

Belgium - Pakistan

Income Tax Treaties

1980 Income Tax Convention and Final Protocol

Signatories: Belgium; Pakistan

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Status: In Force

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

The Government of the Kingdom of Belgium, hereinafter referred to as the Government of Belgium, and the Government of the Islamic Republic of Pakistan, hereinafter referred to as the Government of Pakistan, desiring to conclude a Convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income, have agreed as follows:

I. Scope of the Convention

Article 1

Personal Scope

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

Article 2

Taxes Covered

1. This Convention shall apply to taxes on income imposed on behalf of a Contracting State or of its political subdivisions or local authorities, irrespective of the manner in which they are levied.
2. There shall be regarded as taxes on income all taxes imposed on total income or on elements of income, including taxes on gains from the alienation of movable or immovable property, taxes on the total amounts of wages or salaries paid by enterprises, as well as taxes on capital appreciation.
3. The existing taxes to which the Convention shall apply are in particular:
 - (a) in Pakistan: the income tax, the super tax and the surcharge (hereinafter referred to as "Pakistan tax");

(b) in Belgium:

- (a) the individual income tax (l'impôt des personnes physiques-de personenbelasting);
 - (ii) the corporate income tax (l'impôt des sociétés-de vennootschapsbelasting);
 - (iii) the income tax on legal entities (l'impôt des personnes morales-de rechtspersonenbelasting);
 - (iv) the income tax on non-residents (l'impôt des non-residents-de belasting der nietverblijfhouders);
 - (v) the prepayments (les precomptes-de voorheffingen);
 - (vi) the exceptional and temporary solidarity contribution (la participation exceptionnelle et temporaire de solidarité-de buitengewone en tijdelijke solidariteitsbijdrage);
 - (vii) the surcharges (les décimes et centimes additionnels-de opdecimen en opcentimen) on any of the taxes and prepayments referred to in heads (i) to (vi) including the supplements to the individual income tax (les taxes additionnelles a l'impôt des personnes physiques-de aanvullende belastingen op de personenbelasting) (hereinafter referred to as "Belgian tax").
4. The Convention shall apply also to any identical or substantially similar taxes which are imposed after the date of signature of the Convention in addition to, or in place of, the existing taxes by either Contracting State or by the Government of any territory to which the Convention is extended under Article 28. The Contracting States shall notify each other of changes which have been made in their respective taxation laws.
5. In case of substantial changes in the system of taxation of either Contracting State, the Contracting States shall consult each other with a view to adapting the Convention to such changes.

II. Definitions

Article 3

General Definitions

1. For the purposes of this Convention, unless the context otherwise requires:
 - (a) the term "Pakistan" used in a geographical sense means the national territory and any area in the sea which is under the national jurisdiction of the Islamic Republic of Pakistan;

- (b) the term "Belgium" used in a geographical sense means the national territory and any area in the sea which is under the national jurisdiction of the Kingdom of Belgium;
- (c) the terms "a Contracting State" and "the other Contracting State" mean Pakistan or Belgium as the context requires;
- (d) the term "tax" means Pakistan tax or Belgian tax as the context requires;
- (e) the term "person" includes an individual, a company and any other body of persons;
- (f) the term "company" means any body corporate or any entity which is treated as a body corporate for tax purposes in the Contracting State of which it is a resident;
- (g) 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;
- (h) the term "nationals" means:
- (i) all individuals possessing the nationality of a Contracting State;
 - (ii) all legal persons, partnerships and associations deriving their status as such from the laws in force in a Contracting State;
- (j) the term "international traffic" means any transport by a ship or aircraft operated by an enterprise of a Contracting State except when such ship or aircraft is operated solely between places in the other Contracting State;
- (k) the term "competent authority" means:
- (i) in Pakistan, the Central Board of Revenue, and
 - (ii) in Belgium, the Director General of direct taxes 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 whose income, under the laws of that State, is liable to tax therein by

reason of his domicile, residence, place of management or any other criterion of a similar nature.

