

# **AGREEMENT BETWEEN THE REPUBLIC OF MACEDONIA AND THE REPUBLIC OF BULGARIA FOR THE AVOIDANCE OF DOUBLE TAXATION WITH RESPECT TO TAXES ON INCOME AND ON CAPITAL**

*Prom. SG. 113/28 Dec 1999*

The Republic of Macedonia and the Republic of Bulgaria, desiring to conclude an Agreement for the avoidance of double taxation with respect to taxes on income and on capital, have agreed as follows:

## **Personal Scope**

Art. 1

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

## **Taxes Covered**

Art. 2

1. This Agreement shall apply to taxes on income and on capital imposed on behalf of a Contracting State or of its 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, on total capital or on elements of income or of capital, including taxes on gains from the alienation of movable or immovable property, taxes on the total amounts of wages or salaries paid by enterprises, as well as taxes on capital appreciation.

3. The existing taxes to which the Agreement shall apply are in particular:

a) In the Republic of Macedonia:

(i) The personal income tax, realized in the country or abroad;

-- personal earnings, pensions and invalid pensions;

-- personal earnings from business and professional activity;

-- property income and property rights;

(ii) the profit tax;

(iii) the property tax.

(hereinafter referred to as "Macedonian Tax");

b) In the Republic of Bulgaria:

(i) the tax on the total income;

(ii) the tax on profits and

(iii) the tax on buildings,

(hereinafter referred to as "Bulgarian tax").

4. The Agreement shall apply also to any identical or substantially similar taxes which are imposed after the date of signature of this Agreement 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.

## **General Definitions**

Art. 3

1. For the purposes of this Agreement, unless the context otherwise requires:

a) (i) the term "Macedonia" means the territory of the Republic of Macedonia, and used in geographical sense means its land, inland lake water and bottom over which it has jurisdiction or sovereign rights for the purpose of exploring, exploiting, conserving and managing natural resources, pursuant to internal jurisdiction and international law;

(ii) the term "Bulgaria" means the Republic of Bulgaria, and, when used in a geographical sense, means the territory and the territorial sea over which it exercises its State sovereignty, as well as the continental shelf and the exclusive economic zone over which it exercises sovereign rights and jurisdiction according to the international law;

b) the terms "a Contracting State" and "the other Contracting State" mean Macedonia or Bulgaria, as the context requires;

c) the term "tax" means any tax covered by Art. 2 of this Agreement;

d) the term "person" includes an individual, a company and any other body of persons;

e) the term "company" means any body corporate or any entity which is treated as a body corporate for tax purposes;

f) the term "registered office" means the legal head office registered under the domestic law of a Contracting States;

g) the term "national" means all individuals possessing the nationality of a Contracting State and all legal persons, partnerships and associations deriving their status as such from the law in force in a Contracting States;

h) 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;

i) the term "international traffic" means any transport by a ship, aircraft, railway or a road vehicle operated by an enterprise which has its place of effective management in a Contracting State, except when these means of transport are operated solely between places situated in the territory of the other Contracting State;

j) the term "competent authority" means:

(i) in the case of Macedonia -- the Minister of Finance or his authorized representative;

(ii) in the case of Bulgaria -- the Minister of finance or his authorized representative.

2. As regards the application of this Agreement by a Contracting State, any term not defined therein shall, unless the context otherwise requires, have the meaning which it has under the laws of that State concerning the taxes to which this Agreement applies.

## **Resident**

### **Art. 4**

1. For the purposes of this Agreement, 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, residence, place of management (registered office) or any other criterion of a similar nature..

2. Where by reason of the provisions of paragraph 1 of this Art. an individual is a resident of both Contracting States, then his status shall be determined as follows:

a) he shall be deemed to be a resident of the State in which he has a permanent home available to him; if he has a permanent home available to him in both States, he shall be deemed to be a resident of the State with which his personal and economic relations are closer (centre of vital interests);

b) if the State in which he has his centre of vital interests 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;

c) if he has an habitual abode in both States or in neither of them, he shall be deemed to be a resident of the State of which he is a national;

d) if he is a national of both States or of neither of them, the competent authorities of the Contracting States shall settle the question by a 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 registered office is situated. In case of doubts the competent authorities of the Contracting States shall settle the question by mutual agreement.

