

CONVENTION

Between

The Government of The Hashemite Kingdom of Jordan,

And

The Council Of Ministers Of Serbia and Montenegro,

For the avoidance of double taxation respect to taxes on income *and on capital*.

The Government of The Hashemite Kingdom of Jordan,

And

The Council Of Ministers Of Serbia and Montenegro,

desiring to conclude a Convention for the avoidance of double taxation with respect to taxes on income *and on capital* with the view to establishing stable condition for comprehensive development of economic and other cooperation and investment between the two countries,

Have agreed as follows :

Article 1

PERSONAL SCOPE

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

Article 2

TAXES COVERED

1. This Convention shall apply to taxes on income *and on capital* 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 *and on capital* all taxes imposed on total income *and on total capital*, or on elements of income *and on capital*, including taxes on gains from the alienation of movable or immovable property, taxes on total amounts of wages or salaries paid by enterprises, as well as taxes on capital appreciations .
3. The existing taxes to which the Convention shall apply are in particular :
 - in Jordan :
 - 1) the income tax ;
 - 2) the distribution tax;
 - 3) the social service tax;

(hereinafter referred to as " Jordanian tax ");

- in Serbia and Montenegro,

1) the tax on profit;

2) the tax on income;

3) the tax on capital;

4) the tax on revenue from international transport;

(hereinafter referred to as " Serbian and Montenegrin tax ").

4. The Convention shall apply also to any identical or substantially similar taxes which are imposed by either Contracting State after the date of signature of the Convention in addition to, or in place of, the existing taxes . The competent authorities of the Contracting States shall notify each other of any significant changes which have been made in their respective taxation laws.

Article 3

GENERAL DEFINITIONS

1 . For the purposes of this Convention :

- 1) the terms "a Contracting State" and "the other Contracting State" mean Jordan or Serbia and Montenegro, as the context requires ;
- 2) the term " Jordan " means the Hashemite Kingdom of Jordan and when used in geographical sense means the territorial waters of Jordan, the air space thereover, as well as the seabed and subsoil of the territorial waters, and includes any area extending beyond the limits of the territorial waters of Jordan, and the seabed and subsoil of any such area, which has been or may hereafter be designated, under the laws of Jordan, and in accordance with international law as an area over which Jordan has sovereign rights for the purposes of exploring and exploiting the natural resources, whether living or non-living ;
- 3) the term " Serbia and Montenegro " means The state community of Serbia and Montenegro and when used in geographical sense it means the land territory Serbia and Montenegro, its internal sea waters and the belt of the territorial sea, the air space thereover, as well as the sea-bed, and subsoil of the part of the high sea outside the outer limit of the territorial sea over which, Serbia and Montenegro exercise its sovereign rights for exploration and exploitation of their natural resources in accordance with its internal legislation and international law;

- 4) the term " national " means any individual possessing the nationality of a Contracting State, and any legal person, partnership and association deriving its status as such from the law in force in a Contracting State ;
 - 5) the term " person " includes an individual, a company and any other body of persons ;
the term " company " means any body corporate or any entity which is treated as a body corporate for tax purposes ;
 - 6) the term " company " : means any body corporate or any entity which is treated as a body corporate for tax purposes;
 - 7) 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 ;
 - 8) the term " international traffic " means any transport by a ship or aircraft or road vehicle operated by an enterprise which has its place of effective management in a Contracting State, except when the ship or aircraft road vehicle is operated solely between places in the other Contracting State ;
 - 9) the term " competent authority " means :
 - in the case of Jordan, the Minister of Finance or his authorised representative .
 - in the case of " Serbia and Montenegro, and Ministry for International Economic Relations .
2. As regards the application of the Convention by a Contracting State any term not defined therein shall, , have the meaning which it has under the law of that State concerning the taxes to which this Convention applies . Any meaning under the applicable tax laws of that State, will be prevailing over a meaning given to the term under the laws of that State .