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 can not be determined, or if he has not a permanent home available to him in either State, he shall be deemed to be a resident of the State in which he has an habitual abode;
 - (c) if he has an habitual abode in both States or in neither of them, he shall be deemed to be a resident of the State of which he is a national;
 - (d) if he is a national of both States or of neither of them, the competent authorities of the 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 the business of an enterprise is wholly or partly carried on.
2. The term "permanent establishment" includes especially:
 - (a) a place of management;
 - (b) a branch;
 - (c) an office;
 - (d) a factory;
 - (e) a workshop or a warehouse;
 - (f) a mine, an oil or gas well, a quarry or any other place of extraction of natural resources;

- (g) a permanent sales exhibition;
 - (h) a building site or construction or assembly project or supervisory activities in connection therewith, where such site, project or activity continues for a period of more than six months;
 - (i) the furnishing of services, including consultancy services, by an enterprise through employees or other personnel, where activities of that nature continue (for the same or a connected project) within the country for a period or periods aggregating more than three months within the fiscal year.
3. Notwithstanding the preceding provisions of this Article, the term "permanent establishment" shall be deemed not to include:
- (a) the use of facilities solely for the purpose of storage, display or delivery of goods or merchandise belonging to the enterprise;
 - (b) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage, display or delivery;
 - (c) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise;
 - (d) the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise or of collecting information, for the enterprise;
 - (e) the maintenance of a fixed place of business solely for the purpose of carrying on advertisement, for the supply of information, for scientific research or for similar activities which have a preparatory or auxiliary character, for the enterprise.
4. Notwithstanding the provisions of paragraphs 1 and 2, an enterprise of a Contracting State shall be deemed to have a permanent establishment in the other Contracting State if it has in that other State an agent-other than an agent to whom paragraph 5 applies-who:
- (a) has and habitually exercises a general authority to negotiate and conclude contracts on behalf of the enterprise, unless the activities of the agent are limited to the purchase of goods or merchandise for the enterprise or
 - (b) has in that other State a stock of goods or merchandise from which he regularly fills orders on behalf of the enterprise.
5. An enterprise shall not be deemed to have a permanent establishment in a Contracting State merely because it carries on business in that State through a broker, general commission agent or any other agent of an independent status, provided that such persons are acting in the ordinary course of their business. However, where the activities of such an agent or broker are devoted wholly or almost wholly on behalf of

that enterprise, he would not be considered an agent of an independent status within the meaning of this paragraph.

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.

III. Taxation of Income

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 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 shall apply to income derived from the direct use, letting, or use in any other form of immovable property.
4. The provisions of paragraphs 1 and 3 shall also apply to the income from immovable property of an enterprise and to income from immovable property used for the performance of independent personal services.

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
 - (a) that permanent establishment, or

(b) the sale of goods or merchandise of the same or similar kind as those sold, or to other business transactions of the same or similar kind as those effected, through that permanent establishment.

2. Subject to the provisions of paragraph 3, where an enterprise of a Contracting State carries on business in the other Contracting State through a permanent establishment situated therein, there shall in each Contracting State be attributed to that permanent establishment the profits which it might be expected to make if it were a distinct enterprise engaged in the same or similar activities under the same or similar conditions and dealing wholly independently with the enterprise of which it is a permanent establishment.
3. In determining the profits of a permanent establishment, there shall be allowed as deductions expenses which are incurred for the purposes of the permanent establishment, including executive and general administrative expenses so incurred, whether in the State in which the permanent establishment is situated or elsewhere.

However, no such deduction shall be allowed in respect of amounts, if any, paid (otherwise than towards reimbursement of actual expenses) by the permanent establishment to the head office of the enterprise or any of its other offices, by way of royalties, fees or other similar payments in return for the use of patents or other rights, or by way of commission for specific services performed or for management, or, except in the case of a banking enterprise, by way of interest on moneys lent to the permanent establishment. Likewise, no account shall be taken in the determination of the profits of a permanent establishment for amounts charged (otherwise than towards reimbursement of actual expenses), by the permanent establishment to the head office of the enterprise or any of its other offices, by way of royalties, fees or other similar payments in return for the use of patents or other rights, or by way of commission for specific services performed or for management, or, except in the case of a banking enterprise, by way of interest on moneys lent to the head office of the enterprise or any of its other offices.

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 shall preclude that Contracting State from determining the profits to be taxed by such an apportionment as may be customary; the method of apportionment adopted shall, however, be such that the result shall be in accordance with the principles contained in this Article.
5. No profits shall be attributed to a permanent establishment by reason of the mere purchase by the permanent establishment of goods or merchandise for the enterprise.
6. For the purposes of the preceding paragraphs, the profits to be attributed to the permanent establishment shall be determined by the same method year by year unless there is good and sufficient reason to the contrary.

