

of a Contracting State and an enterprise carried on by a resident of the other Contracting State;

- f) the term "competent authority" means
 - (i) in regard to the German Democratic Republic the Ministry of Finance,
 - (ii) in regard to the Republic of Cyprus the Minister of Finance or his authorized representative;
 - g) the term "international traffic" means any transport by a ship or aircraft operated by an enterprise which has its place of effective management in a Contracting State, except when the ship or aircraft is operated solely between places in the other Contracting State;
 - h) the term "gains from the operation of a ship or aircraft" also includes income derived from the transportation of goods and the carriage of persons.
2. As regards the application of the Convention by a Contracting State, any term not defined therein shall, unless the context otherwise requires, have the meaning which it has under the law of that State concerning the taxes to which the Convention applies.

Article 4

Resident

1. For the purposes of this Convention, the term "resident of a Contracting State" means any person who, under the laws of that State, is liable to tax therein by reason of his domicile, habitual abode or place of management.
2. Where by reason of the provisions of paragraph 1 an individual is a resident of both Contracting States, then his status shall be determined as follows:
 - a) he shall be deemed to be a resident of the Contracting State in which he has a permanent home available to him. If he has a permanent home available to him in both Contracting States, he shall be deemed to be a resident of the Contracting State with which his personal and economic relations are closer.
 - b) if the Contracting State with which his personal and economic relations are closer cannot be determined, or if he has not a permanent home available to him in either Contracting State, he shall be deemed to be a resident of the Contracting State in which he has his predominant abode.
 - c) if he resides in both of the Contracting States or in neither of them, he shall be deemed to be a resident of the Contracting State of which he is a national.
 - d) if he is a national of both Contracting States, 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 Contracting State in which its place of effective management is situated.

Article 5

Permanent Establishment

1. For the purposes of this Convention, the term "permanent establishment" means a fixed place of business 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,
 - f) a mine, an oil or gas well, a quarry or any other place of extraction of natural resources, and
 - g) an agricultural enterprise.

3. The term "permanent establishment" shall be deemed not to include:

- a) a building site or construction or installation or assembly project performed during a period of time not exceeding twelve months, including the performance of control over the construction of an object or of any assembly works. In cases where such works are performed in accordance with the programmes of intergovernmental co-operation, the competent authorities of the Contracting States may, however, by mutual agreement extend the twelve-month period in cases when they deem it necessary;
- b) the use of facilities solely for the purpose of storage, display or delivery of goods or merchandise belonging to the enterprise;
- c) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage, display or delivery;
- d) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise;
- e) the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise or of collecting information, for the enterprise;
- f) the maintenance of a fixed place of business solely for the purpose of advertising, providing information, carrying on scientific research or other similar activities for the enterprise;
- g) the maintenance of a fixed place of business solely for the purpose of carrying on any combination of activities mentioned in subparagraphs b) to f).

4. Notwithstanding the provisions of paragraphs 1 and 2, where a person—other than an agent of an independent status to whom paragraph 5 applies—is acting on behalf of an enterprise and has, and habitually exercises, in a Contracting State an authority to conclude contracts in the name of the enterprise, that enterprise shall be deemed to have a permanent establishment in that State in respect of any activities which that person undertakes for the enterprise, unless the activities of such person are limited to those mentioned in paragraph 3 which, if exercised through a fixed place of business, would not make this fixed place of business a permanent establishment under the provisions of that paragraph.

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.

6. The fact that a company which is a resident of a Contracting State controls or is controlled by a company