

## **AGREEMENT**

**between the Government of the Russian Federation and  
the Government of the United Mexican States for the avoidance  
of double taxation with respect to taxes  
on income**

The Government of the Russian Federation and the Government of the United Mexican States, desiring to conclude an Agreement for the avoidance of double taxation with respect to taxes on income and with a view to promote economic cooperation between the two countries,

have agreed as follows:

**ARTICLE 1**  
**Personal Scope**

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

**ARTICLE 2**  
**Taxes Covered**

1. This Agreement shall apply to taxes on income imposed in each Contracting State, in accordance with the laws of each Contracting State, irrespective of the manner in which they are levied.

2. The existing taxes to which this Agreement shall apply are:

a) in the case of the Russian Federation:

- (i) tax on profits of organizations;
- (ii) income tax on individuals

(hereinafter referred to as "Russian Taxes");

b) in the case of the United Mexican States:

- (i) the income tax

(hereinafter referred to as "Mexican Tax").

3. This Agreement shall apply also to any identical or substantially similar taxes on income 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 substantial changes which have been made in their respective taxation laws.

### ARTICLE 3 Some General Definitions

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

a) the terms "a Contracting State" and "the other Contracting State" mean Russia or Mexico, as the context requires;

b) the term "the Russian Federation (Russia)" means the territory of the Russian Federation as well as its exclusive economic zone and continental shelf where the Russian Federation exercises its sovereign rights and jurisdiction in conformity with the United Nations Convention on the Law of the Sea, of 1982;

c) the term "Mexico" means the territory of the United Mexican States in the terms expressed in its Political Constitution, including its exclusive economic zone and continental shelf where the United Mexican States exercises its sovereign rights and jurisdiction in conformity with the United Nations Convention on the Law of the Sea, of 1982;

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 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;

g) the term "international traffic" means any transport by a ship or aircraft operated by an enterprise of a Contracting State, except when the transport is operated solely between places in the other Contracting State;

h) the term "competent authority" means:

(i) in the case of Russia - the Ministry of Finance of the Russian Federation or its authorized representative;

(ii) in the case of Mexico - the Ministry of Finance and Public Credit;

i) the term "national" means:

(i) in the case of Russia,

- any individual possessing the citizenship of Russia;

- any legal person, partnership or association deriving its status as such from the laws in force in Russia;

(ii) in the case of Mexico,

- any individual possessing the Mexican nationality;

- any legal person, partnership or association deriving its status as such from the laws in force in Mexico.

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 at that time under the laws of that State. In case of divergence between the definition of any term provided in the laws relating to taxes to which this Agreement applies and the definition provided by the other branches of law of that State the first-mentioned definition shall prevail.

#### **ARTICLE 4**

##### **Resident**

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, place of incorporation or any other criterion of a similar nature, and also includes that State and any political subdivision or local authority thereof. This term, however, does not include any person who is liable to tax in that State in respect only of income from sources in that State.

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

a) he shall be deemed to be a resident of the Contracting State in which he has a permanent home available to him; if he has a permanent home available to him in both 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 Contracting State, he shall be deemed to be a resident of the State in which he has an habitual abode;

c) if he has a 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 each State considers him to be its national or if he is a national 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, the competent authorities of the Contracting States shall by mutual agreement endeavour to settle the question and to determine the mode of application of the Agreement to such person. In the absence of such agreement, such person shall be considered to be outside the scope of this Agreement, except for the Article "Exchange of Information".

## **ARTICLE 5**

### **Permanent Establishment**

1. For the purposes of this Agreement, the term "permanent establishment" means a fixed place of business through which an enterprise of a State wholly or partly carries on any business in a 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;

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

g) a building site, a construction, assembly or installation project or supervisory activities in connection therewith, but only if such site, project or activities continue for a period of more than 6 months.

3. Notwithstanding the preceding provisions of this Article the following kinds of activities shall not constitute the permanent establishment:

a) the use of facilities solely for the purpose of storage or display 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 or display;

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, supplying information, scientific research, or for similar activities which have a preparatory or auxiliary character, for the enterprise.