Article 4

RESIDENT

1. For the purposes of this Convention, the term " resident of the Contracting State " means any person who, under the laws of that State, is liable to tax therein by reason of his domicile, residence, place of incorporation, place of management or any other criterion of a similar nature , and also includes that State and any political subdivision or local authority thereof But this term does not include any person who is liable to tax in that State in respect only of income from sources in that State , or capital situated therein.
2. Where by reason of the provisions of paragraph 1 an individual is a resident of both Contracting States, then his status shall be determined as follows :
 - 1) 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) ;

- 2) if the State in which he has his centre of vital interests cannot be determined, or if he has not a permanent home available to him in either State, he shall be deemed to be a resident of the State in which he has an habitual abode ;
 - 3) 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;
 - 4) 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. If it necessary the competent authorities of the Contracting States shall settle the question by mutual agreement.

Article 5

PERMANENT ESTABLISHMENT

1. For the purpose 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 :
 - 1) a place of management ;
 - 2) a branch ;
 - 3) an office ;
 - 4) a factory ;
 - 5) a workshop ; and
 - 6) a mine, an oil or gas well, a quarry or any other place of extraction of natural resources ; and
 - 7) a farm or plantation .
3. The building site or construction or installation project constitutes a permanent establishment only if it lasts more than six months, commencing from the date when effective work begins .
4. Notwithstanding the preceding provisions of this Article, the term " permanent establishment " shall be deemed not to include:
 - 1) the use of facilities solely for the purpose of storage, display or delivery of goods or merchandise belonging to the enterprise ;
 - 2) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage, display or delivery ;
 - 3) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise;

- 4) the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise, or of collecting information, for the enterprise ;
- 5) the maintenance of a fixed place of business solely for the purpose of carrying on, for the enterprise, any other activity of a preparatory or auxiliary character ;
- 6) the maintenance of a fixed place of business solely for any combination of activities mentioned in sub-paragraphs (1. to 5.), provided that the overall activity of the fixed place of business resulting from this combination is of a preparatory or auxiliary character .

5. Notwithstanding the provisions of paragraphs 1 and 2, where a person - other than an agent of an independent status to whom paragraph 6 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 4 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 .
6. 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, when the activities of such an agent are devoted wholly or almost wholly on behalf of that enterprise or its associated enterprises, he will not be considered an agent of an independent status within the meaning of this paragraph .
7. The fact that a company which is a resident of a Contracting State controls or is controlled by a company which is a resident of the other Contracting State, or which carries on business in that other State (whether through a permanent establishment or otherwise), shall not of itself constitute either company a permanent establishment of the other .

Article 6

INCOME FROM IMMOVABLE PROPERTY

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

2. The term " immovable property " shall have the meaning which it has under the law of the Contracting State in which the property in question is situated . The term shall in any case include property accessory to immovable property, livestock and equipment used in agriculture and forestry, rights to which the provisions of general law respecting landed property apply, usufruct of immovable property and rights to variable or fixed payments as consideration for the working of, or the right to work, mineral deposits, sources and other natural resources ; ships, aircraft and road vehicles shall not be regarded as immovable property .
3. The provisions of paragraph 1 shall apply to income derived from the direct use, letting, or use in any other form of immovable property.
4. The provisions of paragraphs 1 and 3 shall also apply to the income from immovable property of an enterprise and to income from immovable property used for the performance of independent personal services .

Article 7

BUSINESS PROFITS

- Y[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 .]*
- [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; (b) sales in that other State of goods or a merchandise of the same or similar kind as those sold through that permanent establishment; or (c) other business activities carried on that other State 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 and separate 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 .*J[. 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 amount 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 or moneys lent to the head office of the enterprise or any of its other offices .]*

- Y[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 that 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 .

Y[Article 8]

Shipping, Inland Waterways Transport And Airtransport

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.
 - [1. *Profits derived by an enterprise of a Contracting State from the operation of ships or aircraft in international traffic shall be taxable only in that State.*]
 - [2. *Profits from the operation of boats engaged in inland waterways transport shall be taxable only in the Contracting State in which the place of effective management of the enterprise is situated .*]
 - [3. *If the place of effective management of a shipping enterprise or of an inland waterways transport enterprise is aboard a ship or boat , then it shall be deemed to be situated in the Contracting State in which the home harbour of the ship or boat is situated , or, if there is no such home harbour , in the Contracting State of which the operator of the ship or boat is a resident .*]
4. The provisions of paragraph 1 shall also apply to profits from the participation in a pool , a joint business or an international operating agency.