### **Permanent Establishment**

#### **Art. 5**

1. For the purposes of this Agreement, the term "permanent establishment" means a fixed place of activities through which the business of an enterprise of a Contracting State is wholly or partly carried on in the other Contracting State.

2. The term "permanent establishment" includes especially:

a) a place of management;

b) a branch;

c) an office;

d) a factory;

e) a workshop, and

f) a mine, an oil or gas well, a quarry or any other place of extraction of natural resources.

3. A building site, a construction, assembly or installation project or supervisory activities in connection therewith, constitutes a permanent establishment only if it continues for a period of more than twelve months.

4. Notwithstanding the provisions of this Art. the term "permanent establishment" shall be deemed not to include:

a) the use of facilities solely for the purpose of storage, display or delivery of goods or merchandise belonging to the enterprise;

b) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage, display or delivery;

c) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise;

d) the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise or of collecting information, for the enterprise;

e) the maintenance of a fixed place of business solely for the purpose of advertising, supply of information, scientific research or similar activities which have a preparatory or auxiliary character, for the enterprise;

f) the maintenance of a stock of goods displayed by the resident in a stock fair or an exhibition which is to be sold after the conclusion;

g) the maintenance of a fixed place of business solely for any combination of activities mentioned in subparagraph a) to f), 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 in a Contracting State on behalf of an enterprise of the other Contracting State, that enterprise shall be deemed to have a permanent establishment in the first mentioned Contracting State in respect of any activities which that person undertakes for the enterprise, if such a person has and habitually exercises in that State an authority to conclude contracts in the name of 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.

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.

### **Income From Immovable Property**

#### **Art. 6**

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, fishing places of every kind, 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 and aircraft shall not be regarded as immovable property.

3. The provisions of paragraph 1. shall apply to income derived from the direct use, letting or use in any other form of immovable property.

4. The provisions of paragraphs 1 and 3 shall also apply to the income from immovable property of an enterprise and to income from immovable property used for the performance of independent personal services.

### **Business Profits**

#### **Art. 7**

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. 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.

4. 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.

5. 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 sufficient reason to the contrary.

6. Where profits include items of income which are dealt with separately in other Art.s of this Agreement, then the provisions of those Art.s shall not be affected by the provisions of this Art..

### **International Transport**

#### **Art. 8**

1. Profits derived by an enterprise of a Contracting State from the operation of ships, aircraft, railway or road transport vehicles in international traffic shall be taxable only in the Contracting State in which the place of management of the enterprise is situated.

2. Profits derived from operating ships, aircraft and road vehicles mainly for transport of passengers and merchandise between places in the same Contracting State, shall be taxable in that State.

3. The provisions of paragraph 1 of this Art. shall also apply to profits from the participation in a pool, a joint business or an international operating agency.

### **Associated Enterprises**

#### **Art. 9**

##### **1. Where**

a) 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

b) 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, where that other State considers the adjustment justified. In determining such adjustment, due regard shall be had to the other provisions of this Agreement and the competent authorities of the Contracting States shall if necessary consult each other.

### **Dividends**

#### **Art. 10**

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:

a) 5 per cent of the gross amount of the dividends if the recipient is a company (excluding

partnership) which holds directly at least 25 per cent of the capital of the company paying the dividends;  
b) 15 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 Art. 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 taxation law 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 case the provisions of Art. 7 or Art. 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.

## **Interest**

### **Art. 11**

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 10 per cent 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. Notwithstanding the provisions of paragraph 2 interest arising in a Contracting State and derived by the Government of the other Contracting State and the Central Bank thereof shall be exempt from tax in the first mentioned State.

4. The term "interest" as used in this Art. 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 prices attaching to such securities, bonds or debentures.

5. The provisions of paragraphs 1 and 2 of this Art. 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 Art. 7 or Art. 14, as the case may be, shall apply.

