

# CONVENTION BETWEEN THE PEOPLE'S REPUBLIC OF BULGARIA AND THE KINGDOM OF DENMARK FOR THE AVOIDANCE OF DOUBLE TAXATION WITH RESPECT TO TAXES ON INCOME AND ON CAPITAL

*Prom. SG. 46/16 Jun 1989*

The People's Republic of Bulgaria and the Kingdom of Denmark mindful of the principles contained in the Final Act of the Conference of Security and Cooperation in Europe and desiring to conclude a Convention for the avoidance of double taxation with respect to taxes on income and capital, have agreed as follows:

## **Personal Scope**

Art. 1

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

## **Taxes Covered**

Art. 2

1. This Convention shall apply to taxes on income and on capital imposed on behalf of a Contracting State or 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, 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 this Convention shall apply are, in particular:

(a) In the case of Bulgaria:

1) the income tax (danakat varho obshtia dohod);

2) the tax on unmarried, widowed, divorced and spouses without children (danakat varho neomajenite, neojenenite, ovdovelite, razvedenite i semeinite bez detza);

3) the tax on profits (danakat varho pechalbata);

4) the tax on buildings (danakat varho zgradite);

(hereinafter referred to as "Bulgarian tax");

(b) In the case of Denmark:

1) the income tax to the state (indkomstskatten til staten);

2) the municipal income tax (den kommunale indkomstskat);

3) the income tax to the county municipalities (den amtskommunale indkomstskat);

4) the seamen's tax; (somandsskatten);

5) the special income tax (den saerlige indkomstskat);

6) the church tax (kirkeskatten);

7) the tax on dividends (udbytteskatten);

8) the tax on interest (renteskatten);

9) the tax on royalties (royaltyskatten);

10) taxes imposed under the Hydrocarbon Tax Act (skatter i behold til kulbrinteskatteloven);

11) the capital tax to the state (formueskatten til staten);

(hereinafter referred to as "Danish tax").

4. The Convention shall also apply to any identical or substantially similar taxes which are

imposed after the date of signature of the Convention in addition to, or in place of, the existing taxes. At the end of each year, the competent authorities of the Contracting States shall notify each other of substantial changes which have been made in their respective taxation laws.

## **General Definitions**

### **Art. 3**

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

a) the terms "a Contracting State" and "the other Contracting State" mean Bulgaria and Denmark as the context requires,

b) the term "Bulgaria" means the People's Republic of Bulgaria and, when used in a geographical sense, the territory over which the People's Republic of Bulgaria exercises its State sovereignty as well as the continental shelf and the Exclusive Economic Zone within which the People's Republic of Bulgaria exercises sovereign rights in accordance with international law,

c) the term "Denmark" means the Kingdom of Denmark including any area outside the territorial sea of Denmark which in accordance with international law has been or may hereafter be designated under Danish laws as an area within which Denmark may exercise sovereign rights with respect to the exploration and exploitation of the natural resources of the sea bed or its subsoil; the term does not comprise the Faroe Islands and Greenland,

(d) the term "person" means an individual, and:

(I) in the case of Denmark, a body corporate, including a company or any other entity which is treated as a body corporate for tax purposes and any other body of persons;

(II) in the case of Bulgaria, a legal person or any joint venture (sdruchenie) established in accordance with Bulgarian law and any other body of persons,

(e) 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,

(f) the term "international traffic" means any transport by a ship, aircraft, railway or road vehicle operated by an enterprise which has its place of effective management in a Contracting State, except when such transport is made solely between places in the other Contracting State,

(g) the term "competent authority" means:

1) in Bulgaria, the Minister of Finance or his authorised representative,

2) in Denmark, the Minister for Inland Revenue or his authorised representative.

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

## **Resident**

### **Art. 4**

1. For the purposes of this Convention, the term "resident of a Contracting State" means:

a) in the case of Denmark, any person who, under the law of Denmark, is liable to tax therein by reason of his domicile, residence, place of management or any other criterion of a similar nature.

b) in the case of Bulgaria, any individual who is a national of Bulgaria, as well as any legal person which has its head office in Bulgaria or is registered therein.

2.

a) Where by reason of the provisions of paragraph 1 of this Art. an individual is a resident of both Contracting States, then 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 Contracting State in which he has his centre of vital interests cannot be determined, the competent authorities of the Contracting States shall settle the question by mutual agreement.