4. 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 3 which, if exercised through a fixed place of business would not make this fixed place of business a permanent establishment under the provisions of that paragraph.

5. Notwithstanding the foregoing provisions of this Article, an insurance enterprise of a Contracting State shall, except in regard to reinsurance, be deemed to have a permanent establishment in the other Contracting State if it collects premiums in the territory of that other State or insures risks situated therein through a person other than an agent of an independent status to whom paragraph 6 applies.

6. An enterprise of a Contracting State shall not be deemed to have a permanent establishment in the other Contracting State merely because it carries on business in that other 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 and that in their commercial or financial relations with the enterprise, conditions are not made or imposed that differ from those generally agreed to by independent agents.

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 "immovable property" shall in any case include property accessory to immovable property, livestock and equipment used in agriculture and forestry, rights to which the provisions of law respecting landed property apply, rights known as 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.

#### **ARTICLE 7** **Business Profits**

1. The profits of an enterprise of a Contracting State shall be taxable only in that State unless the enterprise carries on business in the other Contracting State through a permanent establishment situated therein. If the enterprise carries on business as aforesaid, the profits of the enterprise may be taxed in the other State but only so much of them as is attributable to:

a) that permanent establishment;

b) sales in that other State of goods or merchandise of the same or similar kind as the goods or merchandise sold through that permanent establishment.

However, the profits derived from the sales described in subparagraph (b) shall not be taxable in the other Contracting State if the enterprise demonstrates that such sales have been carried out for reasons other than obtaining a benefit under this Agreement.

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, whether in the State in which the permanent establishment is situated or elsewhere. However, no such deduction shall be allowed in respect of such 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, 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.

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

7. 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.

## **ARTICLE 8**

### **Profits from International Transport**

1. Profits from the operation of ships or aircraft in international traffic and the rental, use or demurrage of containers and related equipment which is incidental to the operation of ships or aircraft in international traffic shall be taxable only in the Contracting State of which an enterprise deriving such income is a resident.

2. Profits referred to in paragraph 1 shall not include profits from the provision of accommodation or transportation other than from the operation of ships or aircraft in international traffic.

3. For the purposes of this Article, profits from the operation of ships or aircraft in international traffic by a resident of a Contracting State include profits from the rental of ships or aircraft on a full (time or voyage) basis. They also include profits from the rental of ships or aircraft on a bareboat basis if such ships or aircraft are operated in international traffic by the lessee and are derived by a resident of a Contracting State engaged in the operation of ships or aircraft in international traffic.

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.

## **ARTICLE 9**

### **Associated Enterprises**

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 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 independent enterprises had been those which would have been made between the two enterprises, then that other State shall, in accordance with paragraph 2 of Article 24, make the appropriate adjustment to the amount of the tax charged therein on those profits if it agrees with the adjustment made by the first-mentioned Contracting State. In determining such adjustment, due regard shall be paid to the other provisions of this Agreement and the competent authorities of the Contracting States shall if necessary consult each other.

3. The provisions of paragraph 2 shall not apply in the case of fraud, gross negligence, or wilful 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 10 per cent of the gross amount of the dividends. The provisions of this paragraph shall not affect the taxation of the company on 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 taxation 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 or carried on business in the other Contracting State of which the company paying the dividends is a resident, through a permanent establishment, or performs independent personal services from a fixed base situated therein and the dividends are attributable to such permanent establishment or fixed base. In such case the provisions of Articles 7 or 14 of this Agreement, 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 10 per cent of the gross amount of the interest.

