

Overenskomst mellom Kongeriket Norge og Amerikas Forente Stater, om unngåelse av dobbeltbeskatning og forebyggelse av skatteunndragelse.

**CONVENTION BETWEEN THE UNITED STATES OF
AMERICA AND THE KINGDOM OF NORWAY
FOR THE AVOIDANCE OF DOUBLE TAXATION AND
THE PREVENTION OF FISCAL EVASION WITH RES-
PECT TO TAXES ON INCOME AND PROPERTY**

The United States of America and the Kingdom of Norway, desiring to conclude a convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital have agreed upon the following articles:

CHAPTER I

Scope of Convention

Article 1

Taxes Covered

- (1) The taxes which are the subject of this Convention are:
 - (a) In the case of the United States, the Federal income taxes imposed by the Internal Revenue Code, hereinafter referred to as the «United States tax», and
 - (b) In the case of Norway:
 - (i) The national and municipal taxes on income (including contributions to the tax equalization fund) and capital;
 - (ii) The national dues on the salaries of nonresident artists;
 - (iii) The special tax in aid of developing countries;
 - (iv) The municipal tax on real property; and
 - (v) The seamen's tax;hereinafter referred to as «Norwegian tax».
- (2) This Convention shall also apply to taxes substantially similar to those covered by paragraph (1) which are imposed in addition to, or in place of, existing taxes after the date of signature of this Convention.
- (3) For the purpose of Article 25 (Nondiscrimination), this Convention shall also apply to taxes of every kind imposed at the National, State, or local level. For the purpose of Article 28 (Exchange of Information) this Convention shall also apply to taxes of every kind imposed at the National level.

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CHAPTER II

Definitions

Article 2

General Definitions

- (1) In this Convention, unless the context otherwise requires:
- (a) (i) The term «United States» means the United States of America; and
 - (ii) When used in a geographical sense, the term «United States» means the States thereof and the District of Columbia. Such term also includes (A) the territorial sea thereof and (B) the seabed and subsoil of the submarine areas adjacent to the territorial sea, over which the United States exercises sovereign rights, in accordance with international law, for the purpose of exploration and exploitation of the natural resources of such areas, but only to the extent that the person, property, or activity to which this Convention is being applied is connected with such exploration or exploitation.
 - (b) (i) The term «Norway» means the Kingdom of Norway; and
 - (ii) When used in a geographical sense, the term «Norway» includes (A) the territorial sea thereof and (B) the seabed and subsoil of the submarine areas adjacent to the territorial sea, over which Norway exercises sovereign rights, in accordance with international law, for the purpose of exploration and exploitation of the natural resources of such areas, but only to the extent that the person, property, or activity to which this Convention is being applied is connected with such exploration or exploitation.

However, the term «Norway» does not include Spitzbergen (including Bear Island), Jan Mayen, and the Norwegian dependencies outside Europe.
 - (c) The term «one of the Contracting States» or «the other Contracting State» means the United States or Norway, as the context requires.
 - (d) The term «person» includes an individual, a partnership, a corporation, an estate, a trust, or any body of persons.
 - (e) (i) The term «United States corporation» or «corporation of the United States» means a corporation which is created or organized under the laws of the United States or any State thereof or the District of Columbia or any unincorporated entity treated as a United States corporation for United States tax purposes; and
 - (ii) The term «Norwegian corporation» or «corporation of Norway» means any corporation or any entity which is treated as a body corporate for tax purposes under Norwegian tax law and is created or organized under the laws of Norway.
 - (f) The term «competent authority» means:
 - (i) In the case of the United States, the Secretary of the Treasury or his delegate, and
 - (ii) In the case of Norway, the Ministry of Finance and Customs or its authorized representative.
 - (g) The term «State» means the United States, Norway, or any other National State.

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- (h) The term «international traffic» means any voyage of a ship or aircraft operated by a resident of one of the Contracting States except where such voyage is confined solely to places within a Contracting State.
- (2) Any other term used in this Convention and not defined in this Convention shall, unless the context otherwise requires, have the meaning which it has under the laws of the Contracting State whose tax is being determined. Notwithstanding the preceding sentence, if the meaning of such a term under the laws of one of the Contracting States is different from the meaning of the term under the laws of the other Contracting State, or if the meaning of such a term is not readily determinable under the laws of one of the Contracting States, the competent authorities of the Contracting States may, in order to prevent double taxation or to further any other purpose of this Convention, establish a common meaning of the term for the purposes of this Convention.

Article 3

Fiscal Residence

- (1) In this Convention:
 - (a) The term «resident of Norway» means:
 - (i) A Norwegian corporation, and
 - (ii) Any person (except a corporation or any entity treated under Norwegian law as a corporation) resident in Norway for purposes of its tax, but in the case of a partnership, estate, or trust only to the extent that the income derived by such person is subject to Norwegian tax as the income of a resident.
 - (b) The term «resident of the United States» means:
 - (i) A United States corporation, and
 - (ii) Any person (except a corporation or any unincorporated entity treated as a corporation for United States tax purposes) resident in the United States for purposes of its tax, but in the case of a partnership, estate, or trust only to the extent that the income derived by such person is subject to United States tax as the income of a resident.
- (2) Where by reason of the provisions of paragraph (1) an individual is a resident of both Contracting States:
 - (a) He shall be deemed to be a resident of that Contracting State in which he maintains his permanent home. If he has a permanent home in both Contracting States or in neither of the Contracting States, he shall be deemed to be a resident of that Contracting State with which his personal and economic relations are closest (center of vital interests);
 - (b) If the Contracting State in which he has his center of vital interests cannot be determined, he shall be deemed to be a resident of that Contracting State in which he has a habitual abode;
 - (c) If he has a habitual abode in both Contracting States or in neither of the Contracting States, he shall be deemed to be a resident of the Contracting State of which he is a citizen; and

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- (d) If he is a citizen of both Contracting States or of neither Contracting State the competent authorities of the Contracting States shall settle the question by mutual agreement.

For purposes of this paragraph, a permanent home is the place where an individual dwells with his family.

- (3) An individual who is deemed to be a resident of one of the Contracting States and not a resident of the other Contracting State by reason of the provisions of paragraph (2) shall be deemed to be a resident only of the first-mentioned Contracting State for all purposes of this Convention, including Article 22 (General Rules of Taxation).