6. Interest shall be deemed to arise in a Contracting State when the payer is that State itself, 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.

7. 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 Art. 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 Agreement.

## **Royalties**

### **Art. 12**

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 Art. 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 to the tax so charged shall not exceed 10 per cent of the gross amount of the royalties.

3. The term "royalties" as used in this Art. 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, and films or tapes for radio, video or television broadcasting, any patent, trade mark, design or model, plan, secret formula or process, or for the right to use, industrial, commercial or scientific equipment, or for information concerning industrial, commercial or scientific experience.

4. The provisions of paragraphs 1 and 2 of this Art. 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 Art. 7 or Art. 14 of this Agreement, 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 subdivision, a local authority or a resident of that State. Where, however, the person paying the royalties, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment or a fixed base in connection with which the liability to pay the royalties was incurred, and 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 have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Art. 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 Agreement.

## **Capital Gains**

#### Art. 13

1. Gains derived by a resident of a Contracting State from the alienation of immovable property referred to in Art. 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, aircraft or road transport vehicles operated in international traffic, or movable property pertaining to the operation of such ships, aircraft or road transport vehicles, 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 shares which represent a participation of 25 per cent and which are realized in a Contracting State, shall be taxed in that State.

5. Gains from the alienation of any property other than that referred to in paragraphs 1, 2, 3 and 4 shall be taxable only in the Contracting State of which the alienator is a resident.

### **Independent Personal Services**

#### Art. 14

1. Income derived by a resident of a Contracting State in respect of professional services or other activities of an independent character shall be taxable only in that State, unless he has a fixed base regularly available to him in the other Contracting State for the purpose of performing his activities. If he has such a fixed base in the other State, but only so much of it as is attributable to that fixed base.

2. The term "professional services" includes especially independent scientific, literary, artistic, educational or teaching activities as well as the independent activities of physicians, lawyers, engineers, architects, dentists and accountants.

### **Income From Employment**

#### Art. 15

1. Subject to the provisions of Arts 16, 17, 18, 19, 20 and 21 of this Agreement, salaries, wages and other similar remuneration derived by a resident of a Contracting State in respect of an employment, shall be taxable only in that State unless the employment is exercised in the other Contracting State. If the employment is so exercised, such remuneration as is derived therefrom may be taxed in that other State.

2. Notwithstanding the provisions of paragraph 1, remuneration derived by a resident of a Contracting State in respect of an employment exercised in the other Contracting State shall be taxable only in the first-mentioned State if:

a) the recipient is present in the other State for a period or periods not exceeding in the aggregate 183 days in the calendar year concerned, and

b) the remuneration is paid by, or on behalf of, an employer who is not a resident of the other State, and

c) the remuneration is not borne by a permanent establishment or a fixed base which the employer has in the other State.

3. Notwithstanding the preceding provisions of paragraph 1 and 2 salaries and other remuneration derived by a resident of a Contracting State for work carried out in the other Contracting



State are exempt from tax in that other State if it is performed:

a) in connection with a building site, a construction, assembly or installation project in accordance with subparagraph g) of paragraph 2 of Art. 5 of this Agreement;

b) in respect of an employment exercised aboard a ship, aircraft, railway or road vehicle operated in international traffic by an enterprise of a Contracting State of which the enterprise is a resident;

c) as a radio or television reporter or as correspondent if he derives his remuneration from a source situated out of the other Contracting State.

### **Directors' Fees**

#### **Art. 16**

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

### **Artists and Sportsmen**

#### **Art. 17**

1. Notwithstanding the provisions of Art.s 14 and 15, income derived by a resident of a Contracting State as an entertainer, such as theater, motion picture, radio or television artist, 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 Contracting 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 Art. 7, 14 and 15 of this Agreement, be taxed in the Contracting State in which the activities of the entertainer or sportsman are exercised.

3. Notwithstanding the provisions of paragraphs 1 and 2 of this Art., income mentioned in this Art. shall be exempt from tax in the Contracting State in which the activity of the entertainer or sportsman is exercised provided that State this activity is exercised under a cultural or sport agreement approved by the Contracting States.