J[Article 8]

SHIPPING AND AIR TRANSPORT

1. *Profits derived by an enterprise of a Contracting State from the operation by that enterprise of ships or aircraft in international traffic shall be taxable only in that State.*
2. *For the purposes of this Article, profits from the operation of ships or aircraft in international traffic shall mean profits derived by an enterprise described in paragraph 1 from the transportation by sea or air respectively of passengers, mail, livestock or goods carried on by the owners or lessees or charterers of ships or aircraft including-*
 - (a) the sale of tickets for such transportation on behalf of other enterprises;*
 - (b) other activity directly connected with such transportation; and*
 - (c) the rental of ships or aircraft incidental to any activity directly connected with such transportation.*
3. *Profits of an enterprise of a Contracting State described in paragraph 1 from the use, maintenance, or rental of containers (including trailers, barges, and related equipment for the transport of containers) used in connection with the operation of ships or aircraft in international traffic shall be taxable only in that State.*
4. *The provisions of paragraphs 1 and 3 shall also apply to profits from participation in a pool, a joint business or codesharing, or an international operating agency.*
5. *For the purposes of this Article, interest on funds connected with the operation of ships or aircraft in international traffic shall be regarded as profits derived from the operation of such ships or aircraft, and the provisions of Article 11 (Interest) shall not apply in relation to such interest.*
6. *Gains derived by an enterprise of a Contracting State described in paragraph 1 from the alienation of ships, aircraft or containers owned and operated by the enterprise, the income from which is taxable only in that State, shall be taxed only in that State.*
7. *Notwithstanding the preceding provisions of this Article, income derived by an enterprise of a Contracting State from the operation of ships between the ports of the other Contracting State and the ports of third countries may be taxed in that other Contracting State, but the tax imposed in that other State shall be reduced by an amount equal to 50% thereof.*

Article 9
ASSOCIATED ENTERPRISES

1. Where
 1. an enterprise of a Contracting State participates directly or indirectly in the management, control or capital of an enterprise of the other Contracting State, or
 2. the same persons participate directly or indirectly in the management, control or capital of an enterprise of a Contracting State and an enterprise of the other Contracting State,
and in either case conditions are made or imposed between the two enterprises in their commercial or financial relations which differ from those which would be made between independent 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 .
 2. Where a Contracting State includes in the profits of an enterprise of that State - and taxes accordingly - profits on which an enterprise of the other Contracting State has been charged to tax in that other State and the profits so included are profits which would have accrued to the enterprise of the first-mentioned State if the conditions made between the two enterprises had been those which would have been made between independent enterprises, then that other State shall make an appropriate adjustment to the amount of the tax charged therein on those profits . In determining such adjustment, due regard shall be had to the other provisions of this Convention and the competent authorities of the Contracting States shall if necessary consult each other .
- J[3. The provisions of paragraph 2 shall not apply in the case of fraud or willful default .]*

Article 10
DIVIDENDS

1. Dividends paid by a company which is a resident of a Contracting State to a resident of the other Contracting State may be taxed in that other State .
2. However, such dividends may also be taxed in the Contracting State of which the company paying the dividends is a resident and according to the laws of that State, but if the recipient is the beneficial owner of the dividends the tax so charged shall not exceed:
 - 1) per cent of the gross amount of the dividends if the beneficial owner is a company which holds directly at least 25 per cent of the capital of the company paying the dividends;
 - 2) per cent of the gross amount of the dividends in all other cases.The competent authorities of the Contracting States shall by mutual Agreement settle the mode of application of these limitations.

This paragraph shall not affect the taxation of the company in respect of the profits out of which the dividends are paid .