Article 4

Permanent Establishment

- (1) For the purpose of this Convention, the term «permanent establishment» means a fixed place of business through which a resident of one of the Contracting States engages in industrial or commercial activity.
- (2) The term «fixed place of business» includes but is not limited to:
- (a) A branch;
 - (b) An office;
 - (c) A factory;
 - (d) A workshop;
 - (e) A warehouse;
 - (f) A mine, quarry, or other place of extraction of natural resources; and
 - (g) A building site or construction or installation project which exists for more than twelve months.
- (3) Notwithstanding paragraphs (1) and (2), a permanent establishment shall not include a fixed place of business used only for one or more of the following:
- (a) The use of facilities for the purpose of storage, display, or delivery of goods or merchandise belonging to the resident;
 - (b) The maintenance of a stock of goods or merchandise belonging to the resident for the purpose of storage, display, or delivery;
 - (c) The maintenance of a stock of goods or merchandise belonging to the resident for the purpose of processing by another person;
 - (d) The maintenance of a fixed place of business for the purpose of purchasing goods or merchandise, or for collecting information, for the resident;
 - (e) The maintenance of a fixed place of business for the purpose of advertising, for the supply of information, for scientific research, or for similar activities which have a preparatory or auxiliary character, for the resident; or
 - (f) The maintenance of a building site or construction or installation project which does not exist for more than twelve months.
- (4) A person acting in one of the Contracting States on behalf of a resident of the other Contracting State, other than an agent of an independent status to whom paragraph (5) applies, shall be deemed to be a permanent establishment in the first-mentioned Contracting State if such person --

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- (a) Has, and habitually exercises in the first-mentioned Contracting State, an authority to conclude contracts in the name of that resident, unless the exercise of such authority is limited to the purchase of goods or merchandise for that resident, or
 - (b) Maintains substantial equipment or machinery within the the first-mentioned Contracting State for more than twelve months.
- (5) A resident of one of the Contracting States shall not be deemed to have a permanent establishment in the other Contracting State merely because such resident engages in industrial or commercial activity in that other Contracting State through a broker, general commission agent, or any other agent of an independent status, where such broker or agent is acting in the ordinary course of his business.
- (6) The fact that a resident of one of the Contracting States is a related person (as defined under Article 7 (Related Persons)) with respect to a resident of the other Contracting State or with respect to a person who engages in industrial or commercial activity in that other Contracting State (whether through a permanent establishment or otherwise) shall not be taken into account in determining whether that resident of the first-mentioned Contracting State has a permanent establishment in that other Contracting State.
- (7) The principles set forth in paragraphs (1) through (6) shall be applied in determining whether there is a permanent establishment in a State other than one of the Contracting States or whether a person other than a resident of one of the Contracting States has a permanent establishment in one of the Contracting States.

CHAPTER III

Taxation of Income

Article 5

Business Profits

- (1) Industrial or commercial profits of a resident of one of the Contracting States shall be exempt from tax by the other Contracting State unless such resident is engaged in industrial or commercial activity in that other Contracting State through a permanent establishment situated therein. If such resident is so engaged, tax may be imposed by that other Contracting State on the industrial or commercial profits of such resident but only on so much of such profits as are attributable to the permanent establishment.
- (2) Where a resident of one of the Contracting States is engaged in industrial or commercial activity in the other Contracting State through a permanent establishment situated therein, there shall in each Contracting State be attributed to the permanent establishment the industrial or commercial profits which would be attributable to such permanent establishment if such permanent establishment were an independent entity engaged in the same or similar activities under the same or similar conditions and dealing wholly independently with the resident of which it is a permanent establishment.

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- (3) In the determination of the industrial or commercial profits of a permanent establishment, there shall be allowed as deductions expenses which are reasonably connected with such profits, including executive and general administrative expenses, whether incurred in the Contracting State in which the permanent establishment is situated or elsewhere.
- (4) No profits shall be attributed to a permanent establishment of a resident of one of the Contracting States in the other Contracting State merely by reason of the purchase of goods or merchandise by that permanent establishment, or by the resident of which it is a permanent establishment, for the account of that resident.
- (5) The term <industrial or commercial activity> includes the conduct of manufacturing, mercantile, insurance, agricultural, fishing or mining activities, the operation of ships or aircraft, the furnishing of services, the rental of tangible personal property, and the rental or licensing of motion picture films or films or tapes used for radio or television broadcasting. Such term does not include the performance of personal services by an individual either as an employee or in an independent capacity.
- (6) (a) The term <industrial or commercial profits> includes income derived from industrial or commercial activity. Such term also includes income derived from real property and natural resources and dividends, interest, royalties (as defined in paragraph (2) of Article 10 (Royalties)), and capital gains but only if the property or rights giving rise to such income, dividends, interest, royalties, or capital gains is effectively connected with a permanent establishment which the recipient, being a resident of one of the Contracting States, has in the other Contracting State, whether or not such income is derived from industrial or commercial activity.
- (b) To determine whether property or rights are effectively connected with a permanent establishment, the factors taken into account shall include whether the rights or property are used in or held for use in carrying on industrial or commercial activity through such permanent establishment and whether the activities carried on through such permanent establishment were a material factor in the realization of the income derived from such property or rights. For this purpose, due regard shall be given to whether or not such property or rights or such income were accounted for through such permanent establishment.
- (7) Where industrial or commercial profits include items of income which are dealt with separately in other articles of this Convention, the provisions of those articles shall, except as otherwise provided therein, supersede the provisions of this article.

Article 6

Shipping and Air Transport

- (1) Notwithstanding Article 5 (Business Profits), income which a resident of the United States derives from the operation in international traffic of ships or aircraft registered in either Contracting State or in a State with which Norway has an income tax convention exempting such income shall be exempt from Norwegian tax.

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- (2) Notwithstanding Article 5 (Business Profits), income derived by a resident of Norway, or an international consortium of which a resident of Norway and residents of other States with which the United States has an income tax convention exempting such income are the sole members, from the operation in international traffic of ships or aircraft shall be exempt from United States tax.