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

Article 8

Shipping and Air Transport

1. Profits of an enterprise of a Contracting State from the operation of ships or aircraft in international traffic shall be taxable only in that State.
2. The provisions of paragraph 1 shall also apply to profits from the participation in a pool, a joint business or an international operating agency.

Article 9

Associated Enterprises

Where

- (a) an enterprise of a Contracting State participates directly or indirectly in the management, control or financing of an enterprise of the other Contracting State, or
- (b) the same persons participate directly or indirectly in the management, control or financing of an enterprise of a Contracting State and an enterprise of the other Contracting State and in either case conditions are made or imposed between the two enterprises in their commercial or financial relations which differ from those which would be made between independent enterprises, then any profits which would, but for those conditions, have accrued to one of the enterprises, but, by reason of those conditions, have not so accrued, may be included in the profits of that enterprise and taxed accordingly.

Article 10

Dividends

1. Dividends paid by a company which is a resident of a Contracting State to a resident of the other Contracting State may be taxed in both Contracting States.
2. Where a company which is a resident of Pakistan pays dividends to a company which is a resident of Belgium and owns not less than 20 per cent of the voting shares of the first-mentioned company, the rate of the Pakistan tax on the dividends shall not exceed:
 - (a) 10 per cent of the gross amount of the dividends if the paying company is engaged in an industrial undertaking;
 - (ii) 15 per cent of the gross amount of the dividends in all other cases.

3. Where a company which is a resident of Belgium pays dividends to a resident of Pakistan who is the beneficial owner thereof, the Belgian tax charged on such dividends shall not exceed 15 per cent of their gross amount.
4. (a) The term "dividends" as used in this Article means income from shares, "jouissance" shares or "jouissance" rights, mining shares, founders' shares or other rights, not being debt-claims, participating in profits, as well as income from other corporate rights which is subjected to the same taxation treatment as income from shares by the laws of the State of which the company making the distribution is a resident. This term means also income-even when paid in the form of interest-which is taxable under the head of income on capital invested by the members of a company other than a company with share capital, which is a resident of Belgium.

(b) The term "industrial undertaking" as used in the present Article means:
 - (i) the manufacture of goods or materials or the subjection of goods or materials to any process which results in substantially changing their original condition;
 - (ii) ship-building;
 - (iii) electricity, hydraulic power, gas and water supply;
 - (iv) mining including the working of an oil-well or any other source of mineral deposits;
 - (v) any other undertaking which may be declared to be an "industrial undertaking" by the competent authorities for the purposes of this Article.
5. The provisions of paragraphs 1, 2 and 3 shall not apply if the recipient of the dividends, being a resident of a Contracting State, carries on business in the other Contracting State of which the company paying the dividends is a resident, through a permanent establishment situated therein, or performs in that other State 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.
6. Where a company which is a resident of a Contracting State derives profits or income from the other Contracting State, that other State may not impose any tax on the dividends paid by the company to a resident of that first-mentioned State, except 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 the company's undistributed profits, even if the dividends paid or the undistributed profits consist wholly or partly of profits or income arising in such other State.

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

Article 11

Interest

1. Interest arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State.
2. However, such interest may also be taxed in the Contracting State in which it arises, and according to the laws of that State, but if the beneficial owner of the interest is a resident of the other Contracting State, the tax so charged shall not exceed 15 per cent of the gross amount of the interest.
3. Notwithstanding the provisions of paragraph 2:
 - (a) the State Bank of Pakistan shall be exempt from Belgian tax with respect to interest from sources within Belgium;
 - (b) the National Bank of Belgium (Banque Nationale de Belgique-Nationale Bank van Belgie) shall be exempt from Pakistan tax with respect to interest from sources within Pakistan;
 - (c) the Government of a Contracting State shall be exempt from the tax of the other Contracting State with respect to interest on loans derived by that Government from sources within that other Contracting State;
 - (d) any financial institution owned or controlled by the Government of a Contracting State shall be exempt from the tax of the other Contracting State with respect to interest on loans derived by that institution from sources within that other Contracting State.
3. 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. However, the term "interest" shall not include for the purpose of this Article penalty charges for late payment nor interest regarded as dividends under the second sentence of paragraph 4 (a) of Article 10.
4. The provisions of paragraphs 1 and 2 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.