3. The term " dividends " as used in this Article means income from shares, or other rights, not being debt-claims, participating in profits, as well as income from other corporate rights which is subjected to the same taxation treatment as income from shares by the laws of the State of which the company making the distribution is a resident .
4. The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the dividends, being a resident of a Contracting State, carries on business in the other Contracting State of which the company paying the dividends is a resident, through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the holding in respect of which the dividends are paid is effectively connected with such permanent establishment or fixed base . In such a case, the provisions of Article 7 or Article 14, as the case may be, shall apply.
5. Where a company which is a resident of a Contracting State derives profits or income from the other Contracting State, that other State may not impose any tax on the dividends paid by the company, except insofar as such dividends are paid to a resident of that other State or insofar as the holding in respect of which the dividends are paid is effectively connected with a permanent establishment or a fixed base situated in that other State, nor subject the company's undistributed profits to a tax on 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 .

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 recipient is the beneficial owner of the interest the tax so charged shall not exceed (...) percent of the gross amount of the interest .
The competent authorities of the Contracting States shall by mutual Agreement settle the mode of application of this limitation.
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. Penalty charges for late payment shall not be regarded as interest for the purpose of this Article .
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.
4. Interest 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 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 shall remain taxable according to the laws of each Contracting State, due regard being had to the other provisions of this Convention.

Article 12 ROYALTIES

1. Royalties arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State .
 2. However, the royalties referred to in paragraph 1 of this Article may also be taxed in the Contracting State in which they arise and according to the laws of that State, but if the recipient is the beneficial owner of the royalties the tax so charged shall not exceed (...) percent of the gross amount of the royalties .
- J[3. The term "royalties" as used in this Article means payments, whether periodical or not, and in whatever form or name or nomenclature to the extent to which they are made as consideration for :*
1. *the use of, or the right to use, any copyright, patent, design or model, plan, secret formula or process, trademark or other like property or right; or*
 2. *the use of, or the right to use, any industrial, commercial, or scientific equipment, or*
 3. *the supply of scientific, technical, industrial or commercial knowledge or information ; or*
 4. *the supply of any assistance that is ancillary and subsidiary any such property or right as is mentioned in sub-paragraph (a), any such equipment as is mentioned in sub-paragraph (b), or any such knowledge or information as is mentioned in sub-paragraph (c); or*
 5. *the use of, or the right to use:*
 - *motion picture films; or*
 - *films or video for use in connection with television; or*
 - *tapes for use in connection with radio broadcasting ;or*
 6. *total or partial forbearance in respect of the use or supply or any property or right referred to in this paragraph.]*
- Y[3. 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, trade mark, design or model, plan, secret formula or process, or for the use of, or the right to use any industrial, commercial, or scientific equipment, or for information concerning industrial, commercial or scientific experience .]*
4. The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the royalties, being a resident of a Contracting State, carries on business in the other Contracting State in which the royalties arise, through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the right or property in respect of which the royalties are paid is effectively connected with such permanent establishment or fixed base . In such case the provisions of Article 7 or Article 14, as the case may be, shall apply.
 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 fixed base in connection with which the

liability to pay the royalties was incurred, and such 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 be 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 shall remain taxable according to the laws of each Contracting State, due regard being had to the other provisions of this Convention.

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, boats engaged in inland waterways transport or movable property pertaining to the operation of such means of ships, aircraft or boats shall be taxable only in the Contracting State in which the place of *[effective management of the enterprise is situated]* .
4. Gains from the alienation of any property other than that referred to in paragraphs 1, 2 and 3 shall be taxable only in the Contracting State *[of which the alienator is resident]* .
J[where the gains arise].

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, unless:
 - (1) if he has a fixed base regularly available to him in the other Contracting State for the purpose 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 State; or
 - (2) if his stay in the other State is for a period or periods aggregating *[183]* days or more in any 12-month period commencing or ending in

the fiscal year concerned; in that case, only so much of the income as is derived from his activities performed in that other State may be taxed in that other State; or

J(3) if the remuneration for his activities in the other Contracting State is paid by a resident of that Contracting State or is borne by a permanent establishment or a fixed base situated in that Contracting State and exceeds in the fiscal year the equivalent of US \$