Article 7

Related Persons

- (1) Where a resident of one of the Contracting States and any other person are related and where such related persons make arrangements or impose conditions between themselves which are different from those which would be made between independent persons, any income, deductions, credits, or allowances which would, but for those arrangements or conditions, have been taken into account in computing the income (or loss) of, or the tax payable by, one of such persons, may be taken into account in computing the amount of the income subject to tax and the taxes payable by such person.
- (2) A person is related to another person if either person owns or controls directly or indirectly the other, or if any third person or persons own or control directly or indirectly both. For this purpose, the term «control» includes any kind of control, whether or not legally enforceable, and however exercised or exercisable.

Article 8

Dividends

- (1) Dividends derived from sources within one of the Contracting States by a resident of the other Contracting State may be taxed by both Contracting States.
- (2) The rate of tax imposed by one of the Contracting States on dividends derived from sources within that Contracting State by a resident of the other Contracting State shall not exceed --
- (a) 15 percent of the gross amount actually distributed; or
- (b) When the recipient is a corporation, 10 percent of the gross amount actually distributed if --
- (i) During the part of the paying corporation's taxable year which precedes the date of payment of the dividend and during the whole of its prior taxable year (if any), at least 10 percent of the outstanding shares of the voting stock of the paying corporation was owned by the recipient corporation, and
- (ii) Not more than 25 percent of the gross income of the paying corporation for such prior taxable year (if any) consists of interest or dividends (other than interest derived from the conduct of a banking, insurance, or financing business and other than dividends or interest received from subsidiary corporations, 50 percent or more of the outstanding shares of the voting stock of which is owned by the paying corporation at the time such dividends or interest is received).
- (3) Paragraph (2) shall not apply if the recipient of the dividends, being a resident of one of the Contracting States, has a permanent establishment in the other Contracting State and the shares with respect to which the dividends are paid are effectively

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connected with such permanent establishment. In such a case, see paragraph (6) (a) of Article 5 (Business Profits).

- (4) Dividends paid by a corporation of one of the Contracting States to a person other than a resident of the other Contracting State (and in the case of dividends paid by a Norwegian corporation, to a person other than a citizen of the United States) shall be exempt from tax by that other Contracting State. This paragraph shall not apply if the recipient of the dividends has a permanent establishment in that other Contracting State and the shares with respect to which the dividends are paid are effectively connected with such permanent establishment.

Article 9

Interest

- (1) Interest derived from sources within one of the Contracting States by a resident of the other Contracting State shall be exempt from tax by the first-mentioned Contracting State.
- (2) The term «interest» as used in this Convention means income from bonds, debentures, Government securities, notes, or other evidences of indebtedness, whether or not secured and whether or not carrying a right to participate in profits, and debt-claims of every kind, as well as all other income which, under the taxation law of the Contracting State in which the income has its source, is assimilated to income from money lent.
- (3) Paragraph (1) shall not apply if the recipient of the interest, being a resident of one of the Contracting States, has a permanent establishment in the other Contracting State and the indebtedness giving rise to the interest is effectively connected with such permanent establishment. In such a case, see paragraph (6) (a) of Article 5 (Business Profits).
- (4) Where any interest paid by a person to any related person exceeds an amount which would have been paid to an unrelated person, the provisions of this article shall apply only to so much of the interest as would have been paid to an unrelated person. In such a case the excess payment may be taxed by each Contracting State according to its own law, including the provisions of this Convention where applicable.
- (5) Interest paid by a resident of one of the Contracting States to a person other than a resident of the other Contracting State (and in the case of interest paid by a Norwegian corporation, to a person other than a citizen of the United States) shall be exempt from tax by the other Contracting State. This paragraph shall not apply if - -
- (a) Such interest is treated as income from sources within the other Contracting State under paragraph (2) of Article 24 (Source of Income), or
- (b) The recipient of the interest has a permanent establishment in the other Contracting State and the indebtedness giving rise to the interest is effectively connected with such permanent establishment.

Article 10

Royalties

- (1) Royalties derived from sources within one of the Contracting States by a resident of the other Contracting State shall be exempt from tax by the first-mentioned Contracting State.

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- (2) The term «royalties» as used in this article means - -
- (a) Payment of any kind made as consideration for the use of, or the right to use, copyrights of literary, artistic, or scientific works (but not including copyrights of motion picture films or films or tapes used for radio or television broadcasting), patents, designs, models, plans, secret processes or formulae, trademarks, or other like property or rights, or knowledge, experience, or skill (know-how), and
 - (b) Gains derived from the sale, exchange, or other disposition of any such property or rights to the extent that the amounts realized on such sale, exchange, or other disposition for consideration are contingent on the productivity, use, or disposition of such property or rights.
- (3) Paragraph (1) shall not apply if the recipient of the royalty, being a resident of one of the Contracting States, has in the other Contracting State a permanent establishment and the property or rights giving rise to the royalty is effectively connected with such permanent establishment. In such a case, see paragraph (6) (a) of Article 5 (Business Profits).
- (4) Where any royalty paid by a person to any related person exceeds an amount which would have been paid to an unrelated person, the provisions of this article shall apply only to so much of the royalty as would have been paid to an unrelated person. In such a case the excess payment may be taxed by each Contracting State according to its own law, including the provisions of this Convention where applicable.

Article 11

Income from Real Property

- (1) Income from real property, including royalties in respect of the operation of mines, quarries, or other natural resources and gains derived from the sale, exchange, or other disposition of such property or of the right giving rise to such royalties, may be taxed by the Contracting State in which such real property, mines, quarries, or other natural resources are situated. For purposes of this Convention interest on indebtedness secured by real property or secured by a right giving rise to royalties in respect of the operation of mines, quarries, or other natural resources shall not be regarded as income from real property.
- (2) Paragraph (1) shall apply to income derived from the usufruct, direct use, letting, or use in any other form of real property.