5. 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 or a fixed base in connection with which the indebtedness on which the interest is paid was incurred, and such interest is borne by such permanent establishment or fixed base, then such interest shall be deemed to arise in the State in which the permanent establishment or fixed base is situated.
6. Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the interest, having regard to the debt-claim for which it is paid, exceeds the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case, the excess part of the payments may be taxed in the Contracting State in which the interest arises according to the law of that State.

Article 12

Royalties

1. Royalties arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State.
2. However, such royalties may also be taxed in the Contracting State in which they arise, and according to the laws of that State, but if the beneficial owner of the royalties is a resident of the other Contracting State, the tax so charged shall not exceed 20 per cent of the gross amount of the royalties as defined in paragraph 4 (a) and 15 per cent of the gross amount of royalties as defined in paragraph 4 (b).
3. Notwithstanding the provisions of paragraph 2, copyright royalties and other like payments as defined in paragraph 4 (c) arising in a Contracting State and paid to a resident of the other Contracting State who is the beneficial owner thereof shall be taxable only in that other State.
4. The term "royalties" as used in this Article means:
 - (a) payments of any kind received as a consideration for the use of, or the right to use, 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 and includes payments of any kind in respect of motion picture films and films or tapes for radio broadcasting or television;
 - (b) payments received as a consideration for technical know-how or information concerning industrial, commercial or scientific experience;

- (c) copyright royalties and other like payments in respect of the production or reproduction of any literary, dramatic, musical or artistic work other than motion picture films or films or tapes for radio broadcasting or television.
4. The provisions of paragraphs 1, 2 and 3 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 a case, the provisions of Article 7 or Article 14, as the case may be, shall apply.
 5. Royalties shall be deemed to arise in a Contracting State when the payer is that State itself, a political sub-division, 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 or a fixed base in connection with which the liability to pay the royalties was incurred, and the royalties are borne by such permanent establishment or fixed base, then such royalties shall be deemed to arise in the State in which the permanent establishment or fixed base is situated.
 6. Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the royalties, having regard to the use, right or information for which they are paid, exceeds the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case, the excess part of the payments may be taxed in the Contracting State in which the royalties arise according to the law of that State.

Article 13

Capital gains

1. Gains 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. 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 independent personal services, including such gains from the alienation of such a permanent establishment (alone or with the whole enterprise) or of such fixed base, may be taxed in that other State.
3. Gains from the alienation of ships or aircraft operated in international traffic or movable property pertaining to the operation of such ships or aircraft, shall be taxable

only in the Contracting State in which the profits from the operation of the ships or aircraft are taxable according to the provisions of Article 8.

4. Gains from the alienation of any property or rights referred to in paragraph 4 of Article 12 shall be taxable only in the Contracting State of which the alienator is a resident.
5. Gains from the alienation of any property other than that referred to in the preceding paragraphs may be taxed in both Contracting States.

Article 14

Independent Personal Services

1. Income derived by a resident of a Contracting State in respect of professional services or other independent activities of a similar character shall be taxable only in that State. However, in the following circumstances such income may be taxed in the other Contracting State:
 - (a) if he has a fixed base regularly available to him in the other Contracting State for the purposes of performing his activities; in that case, only so much of the income as is attributable to that fixed base may be taxed in that other Contracting State, or
 - (b) if he is present in the other Contracting State for a period or periods amounting to or exceeding in the aggregate 183 days in the fiscal year concerned; or
 - (c) if the remuneration for his services in the other Contracting State derived from a resident of that Contracting State exceeds Rs. 50,000 or its equivalent in Belgian currency in the fiscal year concerned, notwithstanding that his stay in that State is for a period or periods amounting to less than 183 days during the fiscal year concerned.
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, 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 derived in respect of an employment exercised aboard a ship or aircraft operated in international traffic may be taxed in the Contracting State in which the profits from the operation of such ship or aircraft are taxable according to the provisions of Article 8.

Article 16

Directors' Fees

1. 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 or a similar organ of a company which is a resident of the other Contracting State may be taxed in that other State.
2. The provisions of paragraph 1 shall likewise apply to payments received by an official of a company in a top level managerial position who in fact carries out functions which are of a similar nature as those performed by a person as referred to in that paragraph 1.

Article 17

Artistes and Athletes

1. Notwithstanding the provisions of Articles 14 and 15, income derived by a resident of a Contracting State as an entertainer, such as a theatre, motion picture, radio or television artiste, or a musician, or as an athlete, including a boxer or a wrestler, 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 entertainer or an athlete in his capacity as such accrues not to the entertainer or athlete himself but to another person, that income may, notwithstanding the provisions of Articles 7, 14 and 15, be taxed in the Contracting State in which the activities of the entertainer or athlete are exercised.