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, surgeons, 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 :
 - 1) the recipient is present in the other State for a period or periods not exceeding in the aggregate [183] days in any twelve-months period commencing or ending in the fiscal year concerned, and
 - 2) the remuneration is paid by, or on behalf of, an employer who is not a resident of the other State, and
 - 3) the remuneration is not borne by a permanent establishment or a fixed base which the employer has in the other State .
- Y[3. Notwithstanding the preceding provisions of this Article, remuneration derived by resident of a Contracting State shall be taxable only in that State if the remuneration is paid in respect of :*
 - 1. an employment exercised in the other Contracting State in connection with a building site, a construction or installation project in connection therewith, for the period of ...months during which such site project do not constitute a permanent establishment in that other State.*
 - 2. an employment exercised aboard a ship or aircraft operated in international traffic or aboard a boat engaged in inland waterways transport.*

J[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 by an enterprise of a Contracting State shall be taxable only in that State.]

Article 16
DIRECTOR'S FEES

Director's fees and other similar payments derived by a resident of a Contracting State in his capacity as a member of the board of directors of a company which is a resident of the other Contracting State may be taxed in that other Contracting State .

Article 17
ARTISTES AND SPORTSMEN

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 a sportsman, from his personal activities as such exercised in the other Contracting State, may be taxed in that other State.
2. Where income in respect of personal activities exercised by an entertainer, or a sportsman in his capacity as such accrues not to the entertainer or sportsman himself but to another person, that income may, notwithstanding the provisions of Articles 7, 14 and 15, be taxed in the Contracting State in which the activities of the entertainer or sportsman are exercised.
2. Notwithstanding the provisions of Paragraphs 1 and 2, income derived by a resident of a Contracting State from his personal activities as entertainer, or a sportsman shall be taxable only in that State if the activities are exercised in the other Contracting State within the framework of a cultural or sports exchange program approved by both Contracting States .

Article 18
PENSIONS

[Subject to the provisions of paragraph 2 of Article 19, pensions and other similar remuneration paid to a resident of a Contracting State in consideration of past employment shall be taxable only in that State .]

Article 19
GOVERNMENT SERVICE

1. 1) Salaries, wages and other similar 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.

- 2) However, such Salaries, wages and other similar 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 :
 - is a national of that State; or
 - did not become a resident of that State solely for the purpose of rendering the services .
2. 1) 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 local authority thereof shall be taxable only in that State.
 - 2) However, such pension shall be taxable only in the other Contracting State if the individual is a resident of, and a national of, that other State.
3. The provisions of Articles 15, 16 and 18 shall apply to remunerations, and to 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
STUDENTS

1. Payments which a student , business apprentice or who is or was immediately before visiting a Contracting State a resident of the other Contracting State and who is present in the first-mentioned State solely for the purpose of his education or training receives for the purpose of his maintenance, education or training shall not be taxed in that State, provided that such payments arise from sources outside that State .
2. In respect of grants, scholarships and remunerations from employment not covered by paragraph 1, a student or business apprentice referred to paragraph 1 shall, in addition, be entitled during such education or training to the same exemption, reliefs or reductions in respect of taxes available to residents of the Contracting State which he is visiting .

Article 21

PROFESSORS AND TEACHERS

1. An individual who visits a Contracting State State for the purpose of teaching or carrying out research at a university, college, school or other recognised educational institution in that other Contractingand who is or was immediately before that visit a resident of the other Contracting State shall be exempt from taxation in the first-mentioned Contracting State on remuneration for such teaching or research for a period not exceeding [two] years from the date of his first visit for that purpose, , provided that such remuneration is derived by him from outside that State .

2. The provisions of paragraph 1 of this Article shall not apply to income from research, if such research is undertaken not in the public interest but primarily for the private benefit of a specific person or persons.

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.