Article 12

Capital Gains

- (1) A resident of one of the Contracting States shall be exempt from tax by the other Contracting State on gains from the sale, exchange, or other disposition of capital assets unless - -
- (a) The gain is derived by a resident of one of the Contracting States from the sale, exchange, or other disposition of property described in Article 11 (Income from Real Property) situated within the other Contracting State,

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- (b) The recipient of the gain, being a resident of one of the Contracting States, has a permanent establishment in the other Contracting State and the property giving rise to the gain is effectively connected with such permanent establishment, or
- (c) The recipient of the gain, being an individual who is a resident of one of the Contracting States --
 - (i) Maintains a fixed base in the other Contracting State for a period or periods aggregating 183 days or more during the taxable year and the property giving rise to such gains is effectively connected with such fixed base, or
 - (ii) Is present in the other Contracting State for a period or periods aggregating 183 days or more during the taxable year.
- (2) Notwithstanding Article 5 (Business Profits) and paragraph (1) of this article, gains which a resident of one of the Contracting States derives from the sale, exchange, or other disposition of ships or aircraft which are operated in international traffic shall be exempt from tax by the other Contracting State.
- (3) The provisions of paragraph (1) of this article shall not affect the right of Norway to tax gains which an individual derives from the sale or exchange of stock consisting of at least a 25-percent interest in a Norwegian corporation if such individual was a national and a resident of Norway at any time during the five year period immediately preceding such sale or exchange.
- (4) In the case of gains described in paragraph (1) (a), see Article 11 (Income from Real Property). In the case of gains described in paragraph (1) (b), see paragraph (6) (a) of Article 5 (Business Profits).

Article 13

Independent Personal Services

- (1) Income derived by an individual who is a resident of one of the Contracting States from the performance of personal services in an independent capacity, may be taxed by that Contracting State. Except as provided in paragraph (2), such income shall be exempt from tax by the other Contracting State.
- (2) Income derived by an individual who is a resident of one of the Contracting States from the performance of personal services in an independent capacity in the other Contracting State may be taxed by that other Contracting State, if:
 - (a) The individual is present in that other Contracting State for a period or periods aggregating 183 days or more in the taxable year, or
 - (b) The individual maintains a fixed base in that other Contracting State for a period or periods aggregating 183 days or more in the taxable year, but only so much of it as is attributable to such fixed base, or
 - (c) The individual is a public entertainer, such as a theater, motion picture, or television artist, a musician, or an athlete, and the income is derived from his personal services as a public entertainer provided that he is present in that other Contracting State for more than a total of 90 days

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during the taxable year or such income exceeds in the aggregate 3,000 United States dollars or its equivalent in Norwegian kroner during the taxable year.

Article 14

Dependent Personal Services

- (1) Subject to the provisions of Articles 15 (Teachers), 16 (Students and Trainees), 17 (Governmental Functions), and 18 (Private Pensions and Annuities) wages, salaries, and similar remuneration derived by an individual who is a resident of one of the Contracting States from labor or personal services performed as an employee may be taxed by that Contracting State. Except as provided by paragraph (2), such remuneration derived from sources within the other Contracting State may also be taxed by that other Contracting State.
- (2) Remuneration described in paragraph (1) derived by an individual who is a resident of one of the Contracting States shall be exempt from tax by the other Contracting State if - -
 - (a) He is present in that other Contracting State for a period or periods aggregating less than 183 days in the taxable year;
 - (b) He is an employee of a resident of the first-mentioned Contracting State or of a permanent establishment maintained in that Contracting State by a resident of a State other than that Contracting State; and
 - (c) The remuneration is not borne as such by a permanent establishment which the employer has in that other Contracting State.
- (3) Notwithstanding paragraph (2), remuneration derived by an individual who is a resident of one of the Contracting States from the performance of labor or personal services as an employee aboard ships or aircraft operated by a resident of the other Contracting State in international traffic or in fishing on the high seas may be taxed by that other Contracting State if such individual is a member of the regular complement of the ship or aircraft.

Article 15

Teachers

- (1) Where a resident of one of the Contracting States is invited by the Government of the other Contracting State or by a university or other recognized educational institution in that other Contracting State to come to that other Contracting State for a period not expected to exceed two years for the purpose of teaching or engaging in research, or both, at a university or other recognized educational institution, and such resident comes to that other Contracting State primarily for such purpose, his income from personal services for teaching or research at such university or educational institution shall be exempt from tax by that other Contracting State for a period not exceeding two years from the date of his arrival in that other Contracting State.
- (2) This article shall not apply to income from research if such research is undertaken primarily for the private benefit of a specific person or persons.

Article 16

Students and Trainees

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

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- (i) Studying at a university or other recognized educational institution in that other Contracting State, or
 - (ii) Securing training required to qualify him to practice a profession or professional specialty, or
 - (iii) Studying or doing research as a recipient of a grant, allowance, or award from a governmental, religious, charitable, scientific, literary, or educational organization,
- shall be exempt from tax by that other Contracting State with respect to amounts described in subparagraph (b) for a period not exceeding five taxable years from the date of his arrival in that other Contracting State.
- (b) The amounts referred to in subparagraph (a) are --
 - (i) Gifts from abroad for the purpose of his maintenance, education, study, research, or training;
 - (ii) The grant, allowance, or award; and
 - (iii) Income from personal services performed in that other Contracting State in an amount not in excess of 2,000 United States dollars or its equivalent in Norwegian kroner for any taxable year.
- (2) An individual who is a resident of one of the Contracting States at the time he becomes temporarily present in the other Contracting State and who is temporarily present in that other Contracting State as an employee of, or under contract with, a resident of the first-mentioned Contracting State, for the primary purpose of --
- (a) Acquiring technical, professional, or business experience from a person other than that resident of the first-mentioned Contracting State or other than a person related to such resident, or
 - (b) Studying at a university or other recognized educational institution in that other Contracting State, shall be exempt from tax by that other Contracting State for a period of twelve consecutive months with respect to his income from personal services in an aggregate amount not in excess of 5,000 United States dollars or its equivalent in Norwegian kroner.
- (3) An individual who is a resident of one of the Contracting States at the time he becomes temporarily present in the other Contracting State and who is temporarily present in that other Contracting State for a period not exceeding one year, as a participant in a program sponsored by the Government of that other Contracting State, for the primary purpose of training, research, or study, shall be exempt from tax by that other Contracting State with respect to his income from personal services in respect of such training, research, or study performed in that other Contracting State in an aggregate amount not in excess of 10,000 United States dollars or its equivalent in Norwegian kroner.
- (4) The benefits provided under Article 15 (Teachers) and paragraph (1) of this article shall extend only for such period of time as may reasonably or customarily be required to effectuate the purpose of the visit, but in no case shall any individual have the benefits provided therein for more than a total of five taxable years from the date of his arrival.