Article 18

Pensions and Annuities

1. Subject to the provisions of paragraph 2 of Article 19, any pension and any annuity derived from sources within a Contracting State by an individual who is a resident of the other Contracting State shall be exempt from tax in the first-mentioned State.
2. The term "pension", as used in this Article, means periodic payments made in consideration for services rendered or by way of compensation for injuries received.
3. The term "annuity", as used in this Article, 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

Government Service

1.
 - (a) Remuneration, other than a pension, paid by a Contracting State or a political subdivision or a local authority thereof to an individual in respect of services rendered to that State or subdivision or authority shall be taxable only in that State.
 - (b) However, such remuneration shall be taxable only in the other Contracting State if the services are rendered in that State and the individual is a resident of that State who:
 - (i) is a national of that State; or
 - (ii) did not become a resident of that State solely for the purpose of rendering the services.
2.
 - (a) Any pension paid by, or out of funds created by, a Contracting State or a political subdivision or a local authority thereof to an individual in respect of services rendered to that State or subdivision or authority shall be taxable only in that State.
 - (b) However, such pension shall be taxable only in the other Contracting State if the individual is a resident of, and a national of, that State.
3. The provisions of Articles 15, 16 and 18 shall apply to remuneration and pensions in respect of services rendered in connection with a business carried on by a Contracting State or a political subdivision or a local authority thereof.

Article 20

Professors

The remuneration derived by a professor or teacher who is a resident of a Contracting State and is temporarily present in the other Contracting State for the purpose of teaching,

during a period not exceeding two years, at a university, college, school or other educational institution in that other Contracting State, shall be exempt from tax in that other State.

Article 21

Students

1. An individual who is a resident of a Contracting State at the beginning of a visit to the other Contracting State and is temporarily present in that other State solely:
 - (a) as a student at a recognised university, college or school in such other State,
 - (b) as a business apprentice, or
 - (c) as the recipient of a grant, allowance or award for the primary purpose of study or research from any religious, charitable, scientific or educational organization,

shall be exempt from tax in such other State:

- (i) on all remittances from abroad for the purposes of his maintenance, education or training, and
 - (ii) with respect to any amount, representing remuneration for an employment in that other State, provided the remuneration for such employment in a taxable year does not exceed 120,000 Belgian francs or the equivalent thereof in Pakistan currency.
2. An individual who is a resident of a Contracting State immediately before making a visit to the other Contracting State and is temporarily present in that other Contracting State as an employee of, or under contract with, the Government or an enterprise of the first-mentioned Contracting State solely for the purpose of acquiring technical, professional or business experience for a period not exceeding two years from the date of his first arrival in that other Contracting State in connection with that visit shall be exempt from tax in that other Contracting State on:
 - (i) all remittances from abroad for the purposes of his maintenance, education or training, and
 - (ii) any remuneration not exceeding 150,000 Belgian francs or the equivalent in Pakistan currency during any taxable year in respect of services rendered in that other Contracting State if such services are in connection with his studies or training or incidental thereto.
3. An individual who is a resident of a Contracting State at the beginning of a visit to the other Contracting State and is temporarily present in that other State under arrangements with the Government of such other State or any agency or instrumentality thereof solely for the purpose of training, study or orientation shall be exempt from tax in such other State:

- (i) on remuneration received from sources within the Contracting State of which he is a resident, and
- (ii) on remuneration received from sources within the other Contracting State, provided such remuneration does not exceed 120,000 Belgian francs during any taxable year or the equivalent thereof in Pakistan currency.

Article 22

Other Income

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

IV. Elimination of Double Taxation

Article 23

1. Subject to the provisions of the Pakistan Income tax Act the Belgian tax payable whether directly or by deduction, by a resident of Pakistan, in respect of income from sources within Belgium shall be allowed as a credit against Pakistan tax payable in respect of that income.
2. In the case of Belgium, double taxation shall be avoided as follows:
 - (a) Where a resident of Belgium derives income which may be taxed in Pakistan in accordance with the provisions of the Convention, whether or not it is taxed, and which is not subject to the provisions of sub-paragraphs (b), (c) and (d) below, Belgium shall exempt such income from tax but may, in calculating the amount of tax on the remaining income of that resident, apply the rate of the tax which would have been applicable if such income had not been exempted.
 - (b) Where a resident of Belgium derives:
 - dividends dealt with in paragraph 1 or 2 of Article 10 and not covered by sub-paragraph (d) below,
 - interest dealt with in paragraph 2 or 7 of Article 11,
 - royalties dealt with in paragraph 2 or 7 of Article 12,