3. Notwithstanding the provisions of paragraph 2, interest referred to in paragraph 1 shall be taxable only in the Contracting State in which the beneficial owner is a resident if:

a) the beneficial owner is a Contracting State, a political subdivision or the Central Bank of the Contracting State;

b) the interest is paid by any of the entities mentioned in sub-paragraph a);

c) the interest arises in the Russian Federation and is paid in respect of a loan for a period of not less than three years granted, guaranteed or insured, or a credit for such period granted, guaranteed or insured, by Banco de México, S.N.C., Banco Nacional de Comercio Exterior, S.N.C., Nacional Financiera, S.N.C. or Banco Nacional de Obras y Servicios Públicos, S.N.C. or interest is derived by any other institution, as may be agreed from time to time between the competent authorities of the Contracting States;

d) the interest arises in Mexico and is paid in respect of a loan for a period of not less than three years granted, guaranteed or insured, or a credit for such period granted, guaranteed or insured by the Joint-stock company "The Bank for Foreign Trade" – Vneshtorgbank, or "The Bank for Foreign Economic Relations of the USSR" – Vnesheconombank, or interest is derived by any other institution, as may be agreed from time to time between the competent authorities of the Contracting States.

4. The term "interest" as used in this Agreement means income from debt-claims of every kind, and in particular income from government securities, bonds and debentures, including premiums and prizes attaching to such securities, bonds and debentures as well as any other income which is treated as income from loans by the tax laws of the State in which income arises.

5. 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 or carried on business in the other Contracting State in which the interest arises, through a permanent establishment or performs 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 Articles 7 or 14 of this Agreement, as the case may be, shall apply.

6. Interest shall be deemed to arise in a Contracting State when the payer is a resident of that Contracting 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, and such interest is borne by such permanent establishment or fixed base, then such interest shall

be deemed to arise in the Contracting State in which the permanent establishment or fixed base is situated.

7. Where by reason of a special relationship between the payer and the beneficial owner of interest or between both of them and some other person, the amount of the interest exceeds, for whatever reason, 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 Agreement.

8. The provisions of this Article shall not apply if the competent authorities agree that the debt-claim in respect of which the interest is paid was created or assigned with the main purpose of taking advantage of this Article. In that case the provisions of the domestic law of the Contracting State in which the interest arises shall apply.

## **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, such royalties may also be taxed in the Contracting State from which they are derived 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 10 percent of the gross amount of the royalties.

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 other intangible property, or for the use of, or the right to use, industrial, commercial or scientific equipment, or for information concerning, industrial, commercial or scientific experience, and includes payments of any kind in respect of motion picture films and works on film, videotape or other means of reproduction for use in connection with television and includes payments of any kind as consideration for the reception of, or the right to receive, visual images or

sounds, or both, transmitted to the public by satellite or by cable, optic fibre or similar technology, or the use in connection with television broadcasting or radio broadcasting. The term "royalties" also includes gains derived from the alienation of any such right or property which are contingent on the productivity or use thereof.

4. The provisions of paragraph 1 and 2 shall not apply if the beneficial owner of the royalties, being a resident of a Contracting State, carries on or carried on business in the other Contracting State in which the royalties arise, through a permanent establishment or performs 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 Articles 7 or 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 a resident of that Contracting 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 and such royalties are borne by such permanent establishment or fixed base, then such royalties shall be deemed to arise in the Contracting 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 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 Agreement.

7. The provisions of this Article shall not apply if the competent authorities agree that the rights in respect of which the royalties are paid were created or assigned with the main purpose of taking advantage of this Article. In that case the provisions of the domestic law of the Contracting State in which the royalties arise shall apply.

## **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. In addition to gains taxable in accordance with the provisions of the preceding paragraphs of this Article, gains derived by a resident of a Contracting State from the alienation of stock, participation, or other rights in the capital of a company which is a resident of the other Contracting State may be taxed in that other Contracting State.

3. Gains derived from the alienation of movable property forming part 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 or of such fixed base, may be taxed in that other State.

4. Gains derived by a resident of a Contracting State from the alienation of ships or aircraft operated in international transport or movable property pertaining to such operation shall be taxable only in the Contracting State of which the alienator is a resident.

5. Gains from the alienation of any property other than that referred to in Article 12 or in the preceding paragraphs of this Article shall be taxable only in the Contracting State of which the alienator is a resident.