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Article 17

Governmental Functions

Wages, salaries, and similar remuneration, including pensions or similar benefits, paid by or from public funds of one of the Contracting States, or a political subdivision or local authority thereof, to a citizen of that Contracting State for labor or personal services performed for that Contracting State, or for any of its political subdivisions or local authorities, in the discharge of governmental functions shall be exempt from tax by the other Contracting State.

Article 18

Private Pensions and Annuities

- (1) Except as provided in Article 17 (Governmental Functions), pensions and other similar remuneration paid to an individual who is a resident of one of the Contracting States in consideration of past employment shall be taxable only in that Contracting State.
- (2) Alimony and annuities paid to an individual who is a resident of one of the Contracting States shall be taxable only in that Contracting State.
- (3) Child support payments made by an individual who is a resident of one of the Contracting States to an individual who is a resident of the other Contracting State shall be exempt from tax in that other Contracting State.
- (4) As used in this article --
 - (a) The term «pensions and other similar remuneration» means periodic payments made after retirement or death in consideration for services rendered, or by way of compensation for injuries received, in connection with past employment;
 - (b) The term «annuities» means a stated sum paid periodically at stated times during life, or during a specified number of years, under an obligation to make the payments in return for adequate and full consideration (other than services rendered);
 - (c) The term «alimony» means periodic payments made pursuant to a decree of divorce, separate maintenance agreement, or support or separation agreement, which is taxable to the recipient under the internal laws of the Contracting State of which he is a resident; and
 - (d) The term «child support payments» means periodic payments for the support of a minor child made pursuant to a decree of divorce, separate maintenance agreement, or support or separation agreement.

Article 19

Social Security Payments

Social security payments and other public pensions paid by one of the Contracting States to an individual who is a resident of the other Contracting State shall be taxable only in the first-mentioned Contracting State. This article shall not apply to payments described in Article 17 (Governmental Functions).

Overenskomst mellom Kongeriket Norge og Amerikas Forente Stater, om unngåelse av dobbeltbeskatning og forebygging av skatteunndragelse.

Article 20

Investment or Holding Companies

A corporation of one of the Contracting States deriving dividends, interest, royalties, or capital gains from sources within the other Contracting State shall not be entitled to the benefits of Articles 8 (Dividends), 9 (Interest), 10 (Royalties), or 12 (Capital Gains) if --

- (a) By reason of special measures the tax imposed on such corporation by the first-mentioned Contracting State with respect to such dividends, interest, royalties, or capital gains is substantially less than the tax generally imposed by such Contracting State on corporate profits, and
- (b) 25 percent or more of the capital of such corporation is held of record or is otherwise determined, after consultation between the competent authorities of the Contracting States, to be owned directly or indirectly, by one or more persons who are not individual residents of the first-mentioned Contracting State (or, in the case of a Norwegian corporation, who are citizens of the United States).

CHAPTER IV

Taxation of Capital

Article 21

Capital Taxes

- (1) Capital represented by property referred to in Article 11 (Income from Real Property) may be taxed in the Contracting State in which such property is situated.
- (2) Subject to the provisions of paragraph (3) below, capital represented by assets, other than property referred to in paragraph (1), which are effectively connected with a permanent establishment of a resident of one of the Contracting States may be taxed in the Contracting State in which the permanent establishment is situated.
- (3) Ships and aircraft of a resident of one of the Contracting States and assets, other than property referred to in paragraph (1), pertaining to the operation of such ships or aircraft shall be exempt from tax by the other Contracting State.
- (4) All other elements of capital of a resident of a Contracting State not dealt with in this article shall be exempt from tax by the other Contracting State.

CHAPTER V

General Rules

Article 22

General Rules of Taxation

- (1) A resident of one of the Contracting States may be taxed by the other Contracting State on any income from sources within that other Contracting State and only on such income, subject to any limitations set forth in this Convention. For this purpose, the rules set forth in Article 24 (Source of Income) shall be applied to determine the source of income.
- (2) The provisions of this Convention shall not be construed to restrict in any manner any exclusion, exemption, deduction, credit, or other allowance now or hereafter accorded --

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- (a) By the laws of one of the Contracting States in the determination of the tax imposed by that Contracting State, or
 - (b) By any other agreement between the Contracting States.
- (3) The United States may tax its citizens or residents as if this Convention had not come into effect.
- (a) This provision shall not affect the rules laid down in Articles 19 (Social Security Payments), 23 (Relief from Double Taxation), 25 (Nondiscrimination), 26 (Diplomatic and Consular Officers), and 27 (Mutual Agreement Procedure).
 - (b) This provision shall not affect the rules laid down in Articles 15 (Teachers), 16 (Students and Trainees), and 17 (Governmental Functions), upon individuals who are not citizens of the United States and who do not have immigrant status in the United States.
- (4) Norway may tax its diplomatic and consular officers as if this Convention had not come into effect.
- (5) The United States may impose its personal holding company tax and its accumulated earnings tax notwithstanding any provision of this Convention. However, a Norwegian corporation shall be exempt from the United States personal holding company tax in any taxable year if all of its stock is owned, directly or indirectly, by one or more individuals who are residents of Norway (and not citizens of the United States) for that entire year. A Norwegian corporation shall be exempt from the United States accumulated earnings tax in any taxable year unless such corporation is engaged in trade or business in the United States through a permanent establishment at any time during such year.
- (6) The competent authorities of the two Contracting States may prescribe regulations necessary to carry out the provisions of this Convention.

Article 23

Relief from Double Taxation

Double taxation of income shall be avoided in the following manner:

- (1) In accordance with the provisions and subject to the limitations of the law of the United States (as it may be amended from time to time without changing the principles hereof) regarding the allowance of a credit against United States tax of tax payable in any country other than the United States, the United States shall allow to a citizen or resident of the United States as a credit against the United States tax the appropriate amount of Norwegian tax. Such appropriate amount shall be based upon the amount of tax paid to Norway, but the credit shall not exceed the limitations (for the purpose of limiting the credit to the United States tax on income from sources within Norway or on income from sources outside of the United States) provided by United States law for the taxable year. For the purpose of applying the United States credit in relation to taxes paid to Norway, the rules set forth in Article 24 (Source of Income) shall be applied to determine the source of income. For purposes of applying the United States credit in relation to the taxes paid to Norway the taxes referred to in paragraph (1) (b) of

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Article 1 (Taxes Covered) other than the national and municipal taxes on capital and the municipal tax on real property shall be considered to be income taxes.

