted as obliging a Contracting State to give to individuals not resident in that State the right to any of the personal allowances, reliefs and reductions for tax purposes which are granted to individuals who are residents of that State.

4. Nothing contained in this Article shall be construed as obliging a Contracting State to grant tax incentives or other similar benefits to citizens or other persons referred to in paragraph 1 of the other Contracting State only because such incentives or benefits are being granted by the first-mentioned State to such persons of a third State under special agreements.

5. The provisions of this Article shall apply to the taxes which are the subject of this Convention.

## Article 25

#### Mutual Agreement Procedure

1. Where a person considers that the actions of one or both of the Contracting States result or will result for him in taxation not in accordance with the provisions of this Convention, he may, irrespective of the remedies provided by the domestic law of those States, present his case to the competent authority of the Contracting State of which he is a resident. The case must be presented within three years from the first notification of the action resulting in taxation not in accordance with the provisions of the Convention.
  2. The competent authority shall endeavour, if the objection appears to it to be justified and if it is not itself able to arrive at a satisfactory solution, to resolve the case by mutual agreement with the competent authority of the other Contracting State, with a view to the avoidance of taxation which is not in accordance with the Convention. Any agreement reached shall be implemented notwithstanding any time limits in the domestic law of the Contracting States.
  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 consult each other for the elimination of double taxation in cases not provided for the Convention. They may also communicate with each other directly for the purpose of applying the provisions of this Convention.

#### Article 26

##### Exchange of Information

1. The competent authorities of the Contracting States shall exchange information as is necessary for carrying out the provisions of this Convention or of the domestic laws of the Contracting States concerning taxes covered by the Convention insofar as the taxation thereunder is not contrary to the Convention. The exchange of information is not restricted by Article 1. Any information received by a Contracting State shall be treated as confidential in the same manner as information obtained under the domestic laws of that State and shall be disclosed only to persons or authorities (including courts and administrative bodies) involved in the assessment or collection of, the enforcement or prosecution in respect of, or the determination of appeals in relation to, the taxes covered by the Convention. Such persons or authorities shall use the information only for such purposes. They may disclose the information in public court proceedings or in judicial decisions.
  2. In no case shall the provisions of paragraph 1 be construed so as to impose on a Contracting State the obligation:
    - a) to carry out administrative measures at variance with the laws and administrative practice of that or of the other Contracting State;
    - b) to supply information which is not obtainable under the laws or in the normal course of the administration of that or of the other 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 (order public).
  3. If information is requested by a Contracting State in accordance with this Article, the other Contracting State shall endeavour to obtain the information to which the request relates in the same way as if its own taxation was involved

notwithstanding the fact that the other State does not, at that time, need such information. If specifically requested by the competent authority of Contracting State, the competent authority of the other Contracting State may provide information under this Article in the form requested, such as depositions of witnesses and copies of unedited original documents (including books, papers, statements, records, accounts or writings), to the same extent such depositions and documents can be obtained under the laws and administrative practices of that other State with respect to its own taxes.

#### Article 27

##### Other Fiscal Privileges

Nothing in this Convention shall affect the fiscal privileges for persons who are provided with such privileges under the general rules of international law or under the provisions of special agreements.

#### Article 28

##### Entry into Force

1. The Governments of the Contracting States shall notify each other that the constitutional requirements for the entry into force of this Convention have been complied with.

2. The Convention shall enter into force thirty days after the date of the receipt of the later of the notifications referred to in paragraph 1 and its provisions shall have effect:

(i) in respect of taxes withheld at source, on income derived on or after 1 January in the calendar year next following the year in which the Convention enters into force;

(ii) in respect of other taxes on income, and taxes on capital, for taxes changeable for any tax year beginning on or after 1 January in the calendar year next following the year in which the Convention enters into force.

3. The Convention between the Government of the Union of Soviet Socialist Republics and the Government of the Kingdom of Denmark for the Avoidance of Double Taxation with Respect to Taxes on Income and Capital, signed on 21 October 1986, shall terminate in relations between the Russian Federation and the Kingdom of Denmark upon the entry into force of this Convention.

4. From the date of which this Convention shall have effect all provisions concerning taxation of income and capital in the following Conventions and diplomatic notes shall cease to apply in relations between the Russian Federation and the Kingdom of Denmark:

a) Convention between the Government of the Union of Soviet Socialist Republics and the Government of the Kingdom of Denmark on international road traffic, signed on 3 December 1971.

b) Protocol signed on 9 February 1971 concerning mutual tax exemption for companies engaged in air traffic and their employees, drawn up in connection with the Convention between the Government of the Union of Soviet Socialist Republics and the Government of Denmark concerning air traffic relations, signed on 31 March 1956.

c) Verbal notes of 21 March 1960 and 10 May 1960 exchanged between the Embassy of the Union of Soviet Socialist Republics in Copenhagen and the Danish Ministry of Foreign Affairs on taxation of individuals employed in certain enterprises, institutions and organisations.

#### Article 29

## Termination

This Convention shall remain in force until terminated by a Contracting State. Either Contracting State may terminate the Convention, by giving notice of termination in writing through diplomatic channels, at least six months before the end of any calendar year. In such event, the Convention shall cease to have effect:

(i) in respect of taxes withheld at source, on income derived on or after 1 January in the calendar year next following the year in which the notice is given;

(ii) in respect of other taxes on income, and taxes on capital, for taxes changeable for any tax year beginning on or after 1 January in the calendar year next following the year in which the notice is given.

Done in duplicate at Moscow on February 8, 1996 in the Russian, Danish and English languages, the three texts being equally authentic. In case of any divergence of interpretation, the English text shall be used as a reference.