## **ARTICLE 14**

### **Income from Independent Personal Services**

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. However, such income may also be taxed in the other Contracting State if:



a) the resident, being an individual, is present in the other State for a period or periods exceeding in the aggregate 120 days in any twelve month period commencing or ending in the fiscal year concerned; or

b) the resident has a fixed base regularly available in that other State for the purpose of performing its activities, but only so much of the income as is attributable to services performed in that other State.

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, accountants and auditors.

## **ARTICLE 15**

### **Income from Employment**

1. Subject to the provisions of Articles 16, 18, 19 and 20 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 Contracting State for a period or periods not exceeding in the aggregate 183 days in any twelve months period, and

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

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

3. Notwithstanding the provisions of paragraphs 1 and 2, salaries and other remuneration derived by a resident of a Contracting State in respect of an

employment exercised aboard a ship or aircraft operated in international traffic may be taxed only in that State.

#### **ARTICLE 16**

##### **Directors' Fees**

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 or a similar body of a company which is a resident of the other Contracting State may be taxed in that other State.

#### **ARTICLE 17**

##### **Income of Artistes and Sportspersons**

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 sportsperson, from his personal activities as such exercised in the other Contracting State, may be taxed in that other State. Income referred to in this paragraph shall include income derived from any personal activities performed in the other Contracting State by such resident relating to his reputation as an entertainer or sportsperson.

2. Where income in respect of personal activities exercised by an entertainer or a sportsperson in his capacity as such accrues not to the entertainer or a sportsperson 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 sportsperson are exercised.

3. Notwithstanding other provisions of this Agreement, income derived by a resident of a Contracting State from the performance of independent personal services, the direct use, letting or use in any other form of goods, connected to the personal activities exercised by an entertainer or a sportsperson in his capacity as such shall be considered as income derived by the entertainer or sportsperson for the purposes of this Article, unless the entertainer or sportsperson demonstrates that he nor person related thereto participates directly or indirectly in the income of that resident in any manner,

including the receipt of deferred remuneration, bonuses, fees, dividends or other distributions.

4. Notwithstanding the provisions of paragraph 1 and 2, income derived from activities referred to in paragraph 1 performed under a cultural agreement or arrangement between the Contracting States shall be exempt from tax in the Contracting State in which the activities are exercised if the visit to that State is wholly or substantially supported by funds of one or both of the Contracting States, a local authority or public institution thereof.

### **ARTICLE 18**

#### **Pensions**

Pensions and other similar remunerations arising in a Contracting State shall be taxed only in that State.

### **ARTICLE 19**

#### **Remuneration for Government Service**

1. a) 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.

b) 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 recipient 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. a) 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 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. The provisions of paragraph 1 of this Article shall not apply and the provisions of Article 15 and 16 shall apply to remuneration paid by a Contracting State or a political subdivision or a local authority thereof if such remuneration is paid in respect of services rendered in connection with any business activities carried on in the other Contracting State.

## **ARTICLE 20**

### **Payments to Students and Business Apprentices**

Payments received by a student or a 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, and assigned for the purpose of their maintenance and education shall not be taxed in that first State provided that such payments arise from sources in the other State.

## **ARTICLE 21**

### **Other Income**

1. Subject to the provisions of paragraph 2, items of income of a resident of a Contracting State, wherever arising, not dealt with in the foregoing Articles of this Agreement 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 14, as the case may be, shall apply.

3. Notwithstanding the provisions of paragraphs 1 and 2, items of income of a resident of a Contracting State not dealt with in the foregoing Articles of

this Agreement and arising in the other Contracting State may also be taxed in that other State.