- (2) In the case of income derived from sources in the United States, relief from double taxation shall be granted in Norway in the following manner:
- (a) Where a resident of Norway derives income or owns property which, in accordance with the provisions of this Convention, may be taxed in the United States or is exempt from United States tax under Article 15 (Teachers) or Article 16 (Students and Trainees), Norway shall, subject to the provisions of subparagraphs (b) or (c) of this paragraph, exempt such income or property from tax but may, in calculating tax on the remaining income or property of that resident, apply the rate of tax which would have been applicable if the exempted income or property had not been so exempted.
 - (b) Where a resident of Norway derives income which, in accordance with the provisions of this Convention may be taxed in both Contracting States, Norway shall allow as a credit against the tax on the income of that resident an amount equal to the tax paid in the United States. Such credit shall not, however, exceed that part of the tax, as computed before the credit is given, which is appropriate to the income derived from sources in the United States under the rules set forth in Article 24 (Source of Income).
 - (c) In determining its tax on a Norwegian corporation receiving dividends from a United States corporation in which it owns

10 percent or more of the stock, Norway shall allow a credit against the tax otherwise payable by the Norwegian corporation for the appropriate amount of United States tax imposed on the United States corporation on the profits out of which the dividends were paid. However, the deduction allowed such a Norwegian corporation for dividends paid out by it shall be reduced by the net amount of dividends received from the United States corporation (after all United States taxes imposed on such dividends).

Article 24

Source of Income

For purposes of this Convention:

- (1) Dividends shall be treated as income from sources within a Contracting State only if paid by a corporation of that Contracting State.
- (2) Interest shall be treated as income from sources within a Contracting State only if paid by such Contracting State, a political subdivision or a local authority thereof, or by a resident of that Contracting State. Notwithstanding the preceding sentence --
 - (a) If the person paying the interest (whether or not such person is a resident of one of the Contracting States) has a permanent establishment in one of the Contracting States in connection with which the indebtedness on which the interest is paid was incurred and such interest is borne by such permanent establishment, or
 - (b) If the person paying the interest is a resident of one of the Contracting States and has a permanent establishment in a State other than a Contracting State in connection with

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which the indebtedness on which the interest is paid was incurred and such interest is paid to a resident of the other Contracting State, and such interest is borne by such permanent establishment,

such interest shall be deemed to be from sources within the State in which the permanent establishment is situated.

- (3) Royalties described in paragraph (2) of Article 10 (Royalties) for the use of, or the right to use, property or rights described in such paragraph shall be treated as income from sources within a Contracting State only to the extent that such royalties are for the use of, or the right to use, such property or rights within that Contracting State.
- (4) Income from real property and royalties from the operation of mines, quarries, or other natural resources (including gains derived from the sale of such property or the right giving rise to such royalties) shall be treated as income from sources within a Contracting State only if such property is situated in that Contracting State.
- (5) Income from the rental of tangible personal (movable) property shall be treated as income from sources within a Contracting State only if such property is situated in that Contracting State.
- (6) Income received by an individual for his performance of labor or personal services, whether as an employee or in an independent capacity, shall be treated as income from sources within a Contracting State only to the extent that such services are performed in that Contracting State. Income from personal services performed aboard ships or aircraft operated by a resident of one of the Contracting States in international traffic or in fishing on the high seas shall be treated as income from sources within that Contracting State if rendered by a member of the regular complement of the ship or aircraft. Notwithstanding the preceding provisions of this paragraph, remuneration described in Article 17 (Governmental Functions) and payments described in Article 19 (Social Security Payments) shall be treated as income from sources within a Contracting State only if paid by or from the public funds of that Contracting State or a political subdivision or local authority thereof.
- (7) Income from the purchase and sale of intangible or tangible personal (including movable) property (other than gains defined as royalties by paragraph (2) (b) of Article 10 (Royalties)) shall be treated as income from sources within a Contracting State only if such property is sold in that Contracting State.
- (8) Income from gains described in paragraph (3) of Article 12 (Capital Gains) shall be treated as income from sources within Norway.
- (9) Notwithstanding paragraphs (1) through (7), industrial or commercial profits which are attributable to a permanent establishment which the recipient, a resident of one of the Contracting States, has in the other Contracting State, including income derived from real property and natural resources and dividends, interest, royalties (as defined in paragraph (2) of Article 10 (Royalties)), and capital gains, but only if the property or rights giving rise to such income, dividends, interest, royalties, or capital gains are effectively connected with such permanent establishment, shall be treated as income from sources within that other Contracting State.
- (10) The source of any item of income to which paragraphs (1) through (9) are not applicable shall be determined by each of the Contracting States in accordance with its own law. Not-

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withstanding the preceding sentence, if the source of any item of income under the laws of one Contracting State is different from the source of such item of income under the laws of the other Contracting State or if the source of such income is not readily determinable under the laws of one of the Contracting States, the competent authorities of the Contracting States may, in order to prevent double taxation or further any other purpose of this Convention, establish a common source of the item of income for purposes of this Convention.

CHAPTER VI

Special Provisions

Article 25

Nondiscrimination

- (1) A citizen of one of the Contracting States who is a resident of the other Contracting State shall not be subjected in that other Contracting State to more burdensome taxes than a citizen of that other Contracting State who is a resident thereof.
- (2) A permanent establishment which a resident of one of the Contracting States has in the other Contracting State shall not be subject in that other Contracting State to more burdensome taxes than a resident of that other Contracting State carrying on the same activities. This paragraph shall not be construed as obliging a Contracting State to grant to individual residents of the other Contracting State any personal allowances, reliefs, or deductions for taxation purposes on account of civil status or family responsibilities which it grants to its own individual residents.
- (3) A corporation of one of the Contracting States, the capital of which is wholly or partly owned or controlled, directly or indirectly, by one or more residents of the other Contracting State, shall not be subjected in the first-mentioned Contracting State to any taxation or any requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which a corporation of the first-mentioned Contracting State carrying on the same activities, the capital of which is wholly owned or controlled by one or more residents of the first-mentioned Contracting State, is or may be subjected.
- (4) The provisions of this article shall not be construed as obliging Norway to grant to citizens of the United States who are not born in Norway of parents having Norwegian nationality, the exceptional tax relief which is accorded pursuant to section 22 of the Norwegian Taxation Act for the Rural Districts and section 17 of the Norwegian Taxation Act for the Urban Districts, to citizens of Norway and individuals born in Norway.
- (5) A citizen or resident of the United States shall, for purposes of Norwegian income tax, be allowed to deduct interest expenses which are incurred with respect to a mortgage or other evidence of indebtedness on real property which is situated in Norway to the same extent that such expenditures would be deductible for purposes of Norwegian income tax if incurred by a resident of Norway.
- (6) In accordance with paragraph (3) of Article 1 (Taxes Covered) this article shall apply to taxes of every kind imposed at the National, State, or local level.