3. Where by reason of the provisions of paragraph 1 of this Art. 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.

### **Permanent Establishment**

#### **Art. 5**

1. For the purposes of this Convention, the term "permanent establishment" means a fixed place of business through which the business of an enterprise is wholly or partly carried on.

2. The term "permanent establishment" includes especially:

a) a place of management;

b) a branch;

c) an office;

d) a factory;

e) a workshop, and

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

3. A building site or construction or installation project constitutes a permanent establishment only if it lasts more than twelve months.

4. Notwithstanding the preceding 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) a stock of goods or merchandise displayed by the enterprise on a sample fair or exhibition which is sold after the closing of the sample fair or exhibition;

f) 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;

g) the maintenance of a fixed place of business solely for any combination of activities mentioned in subparagraphs 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 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 that 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 participates in 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, 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 professional 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 of the provisions of paragraph 1, 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. 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 Art..

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 Art.s of this Convention, then the provisions of those Art.s shall not be affected by the provisions of this Art..

## **Transport Enterprises**

### **Art. 8**

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

2. If the place of effective management of a shipping enterprise is aboard a ship, then it shall be deemed to be situated in the Contracting State in which the home harbour of the ship is situated, or, if there is no such home harbour, in the State of which the operator of the ship is a resident.

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

4. With respect to profits derived by the Danish, Norwegian and Swedish air transport consortium, known as the Scandinavian Airlines System (SAS), the provisions of paragraph 1 shall only apply to such part of the profits as corresponds to the shareholding in the consortium held by Det Danske Luftfartselskab (DDL), the Danish partner of Scandinavian Airlines System (SAS).

## **Dividends**

### **Art. 9**

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 beneficial owner is a company (other than a 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 laws of the State of which the company making the distribution is a resident.

Profits derived by participants in joint ventures set up according to the Bulgarian legislation shall not be deemed to be dividends.

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 dividends is a resident, through a permanent establishment situated therein, or performs

in that other State professional 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. 13, 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 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. 10**

1. Interest arising in a Contracting State and paid to a resident of the other Contracting State shall be taxable only in that other State if such resident is the beneficial owner of the interest.

2. 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 prizes attaching to such securities, bonds or debentures. Penalty charges for late payment shall not be regarded as interest for the purpose of this Art..

3. 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 professional services from a fixed base situated therein, and 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. 13, as the case may be, shall apply.

## **Royalties**

### **Art. 11**

1. Royalties arising in a Contracting State and paid to a resident of the other Contracting State shall be taxable only in that other State if such resident is the beneficial owner of the royalties.

2. 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, any patent (certificate for invention), trade mark, origin designation, design or model, plan, secret formula or process, or for the use of, or the right to use, industrial, commercial, or scientific equipment, or for information concerning industrial, commercial or scientific experience.

3. The provisions of paragraph 1 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 a professional 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. 13, as the case may be, shall apply.

## **Capital Gains**

## Art. 12

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 professional services, including such gains from the alienation of such a permanent establishment (alone or with the whole enterprise) or of such a fixed base, may be taxed in that other State.

3. Gains from the alienation of ships, aircraft, railway or road vehicles operated in international traffic or movable property pertaining to the operation of such means of transport, 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 a resident.

## **Professional Services**

### Art. 13

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, the Income may be taxed 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.

## **Salaries, Wages And Other Similar Remuneration**

### Art. 14

1. Subject to the provisions of Art. 15, 17 and 18, 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.

a) Notwithstanding the preceding provisions of this Art., remuneration derived in respect of an employment exercised aboard a ship, aircraft, railway or road vehicle operated in international traffic may be taxed in the Contracting State in which the place of effective management of the enterprise is situated.

b) Where a resident of Denmark derives remuneration in respect of an employment exercised aboard an aircraft operated in international traffic by the Scandinavian Airlines System (SAS) consortium, such remuneration shall be taxable only in Denmark.

### **Directors' Fees**

#### **Art. 15**

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 which is a resident of the other Contracting State may be taxed in that other State.

### **Artistes And Athletes**

#### **Art. 16**

1. Notwithstanding the provisions of Art. 13 and 14, income derived by a resident of a Contracting State as an entertainer, such as a theater, motion picture, radio or television artiste, or a musician, or as an athlete, 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 an athlete in his capacity as such, accrues not to the entertainer or athlete himself but to another person, that income may, notwithstanding the provisions of Art.s 7, 13 and 14, be taxed in the Contracting State in which the activities of the entertainer or athlete are exercised.

3. Income derived from such activities performed within the frame-work of a cultural agreement concluded between the Contracting States shall be taxable only in the sending State.

