

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 or permanent establishment of the other.

Taxation of Income

Article 6

Income from Immovable Property

1. Income from immovable property shall be taxed in the Contracting State in which that property is situated.
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. Ships and aircraft shall not be regarded as immovable property.

Article 7

Profits

1. The profits of an enterprise of a Contracting State shall be taxable only in that State, unless the enterprise carries on business in the other Contracting State through a permanent establishment situated therein. If the enterprise carries on business as aforesaid, the profits of the enterprise may be taxed in the other State but only so much of them as is attributable to that permanent establishment.
2. 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.
3. No profits shall be attributed to a permanent establishment by reason of the mere purchase by that permanent establishment of merchandise or goods for the enterprise.
4. For the purpose 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.
5. 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 from the operation of ships or aircraft in international traffic shall be taxable only in the Contracting State in which the place of effective management of the enterprise is situated. This shall also apply to profits from the participation in a pool, a joint business or an international operating agency.²
2. The provisions of paragraph 1 shall also apply to profits obtained by the permanent representation of shipping or air transport enterprises of a Contracting State in the other Contracting State.

Article 9

Dividends

1. Dividends paid by a company which is a resident of a Contracting State may be taxed only in that other State.
2. In the case of the Republic of Cyprus, however, dividends paid by a company which is a resident of the Republic of Cyprus to a resident of the German Democratic Republic shall be exempt from any tax in the Republic of Cyprus which may be chargeable on dividends in addition to the tax chargeable on the profits or income of the company.

Article 10

Interest

1. Interest arising in a Contracting State and paid to a resident of the other Contracting State may be taxed only in that other State.
2. The provisions of paragraph 1 shall not apply if the recipient 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 12, as the case may be, shall apply.
3. Interest shall be deemed to arise in a Contracting State when the payer is that State itself 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 Contracting State in which the permanent establishment or fixed base is situated.

Article 11

Royalties

1. Royalties arising in a Contracting State and paid to a resident of the other Contracting State shall be taxable only in that other State.
2. The term "royalties" as used in this Article means payments of any kind received as a consideration for the use of, or the right to use, any copyright of literary, artistic or scientific work, including cinematograph films, any patent, trademark, design or model, plan, formula or process, or for the use of, or the right to use, industrial, commercial, or scientific equipment, or for information concerning industrial, commercial, technical, technological or scientific experience.
3. The provisions of paragraph 1 shall not apply if the recipient 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 rights or property in respect of which the royalties are paid are effectively