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- (7) The provisions of paragraph (2) shall not be construed as preventing Norway from taxing the total profits attributable to a permanent establishment which is maintained in Norway by a United States corporation at a rate at which the undistributed profits of a Norwegian corporation may be taxed. However, the amount of such tax shall not exceed the tax that would be imposed on a corporation and its shareholders if such profits were derived by a Norwegian corporation that distributed to its United States shareholders, owning at least 10 percent of its voting stock, the same percentage of its profits as such United States corporation maintaining such permanent establishment distributed to its shareholders from its total profits.

Article 26

Diplomatic and Consular Officers

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

Article 27

Mutual Agreement Procedure

- (1) Where a resident of one of the Contracting States considers that the action of one or both of the Contracting States results or will result for him in taxation not in accordance with this Convention, he may, notwithstanding the remedies provided by the national laws of the Contracting States, present his case to the competent authority of the Contracting State of which he is a resident. Should the resident's claim be considered to have merit by the competent authority of the Contracting State to which the claim is made, it shall endeavor to come to an agreement with the competent authority of the other Contracting State with a view to the avoidance of taxation contrary to the provisions of this Convention.
- (2) The competent authorities of the Contracting States shall endeavor to resolve by mutual agreement any difficulties or doubts arising as to the application of this Convention. In particular, the competent authorities of the Contracting States may agree --
- (a) To the same attribution of industrial or commercial profits to a resident of one of the Contracting States and its permanent establishment situated in the other Contracting State;
 - (b) To the same allocation of income, deductions, credits, or allowances between a resident of one of the Contracting States and any related person; or
 - (c) To the same determination of the source of particular items of income.
- (3) The competent authorities of the Contracting States may communicate with each other directly for the purpose of reaching an agreement in the sense of this article. When it seems advisable for the purpose of reaching agreement, the competent authorities may meet together for an oral exchange of opinions.

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- (4) In the event that the competent authorities reach such an agreement, taxes shall be imposed on such income, and refund or credit of taxes shall be allowed, by the Contracting States in accordance with such agreement.

Article 28

Exchange of Information

- (1) The competent authorities of the Contracting States shall exchange such information as is pertinent to carrying out the provisions of this Convention and of the domestic laws of the Contracting States concerning taxes covered by this Convention. Any information so exchanged shall be treated as secret and shall not be disclosed to any persons other than those (including a court or administrative body) concerned with assessment, collection, enforcement, or prosecution in respect of the taxes which are the subject of this Convention.
- (2) In no case shall the provisions of paragraph (1) be construed so as to impose on one of the Contracting States the obligation --
 - (a) To carry out administrative measures at variance with the laws or the administrative practice of that Contracting State or the other Contracting State;
 - (b) To supply particulars which are not obtainable under the laws, or in the normal course of the administration, of that Contracting State or of the other Contracting State; or
 - (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.
- (3) The exchange of information shall be either on a routine basis or on request with reference to particular cases. The competent authorities of the Contracting States may agree on the list of information which shall be furnished on a routine basis.
- (4) The competent authorities of the Contracting States shall notify each other of any amendments of the tax laws referred to in paragraph (1) of Article 1 (Taxes Covered) and of the adoption of any taxes referred to in paragraph (2) of Article 1 (Taxes Covered) by transmitting the texts of any amendments or new statutes at least once a year.
- (5) The competent authorities of the Contracting States shall notify each other of the publication by their respective Contracting States of any material concerning the application of this Convention, whether in the form of regulations, rulings, or judicial decisions by transmitting the texts of any such materials at least once a year.

Article 29

Assistance in Collection

- (1) Each of the Contracting States shall endeavor to collect on behalf of the other Contracting State such taxes imposed by that other Contracting State as will ensure that any exemption or reduced rate of tax granted under this Convention by that other Contracting State shall not be enjoyed by persons not entitled to such benefits. The competent authorities of the Contracting States may consult together for the purpose of giving effect to this article.

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- (2) In no case shall this article be construed so as to impose upon a Contracting State the obligation to carry out administrative measures at variance with the regulations and practices of either Contracting State or which would be contrary to the first-mentioned Contracting State's sovereignty, security, or public policy.

Article 30

Extension to Territories

- (1) Either one of the Contracting States may, at any time while this Convention continues in force, by a written notification given to the other Contracting State through diplomatic channels, declare its desire that the operation of this Convention, either in whole or in part or with such modifications as may be found necessary for special application in a particular case, shall - -
- (a) In the case of the United States, extend to all or any of the areas (to which this Convention is not otherwise applicable) for whose international relations it is responsible and which impose taxes substantially similar in character to those which are the subject of this Convention, and
- (b) In the case of Norway, extend to all or any of the areas (to which this Convention is not otherwise applicable) for whose international relations it is responsible and in which taxes are imposed which are substantially similar in character to those that are the subject of this Convention.
- When the other Contracting State has, by a written communication through diplomatic channels, signified to the first-mentioned Contracting State that such notification is accepted in respect of such area or areas, and the notification and communication have been ratified and instruments of ratification exchanged, this Convention, in whole or in part, or with such modifications as may be found necessary for special application in a particular case, as specified in the notification, shall apply to the area or areas named in the notification and shall enter into force and effect on and after the date or dates specified therein. None of the provisions of this Convention shall apply to any such area in the absence of such acceptance and exchange of instruments of ratification in respect of that area.
- (2) At any time after the date of entry into force of an extension under paragraph (1), either of the Contracting States may, by six month's prior notice of termination given to the other Contracting State through diplomatic channels, terminate the application of this Convention to any area to which it has been extended under paragraph (1), and in such event this Convention shall cease to apply and have force and effect, beginning on or after the first day of January next following the expiration of the six-month period, to the area or areas named therein, but without affecting its continued application to the United States, Norway, or to any other area to which it has been extended under paragraph (1).
- (3) In the application of this Convention in relation to any area to which it is extended by notification by Norway or the United States, reference to «Norway» or the «United States», as the case may be, shall be construed as referring to that area.