### **Pensions**

#### **Art. 18**

Subject to the provisions of paragraph 1 of Art. 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.

### **Government Service**

#### **Art. 19**

1. a) Remuneration other than a pension, paid by a Contracting State or local authority thereof to an individual in respect of services rendered to that State or local authority thereof shall be taxable only in that Contracting State.

b) However, such remuneration shall be taxable only in the other Contracting State if the services are rendered in that State and the individual is a resident of that State who:

(i) is a national of that State; or

(ii) did not become a resident of that State solely for the purpose of performing the services.

2. a) Any pension paid by, or out of funds created by, a Contracting State or a local authority thereof to an individual in respect of services rendered to that State or local authority shall be taxable only in that State.

b) However, such pension shall be taxable only in the other Contracting State if the individual is a resident of, and a national of that State.

3. Pensions paid by pensions insurance according to the laws of the Contracting States and the other governmental pensions (excluding those mentioned in paragraphs 1 and 2 of this Art.) paid by a Contracting State, to a resident of the other Contracting State, shall be taxable only in the other Contracting State. Applying this, the other Contracting State shall treat such remuneration or pension as if it is a pension paid by the pensions insurance based on the laws of that other Contracting State.

4. The provisions of Art.s 15, 16 and 18 shall apply to remuneration and pension in respect rendered in connection with a business carried on by a Contracting State or a local authority thereof.

## **Students**

### **Art. 20**

1. Payments which a student or business apprentice or trainee who is or was immediately before visiting a Contracting State a resident of the 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. The provisions of the preceding paragraph shall also apply to payments which a student or a business apprentice who is a resident of a Contracting State receives in the other Contracting State in respect of an employment performed in that other Contracting State provided that such employment is connected with his education or qualification or that payment is necessary to supplement his maintenance.

## **Teachers**

### **Art. 21**

1. An individual who visits a Contracting State for the purpose of teaching or carrying out research at a university, college or other recognised educational institution in that Contracting State, and 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.

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

## **Other Income**

### **Art. 22**

1. Items of income of a resident of a Contracting State, wherever arising, not dealt with in the foregoing Art.s of this Agreement shall be taxable only in that State.

2. Income of a resident of a Contracting State, not dealt with in the previous Art. of this Agreement, which arise in the other Contracting State, shall be taxable only in that in that other Contracting State.

## **Capital**

### **Art. 23**

1. Capital consisting of immovable property owned by a resident of a Contracting State and situated in the other Contracting State, shall be taxable only 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, shall be taxable only in that other State.

3. Capital represented by ships, aircraft or road transport vehicles operated in international traffic and by movable property pertaining to the operation of such ships, aircraft or road transport vehicles, shall be taxable only in the Contracting State in which the place of 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.

## **Elimination of Double Taxation**

### **Art. 24**

1. Double taxation for residents of Macedonia, shall be eliminated as follows:

a) Where a resident of Macedonia derives income or owns capital which in accordance with the provisions of this Agreement may be taxed in Bulgaria, Macedonia shall approve:

(i) as deduction of the income tax of that resident an amount equal to the income tax paid in Bulgaria;

(ii) as deduction of the capital tax of the resident, an amount equal to the capital tax paid in Bulgaria.

(iii) Such deduction in the both case shall not, however, exceed that part of the income tax or capital tax, computed before the deduction is given, which is appropriate to the income or capital which may be taxed in Macedonia.

b) Where in accordance with some provision of this Agreement, the income performed or capital owned by a resident of Macedonia are exempted from taxation in Macedonia, Bulgaria can in the tax calculation of the remaining income or capital of that resident to take into account that income or capital.

2. Where a resident of Bulgaria derives income or owns capital which, in accordance with the provisions of this Agreement, may be taxed in Macedonia, Bulgaria shall subject to the provisions of paragraph 2 and 3, exempt such income or capital from tax but may in calculating the amount of tax on the remaining income or capital of such resident apply the rate of tax which would have been applicable, if the exempted income had not been so exempted.