Belgium shall allow an appropriate credit against Belgian tax relating to such income. This credit shall be the fixed proportion for which provision is made under Belgian law. Notwithstanding the provisions of its law, Belgium shall also allow the credit provided for in this sub-paragraph in respect of tax which may be charged in Pakistan on dividends, interest and royalties by virtue of the Convention and the law of Pakistan, but which is temporarily remitted or reduced under special provisions designed to promote the economic development of Pakistan.

- (b) Where a resident of Belgium derives income to which the provisions of paragraph 5 of Article 13 apply and which has been taxed in Pakistan, the amount of Belgian tax relating to such income shall not exceed the amount which would be charged according to Belgian law if such income were taxed as earned income derived from sources outside Belgium and subject to foreign tax.
- (c) Where a company which is a resident of Belgium owns shares in a company with share capital which is a resident of Pakistan, the dividends which are paid to it by the latter company and which may be taxed in Pakistan in accordance with paragraph 1 or 2 of Article 10, shall be exempt from the corporate income tax in Belgium to the extent that exemption would have been accorded if the two companies had been residents of Belgium.
- (d) Notwithstanding sub-paragraph (a) above, Belgian tax may be charged on income liable to Pakistan tax to the extent that such income has not been charged in Pakistan because of the set-off of losses also deducted, in respect of any accounting period, from income taxable in Belgium.

V. Special Provisions

Article 24

Non-discrimination

1. 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. 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.
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. This provision shall not be construed as obliging a Contracting State to grant to residents of the other Contracting State any personal allowances, reliefs and reductions for taxation purposes on account of civil status or family responsibilities which it grants to its own residents.

3. Except where the provisions of Article 9, paragraph 7 of Article 11, or paragraph 7 of Article 12, apply, interest, royalties and other disbursements paid by an enterprise of a Contracting State to a resident of the other Contracting State shall, for the purpose of determining the taxable profits of such enterprise, be deductible under the same conditions as if they had been paid to a resident of the first-mentioned State.
4. Enterprises of a Contracting State, the capital of which is wholly or partly owned or controlled, directly or indirectly, by one or more residents of the other Contracting State, shall not be subjected in the first-mentioned State to any taxation or any requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which other similar enterprises of the first-mentioned State are or may be subjected.
5. Nothing contained in this Article shall be construed:
 - (a) as affecting the provisions of the Pakistan law providing for a higher allowance or rebate of supertax to those companies which make the prescribed arrangements for the declaration and payment of dividends and the deduction of supertax from dividends paid by them;
 - (b) as preventing Belgium:
 - (i) from taxing the total amount of the profits attributable to a permanent establishment in Belgium of a company which is a resident of Pakistan or of an association having its place of effective management in Pakistan at the rate of tax provided by the Belgian law, but this rate may not exceed the maximum rate applicable to the whole or a portion of the profits of companies which are residents of Belgium;
 - (ii) from imposing the prepayment on dividends attributable to a permanent establishment or a fixed base maintained in Belgium by a company which is a resident of Pakistan or by an association which has its place of effective management in Pakistan and is taxable as a body corporate in Belgium.
6. The provisions of this Article shall, notwithstanding the provisions of Article 2, apply to taxes of every kind and description.

Article 25

Mutual Agreement Procedure

1. 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 or, if his case comes under paragraph 1 of Article 24, to that of the Contracting State of which he is a national. The case must be presented within

three years from the first notification of the action resulting in taxation not in accordance with the provisions of the Convention.

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.
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 or for the purpose of giving effect to the provisions of the Convention.

Article 26

Exchange of Information

1. The competent authorities of the Contracting States shall exchange such 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 in accordance with the Convention and in particular for the prevention of fraud and evasion of such taxes. The exchange of information is not restricted by Article
2. Any information received by a Contracting State shall be treated as secret in the same manner as information obtained under the domestic laws of that State and shall be disclosed only to persons or authorities (including courts and administrative bodies) involved in the assessment or collection of, the enforcement or prosecution in respect of, or the determination of appeals in relation to, the taxes covered by the Convention. Such persons or authorities shall use the information only for such purposes. They may disclose the information in public court proceedings or in judicial decisions.
3. 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 (ordre public).