Overenskomst mellom Kongeriket Norge og Amerikas Forente Stater, om unngåelse av dobbeltbeskatning og forebyggelse av skatteunndragelse.

- (4) The termination in respect of the United States or Norway of this Convention under Article 32 (Termination) shall, unless otherwise expressly agreed by both Contracting States terminate the application of this Convention to any area to which the Convention has been extended under this article by the United States or Norway.

CHAPTER VII

Final Provisions

Article 31

Entry into Force

- (1) This Convention shall be ratified and the instruments of ratification shall be exchanged at Washington, D. C., as soon as possible. It shall enter into force two months after the exchange of the instruments of ratification. Its provisions shall for the first time have effect --
- (a) in the case of the United States --
- (i) As respects the rate of withholding tax, to amounts paid on or after the date on which this Convention enters into force;
 - (ii) As respects other income taxes, to taxable years beginning on or after January 1, 1971;
- (b) in the case of Norway --
- (i) As respects the rate of withholding tax, to amounts paid on or after the date on which this Convention enters into force;
 - (ii) As respect other taxes, to income years beginning on or after January 1, 1971.
- (2) The Convention between Norway and the United States of America for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income signed at Washington, D. C., on June 13, 1949, modified and supplemented by the Supplementary Convention signed at Oslo on July 10, 1958, shall terminate and cease to have effect in respect of income to which this Convention applies under paragraph (1) of this article.

Article 32

Termination

- (1) This Convention shall remain in force until terminated by one of the Contracting States. Either Contracting State may terminate the Convention at any time after five years from the date on which this Convention enters into force provided that at least six months' prior notice of termination has been given through diplomatic channels. In such event, the Convention shall cease to have force and effect as respects income of taxable years or income years beginning (or, in the case of taxes payable at the source, payments made) on or after January 1 next following the expiration of the six-month period.

Overenskomst mellom Kongeriket Norge og Amerikas Forente Stater, om unngåelse av dobbeltbeskatning og forebyggelse av skatteunndragelse.

- (2) Notwithstanding the provision of paragraph (1), and upon prior notice to be given through diplomatic channels, the provisions of Article 19 (Social Security Payments) may be terminated by either Contracting State at any time after this Convention enters into force.

DONE at Oslo in duplicate, in the English and Norwegian languages, the two texts having equal authenticity, this third day of December 1971.

FOR THE UNITED STATES
OF AMERICA:

Philip K. Crowe (s.)

FOR THE KINGDOM OF
NORWAY:

Andreas Cappelen (s.)

Overenskomst mellom Kongeriket Norge og Amerikas Forente Stater, om unngåelse av dobbeltbeskatning og forebyggelse av skatteundragelse.

No. 81

Oslo, December 3 1971

Excellency:

I have the honor to refer to the Convention between the United States of America and Norway for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Property which was signed today and to confirm, on behalf of the Government of the United States of America, the following understandings reached between the two Governments.

- (1) The income, if any, derived by a resident of a Contracting State engaged in the operation in international traffic of ships or aircraft from the use, maintenance, and lease of containers and related equipment (including trailers for the inland transport of containers) in connection with the operation in international traffic of ships or aircraft described in Article 6 of the Convention falls within the scope of the income described in that article and therefore is exempt from tax in the other Contracting State.
- (2) Income derived by a resident of one of the Contracting States engaged in the operation of ships or aircraft in international traffic from the leasing of a ship or aircraft is to be considered income from the operation of ships or aircraft in international traffic and therefore is exempt from income taxation in the other Contracting State in accordance with the provisions of Article 6 of the Convention.
- (3) Income derived by a partner who is a resident of one of the Contracting States from an interest in a partnership which derives its income from the operation in international traffic of ships or aircraft and which is carried on with one or more partners resident in the other Contracting State shall be taxable only in the Contracting State in which he is a resident. Capital invested in such a partnership by partners resident in the United States shall be exempt from any Norwegian taxes on capital.
- (4) Scandinavian Airlines System (SAS) is a consortium within the meaning of Article 6, its participating members being Det Norske Luftfartselskap A/S (DNL), A. B. Aerotransport (ABA), and Det Danske Luftfartselskab A/S (DDL). In order to avoid the problems inherent in operating in the United States through a consortium, the members of the consortium in 1946 established a New York corporation, Scandinavian Airlines System, Inc. (SAS, Inc.) to act on their behalf in the United States pursuant to an agency agreement dated September 18, 1946. A similar agreement was entered into by SAS directly and SAS, Inc. on March 14, 1951. Pursuant to the agency agreement, SAS, Inc. is authorized to perform only such functions as SAS assigns to it, all in connection with international air traffic. Under that agreement, all revenues collected by SAS, Inc. are automatically credited to SAS. Operating expenses incurred by SAS Inc. are debited to SAS in accordance with the terms of the agency agreement. SAS is obligated under the terms of the agency agreement to reimburse SAS, Inc. for all of its expenses irrespective of the revenues of SAS, Inc. SAS, Inc. does not perform any functions except those connected with or incidental

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to the business of SAS as an operator of aircraft in international traffic.

In view of the special nature of the SAS consortium and in view of the agency agreement as described above the United States for purposes of Article 6 of the Convention signed today and Article 5 of the existing Convention shall treat all of the income earned by SAS, Inc. which is derived from the operation in international traffic of aircraft as the income of the SAS consortium.

If this is in accord with your understanding, I would appreciate an acknowledgement from you to that effect.

Accept, Excellency, the renewed assurances of my highest consideration.

Philip K. Crowe (s.)

His Excellency
Andreas Cappelen
Minister of Foreign Affairs
Oslo