3. Where a resident of Bulgaria derives items of income which, in accordance with the provisions of Art.s 10, 11 and 12 of this Agreement may be taxed in Macedonia, Bulgaria shall allow as a deduction from the tax on the income of that resident an amount equal to the income tax paid in Macedonia. Such deduction shall not, however, exceed that part of the Bulgarian tax, as computed before the deduction is given, which is attributable to such items of income derived from Macedonia.

## **Non-Discrimination**

### **Art. 25**

1. Nationals of a Contracting State shall not be subjected in the other Contracting State to any taxation or any requirement connected therewith, which is other or more burdensome than the taxation and connected requirements to which nationals of that other State in the same circumstances, are or may be subjected.

2. The taxation on a permanent establishment which an enterprise of a Contracting State has in the other Contracting State shall not be less favourably levied in that other State than the taxation levied on enterprises of that other State carrying on the same activities.

3. Interest, royalties and other remuneration paid by an enterprise of a Contracting State to a resident of the other Contracting State for the purpose of determining the taxable profits of such enterprise shall be deductible under the same conditions as if they were paid to a resident of the first-mentioned State, apart from the cases referred to in Art. 9, paragraph 6 of Art. 11 and Art. 12. In the same manner debts of an enterprise of a Contracting State to a resident of the other Contracting State shall for the purpose of determining the taxable capital of such enterprise be deductible under the same conditions as if they had been contracted 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. 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.

6. The provisions of this Art. shall apply to the taxes referred to in Art. 2 of this Agreement.

### **Mutual Agreement Procedure**

#### **Art. 26**

1. Where a resident of a Contracting State 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 or if the case comes under paragraph 1 of Art. 24 of this Agreement, to that of the Contracting State of which he is a national. The case must be presented within three years from the first notification of the action resulting in taxation not in accordance with the provisions of this 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 the 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 the competent authorities of the Contracting States.

## **Exchange of Information**

### **Art. 27**

1. The competent authorities of the Contracting States shall exchange such information as is necessary for the carrying out the provisions of this Agreement or of the domestic laws of the Contracting States concerning taxes covered by the Agreement insofar as the taxation thereunder is not contrary to the Agreement. Any information received by a Contracting State shall be treated as secret in the same manner as information obtained under the domestic laws of that State and shall be disclosed only to persons or authorities (including courts and administrative bodies) involved in the assessment or collection of the taxes covered by the Agreement. Such persons or authorities shall use the information only for such purposes. They may disclose the information in public court proceedings or in judicial decisions.

2. In no case shall the provisions of paragraph 1 be construed so as to impose on the competent authority of a Contracting State the obligation:

a) to carry out administrative measures at variance with the laws and the administrative practice of that or of the other Contracting State;

b) to supply information which is not obtainable under the laws or in the normal course of the administration of that or of the other Contracting State;

c) to supply information which would disclose any business or official secret or trade process or information, the disclosure of which would be contrary to public policy (ordre public).

## **Diplomatic Agents and Consular Officers**

### **Art. 28**

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

## **Entry Into Force**

### **Art. 29**

1. This Agreement shall be ratified and the instruments of ratification shall be exchanged as soon as possible.

2. The Agreement shall enter into force upon the exchange of instruments of ratification and its provisions shall have effect in respect to taxes on income and capital for any taxable year beginning on or after 1 January in the calendar year next following the year in which the Agreement enters into force.

## **Termination**

### **Art. 30**

This Agreement shall remain in force until terminated by a Contracting State. Either Contracting State may terminate the Agreement, through diplomatic channels, by giving notice of termination at least six months before the end of any calendar year following after a period of five years from the date of entry into force of the Agreement. In such event, the Agreement shall cease to have effect in respect to taxes chargeable for any taxable year beginning on or after 1 January in the calendar year next following the year in which such notice of termination has been given.

In witness whereof the undersigned, duly authorized thereto, have signed this Agreement.

Done at Sofia, on 22 February 1999 in the English language.