### **Pensions And Payments Under Public Social Security Schemes**

#### **Art. 17**

Any pension including payments made under the public social security scheme of a Contracting State arising in a Contracting State and paid to a resident of the other Contracting State shall be taxable only in the first-mentioned State.

### **Government Service**

#### **Art. 18**

##### **1.**

a) 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.

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 rendering the services.

2. The provisions of Art.s 14 and 15 shall apply to remuneration other than a pension, 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. This paragraph shall not affect the use of paragraph 1 in respect of remunerations received by employees of enterprises, institutions and organisations of a Contracting State sent to the other Contracting State, for services rendered to such enterprises, institutions and



organisations provided that such employees are present in the other Contracting State solely for the purpose of rendering such services and such remunerations are paid out of sources situated in the first-mentioned State.

### **Students**

#### **Art. 19**

Payments which a student or business apprentice 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.

### **Other Income**

#### **Art. 20**

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

### **Capital**

#### **Art. 21**

1. Capital represented by immovable property referred to in Art. 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 a professional services, may be taxed in that other State.

3. Capital represented by ships, aircraft, railway or road vehicles operated in international traffic and by movable property pertaining to the operation of such means of transport, 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.

### **Methods For Elimination Of Double Taxation**

#### **Art. 22**

1. In the case of Denmark double taxation shall be avoided as follows:

a) Subject to the provisions of subparagraph c), where a resident of Denmark derives income or owns capital which, in accordance with the provisions of this Convention, may be taxed in Bulgaria, Denmark shall allow:

(I) as a deduction from the tax on the income of that resident, an amount equal to the income tax paid in Bulgaria;

(II) as a deduction from the tax on the capital of that resident, an amount equal to the capital tax paid in Bulgaria.

b) Such deduction shall in either case shall not, however, exceed that part of the income tax 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 Bulgaria.

c) Where a resident of Denmark derives income or owns capital which, in accordance with the provisions of this Convention, shall be taxable only in Bulgaria, Denmark may include this income or capital in the tax base, but shall allow as a deduction from the income tax or capital tax that part of the income tax or capital tax, which is attributable, as the case may be, to the income derived from or the capital owned in Bulgaria.

2. In the case of Bulgaria double taxation shall be avoided as follows:

a) Where a resident of Bulgaria derives income or owns capital which, in accordance with the provisions of this Convention, may be taxed in Denmark, Bulgaria shall, subject to the provisions of subparagraphs b) and c) of this paragraph, exempt such income or capital from tax.

b) Where a resident of Bulgaria derives dividends which, in accordance with the provisions of Art. 9 of this Convention, may be taxed in Denmark, Bulgaria shall allow as a deduction from the tax on the dividends of that resident an amount equal to the tax paid in Denmark. Such deductions shall not, however, exceed that part of the tax, as computed before the deduction is given, which is attributable to such dividends derived from Denmark.

c) Where in accordance with any provision of this Convention income derived or capital owned by a resident of Bulgaria is exempt from tax in Bulgaria, Bulgaria may nevertheless, in calculating the amount of tax remaining income or capital of such resident, take into account the exempted income or capital.

3. For the purpose of paragraph 1, the term "income tax paid in Bulgaria" shall in the case of profits of joint ventures, which are residents of Bulgaria, be deemed to correspond to an amount of Bulgarian tax which would have been payable under Bulgarian tax law had there not in Bulgaria been introduced special tax benefits under the provisions concerning economic cooperation between Bulgarian legal persons and foreign legal persons and individuals.

However, Bulgarian tax referred to above in this paragraph shall in no case be calculated at a rate exceeding 45 per cent. This provision shall only apply if the Danish participant in the joint venture holds at least 10 per cent of the capital of the joint venture.

## **Non-discrimination**

### **Art. 23**

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. This provision shall, notwithstanding the provisions of Art. 1, also apply to persons who are not residents of one or both of the Contracting States.

2. For the purposes of this Art. the term "nationals" means:

a) all individuals possessing the nationality of a Contracting State;

b) all legal persons, partnerships, joint ventures and other bodies of persons deriving their status as such from the laws in force in a Contracting State.

3. The taxation on a permanent establishment which an enterprise of a Contracting State has in the other Contracting State shall not be less favorably levied in that other State than the taxation levied on enterprises 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.

4. Except where the provisions of paragraphs 1 of the Protocol applies 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. Similarly, any 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.