Article 27

Miscellaneous

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. The provisions of this Convention shall not be construed as restricting in any manner any exemption, deduction, credit or other allowance now or hereafter accorded by the laws of a Contracting State in the determination of the tax imposed by such State, or by any other convention between the Contracting States.
3. As regards a company which is a resident of Belgium, the provisions of this Convention shall not limit its taxation in accordance with the Belgian law in the event of the repurchase of its own shares or in the event of the distribution of its assets.

Article 28

Territorial Extension

1. This Convention may be extended, either in its entirety or with any necessary modifications, to any territory for whose international relations either State is responsible, which imposes taxes substantially similar in character to those to which the Convention applies. Any such extension shall take effect from such date and subject to such modifications and conditions, including conditions as to termination, as may be specified and agreed between the Contracting States in notes to be exchanged through diplomatic channels or in any other manner in accordance with their constitutional procedures.
2. Unless otherwise agreed by both Contracting States, the termination of the Convention by one of them under Article 30 shall also terminate, in the manner provided for in that Article, the application of the Convention to any territory to which it has been extended under this Article.

VI. Final Provisions

Article 29

Entry Into Force

1. This Convention shall be ratified and the instruments of ratification shall be exchanged at _____ as soon as possible.
2. The Convention shall enter into force on the fifteenth day following the date on which the instruments of ratification are exchanged and its provisions shall have effect for the first time:

- (a) In Pakistan in respect of all taxes payable on income arising in any previous year ending on or after the first day of July of the calendar year in which the instruments of ratification are exchanged;
- (b) in Belgium:
- (i) in respect of all taxes payable at source on income arising on or after the first day of July of the calendar year in which the instruments of ratification are exchanged, and
 - (ii) in respect of all taxes, other than taxes payable at source, on income of taxable periods ending on or after the first day of July of that year.

Article 30

Termination

This Convention shall continue in effect indefinitely, but either of the Contracting States may, on or before the thirtieth day of June in any calendar year after the fifth year from the year of ratification, give to the other Contracting State written notice of termination and in such event, the Convention shall cease to have effect:

- (a) in Pakistan, in respect of all taxes payable on income arising in any previous year ending on or after the first day of July of the calendar year in which such written notice of termination is given, and
- (b) in Belgium:
- (i) in respect of all taxes payable at source on income arising on or after the first day of July of the calendar year in which such written notice of termination is given and
 - (ii) in respect of all taxes, other than taxes payable at source, on income of taxable periods ending on or after the first day of July of that year.

In witness whereof the undersigned, duly empowered to this end, have appended their signatures to this Convention.

Done at Brussels on the 17th day of March, 1980, in two originals, in the English language.

FOR AND ON BEHALF OF THE GOVERNMENT OF THE KINGDOM OF BELGIUM

H. Simonet

FOR AND ON BEHALF OF THE GOVERNMENT OF THE ISLAMIC REPUBLIC OF PAKISTAN

V. A. Jafarey

Final Protocol

At the moment of signing the Convention between the Islamic Republic of Pakistan and the Kingdom of Belgium for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to taxes on income, the undersigned have agreed on the following provisions which shall be an integral part of the said Convention.

1. Paragraph 1 of Article 7

It is understood that profits derived by an enterprise of a Contracting State within the other Contracting State from sale of goods or merchandise of the same or similar kind as those sold, or from other business transactions of the same or similar kind as those effected, through the permanent establishment situated therein, may be taxed in such other Contracting State, if the permanent establishment had contributed in any manner in the making of such sales or transactions.

2. Paragraph 1 of Article 8

Interest on funds directly connected with the operation of ships or aircraft in international traffic shall be regarded as income from the operation of such ships or aircraft; the provisions of Article 11 shall not apply in relation to such interest.

In witness whereof the undersigned, duly empowered to this end, have appended their signatures to this Convention.

Done at Brussels on the 17th of March, 1980, in two originals, in the English language.
FOR AND ON BEHALF OF THE GOVERNMENT OF THE KINGDOM OF BELGIUM

H. Simonet
FOR AND ON BEHALF OF THE GOVERNMENT OF THE ISLAMIC REPUBLIC OF PAKISTAN
V. A. Jafarey