[Article 23]
Capital

1. *Capital represented by immovable property referred to in Article 6, owned by a resident of a Contracting State and situated in the other Contracting State, may be taxed in that other State.*
2. *Capital represented by movable property forming part of the business property of a permanent establishment which an enterprise of a Contracting State has in the other Contracting State or by movable property pertaining to a fixed base available to a resident of a Contracting State in the other Contracting State for the purpose of performing independent personal services, may also be taxed in that other State.*
3. *Capital represented by ships, and aircraft, operated in international traffic, by boats engaged in inland waterways transport and by movable property pertaining to the operation of such ships, aircraft, boats, shall be taxable only in the Contracting State in which the place of effective management of the enterprise is situated .*
4. *All other elements of capital of a resident of a Contracting State shall be taxable only in that State .*

Article 24

ELIMINATION OF DOUBLE TAXATION

1. In Yugoslavia, double taxation shall be eliminated as follows:
 - 1) Where a resident of Yugoslavia derives income [*or owns capital*] which, in accordance with the provisions of this Convention, may be taxed in Jordan, Yugoslavia shall allow:

- as a deduction from the tax on the income of that resident, an amount equal to the tax on income paid in Jordan .
- *[as a deduction from the tax on the capital of that resident, an amount equal to the tax on capital paid in Jordan]*

Such deduction shall not, however, exceed that part of the income *[or capital tax]* as computed before the deduction is given, which is attributable, as the case may be, to the income *[or the capital]* which may be taxed in Jordan .

- 2) Where in accordance with any provision of the Convention income derived *[or capital owned]* by a resident of Yugoslavia, Yugoslavia may nevertheless in calculating, the amount of tax on the remaining income *[or capital]* of such resident, take into account the exempted income *[or capital]* .

2. In Jordan, double taxation shall be eliminated as follows:

- 1) Where a resident of Jordan derives income which, in accordance with the provisions of this Convention, may be taxed in Yugoslavia , Jordan shall allow :

- as a deduction from the tax on the income of that resident, an amount equal to the tax on income paid in Yugoslavia .

Such deduction shall not, however, exceed that part of the income as computed before the deduction is given, which is attributable, as the case may be, to the income which may be taxed in Yugoslavia.

- 2) Where in accordance with any provision of the Convention income derived by a resident of Jordan, Jordan may nevertheless in calculating, the amount of tax on the remaining income of such resident, take into account the exempted income .

[3. For the purpose of allowance as a credit in a Contracting State the tax paid in the other Contracting State shall be deemed to include the tax which is otherwise payable in that other State but has been reduced or waived by that State under its legal provisions for tax incentives .]

Article 25

NON – DISCRIMINATION

1. Residents 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 .
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 enterprise 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 6 of Article 11, or of paragraph 6 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. The provisions of this Article shall apply to the taxes referred to in Article 2 .

Article 26

MUTUAL CONVENTION 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 Agreement, 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 *J[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 two years from the first notification of the action resulting in taxation not in accordance with the provisions of the Agreement .
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 this Agreement .
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 Agreement. They may also consult together for the elimination of double taxation in cases not provided for in the Agreement .
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 . When it seems advisable in order to reach agreement to have an oral exchange of opinions, such exchange may take place through a Commission consisting of representatives of competent authorities of the Contracting States .

Article 27

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 Agreement or of the domestic laws of the Contracting States concerning taxes covered by the Agreement, the exchange of information is not restricted by Article 1. 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. However, if the information is originally regarded as secret in the transmitting State it shall be disclosed only to persons or authorities (including courts and administrative bodies) involved

in the assessment or collection of, the taxes covered by the Convention . Such persons or authorities shall use the information only for such purposes but may disclose the information in public court proceedings, or in judicial decisions .

2. In no case shall the provisions of paragraph 1 be construed so as to impose on a Contracting State the obligation :
 1. to carry out administrative measures at variance with the laws and the administrative practice of that or of the other Contracting State ;
 2. 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 ;
 3. 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 28
**MEMBERS OF DIPLOMATIC MISSIONS
AND CONSULAR POSTS**

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

Article 29

ENTRY INTO FORCE

1. This Convention shall be ratified and the instruments of ratification shall be exchanged .
2. The Convention shall enter into force on the date of exchanged of instruments of ratification , and its provisions shall have effect :

in respect of taxes on income [and on capital] for each fiscal year beginning on or after the first day of January in the calendar year following that in which the instruments of ratification have been exchanged .

Article 29
TERMINATION

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

In respect of the taxes on income [*and on capital*] for taxable year beginning on or after 1st January in the year next following that in which the notice of termination is given.