5. Enterprises of a Contracting State, the capital of which is wholly or partly owned 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.

6. The provisions of this Art. shall, notwithstanding the provisions of Art. 2, apply to taxes of every kind and description.

### **Mutual Agreement Procedure**

#### **Art. 24**

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 Convention, 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 his case comes under paragraph 1 of Art. 23, 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 the Convention.

2. The competent authority shall endeavor, 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 Convention.

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 Convention. They may also consult together for the elimination of double taxation in cases not provided for in the Convention.

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. 25**

1. The competent authorities of the Contracting States shall exchange such information as is necessary for carrying out the provisions of this Convention or of the domestic laws of the Contracting States concerning taxes covered by the Convention insofar as the taxation thereunder is not contrary to the Convention. The exchange of information is not restricted by Art. 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 and shall be disclosed only to persons or authorities (including courts and administrative bodies) involved in the assessment or collection of, the enforcement or prosecution in respect of, or the determination of appeals in relation to, the taxes covered by the Convention. 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 a Contracting State the obligation:

a) to carry out administrative measures at variance with laws or the administrative practice of that or 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 trade, business, industrial, commercial or professional secret or trade process, or information, the disclosure of which would be contrary to public policy (ordre public).

### **Members Of Diplomatic Or Consular Missions**

#### **Art. 26**

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

### **Territorial Extension**

#### **Art. 27**

1. This Convention may be extended, either in its entirety or with any necessary modifications to any part of the territory of the Contracting States which is specifically excluded from the application of the Convention and which imposes taxes substantially similar in character to those to which the Convention applies. Any such extension shall take effect from such date and subject to such modifications and conditions, including conditions as to termination, as may be specified and agreed between the Contracting States in notes to be exchanged through diplomatic channels or in any other manner in accordance with their constitutional procedures.

2. Unless otherwise agreed by both Contracting States, the termination of the Convention by one of them under Art. 29 shall also terminate, in the manner provided for in that Art., the application of the Convention to any part of the territory of the Contracting States to which it has been extended under this Art..

### **Entry Into Force**

#### **Art. 28**

1. The Contracting States shall notify each other that the constitutional requirements for the entry into force of this Convention have been complied with.

2. The Convention shall enter into force on the date of the latter of the notifications referred to in paragraph 1 is received and its provisions shall have effect in respect of all taxes for the income year which coincides with or replaces the calendar year immediately following that in which the Convention enters into force and subsequent income years.

3. The Protocol concerning a reciprocal exemption from taxation for Bulgarian and Danish nationals who during residence in one country receive income from employment in the other country's enterprises, institutions or organisations, made between the Government of the People's Republic of Bulgaria and the Government of the Kingdom of provisions shall have effect in respect of all taxes for the income year which coincides with or replaces the calendar year immediately.

## **Termination**

### **Art. 29**

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 notification of termination on or before the thirtieth day of June of any calendar year following after a period of five years from the year in which the Convention enters into force. In such event, the Convention shall cease to have effect in respect of all taxes for the income year which coincides with or replaces the calendar year immediately following that in which the notification of termination is received and subsequent income years.

In witness whereof the undersigned, duly authorised thereto have signed this Convention.

Done in duplicate at Copenhagen, this 2nd day of December 1988, in the English language.

**FOR THE KINGDOM OF DENMARK:**

Anders Foght Rasmussen

**FOR THE PEOPLE'S REPUBLIC OF BULGARIA:**

Ivan Dimitrov Spassov

## **PROTOCOL**

At the signing of the Convention concluded today between the People's Republic of Bulgaria and the Kingdom of Denmark for the avoidance of double taxation with respect to taxes on income and on capital, the undersigned have agreed upon the following additional provisions which shall form an integral part of the said Convention.

It is understood:

1) Nothing in this Convention shall prevent both Contracting States from exercising the fiscal control provided for by their respective laws.

Especially the provisions of Art.s 10 and 11 of this Convention shall not be applied to the part exceeding the usual amount of interest and royalties agreed upon between enterprises. In such a case the exceeding part shall be taxed according to the laws of either Contracting States taking into consideration the other provisions of this Convention.

2) As far as Art. 19 is concerned in respect of payments received for services rendered in the Contracting State in which a student is present for the purposes of his education or training, the tax laws of this State shall be applied. Payments which such student receives from abroad, shall not be included into his taxable income.

In witness whereof the undersigned, duly authorised thereto have signed this Protocol.

Done in duplicate at Copenhagen, this 2nd day of December 1988, in the English language.