## **ARTICLE 22**

### **Methods of Elimination of Double Taxation**

Double taxation is eliminated as follows:

#### **1. In Russia:**

a) Where a resident of Russia derives income which, in accordance with the provisions of this Agreement, may be taxed in Mexico, the amount of tax on that income payable in Mexico, may be credited against the tax imposed in Russia. The amount of credit, however, shall not exceed the amount of the tax on that income computed in accordance with the laws and regulations of Russia; and

b) For the purposes of subparagraph a), of paragraph 1 of this Article, and in accordance with the provisions and subject to the limitations of the laws of the Contracting State, as may be amended from time to time without changing the general principle thereof, the amount of tax paid in Mexico in respect of dividend received by a company which is a resident of Russia from a company which is a resident of Mexico shall include the amount of the Mexican tax paid on the profits out of which the dividend is paid in proportion to the participation by the Russian company in the Mexican company which paid the dividend.

#### **2. In Mexico:**

a) In accordance with the provisions and subject to the limitations of the laws of Mexico, as may be amended from time to time without changing the general principle thereof, Mexico shall allow its residents as a credit against the Mexican tax, the Russian tax paid on income arising in Russia, in an amount not exceeding the tax payable in Mexico on such income, and

b) For the purposes of subparagraph a), of paragraph 2, of this Article, and in accordance with the provisions and subject to the limitations of the laws of the Contracting State, as may be amended from time to time without changing the general principle thereof, the amount of tax paid in Russia in

respect of dividend received by a company which is a resident of Mexico from a company which is a resident of Russia shall include the amount of the Russian tax paid on the profits out of which the dividend is paid in proportion to the participation by the Mexican company in the Russian company which paid the dividend.

### **ARTICLE 23** **Non-Discrimination**

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, in particular with respect to residence, are or may be subjected. The provisions of this paragraph shall not be construed as obliging a Contracting State to grant to citizens of the other Contracting State tax benefits granted by special agreements to nationals of a third State. This provision shall, notwithstanding the provisions of Article 1, also apply to persons who are not residents of one or both of the Contracting States.

2. The taxation of 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. Nothing contained in this Article shall be interpreted as obliging a Contracting State to give to individuals not resident in that State the right to any of the personal allowances, reliefs and reductions for tax purposes which are granted to individuals who are residents of that State.

4. Except where the provisions of Article 9, paragraph 7 of Article 11 or 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.

5. 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 Contracting 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 Article shall, notwithstanding the provisions of Article 2, apply to taxes of every kind and description.

#### **ARTICLE 24**

##### **Mutual Agreement 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.

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. In such case, any agreement reached shall be implemented within eight years or a longer period from the due date or the date of filing of the return in that other State.

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.

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.

5. Notwithstanding any treaty on international trade or investment which the Contracting States are or may become parties, any dispute over a measure taken by a Contracting State involving a tax covered by Article 2 or, in the case of non-discrimination, any taxation measure taken by a Contracting State including a dispute whether this Agreement applies, shall be settled only under

the Agreement unless the competent authorities of the Contracting States agree otherwise.

## **ARTICLE 25**

### **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 insofar as the taxation thereunder is not contrary to the Agreement. The exchange of information shall apply to taxes of every kind and description and is not restricted by Article 1. Any information received by a Contracting State shall be treated as confidential 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 this Article. 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 the laws and 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.

3. If information is requested by a Contracting State in accordance with this Article, the other Contracting State shall obtain the information to which the request relates in the same manner and to the same extent as if the tax of the first-mentioned State were the tax of that other State and were being imposed



by that other State. If specifically requested by the competent authority of a Contracting State, the competent authority of the other Contracting State shall provide information under this Article in the form of depositions of witnesses and authenticated copies of complete original documents (including books, papers, statements, records, accounts, and writings), to the same extent such depositions and documents can be obtained under the laws and administrative practices of that other State with respect to its own taxes.

4. It is understood that in accordance with the provisions of this Article the competent authority of a Contracting State shall spontaneously transmit to the competent authority of the other State information which has come to the attention of the first-mentioned State and which is likely to be relevant to, and bear significantly on, accomplishment of the purposes referred to in paragraph 1. The competent authorities shall determine the information to be exchanged pursuant to this paragraph and take such measures and implement such procedures as are necessary to ensure that the information is forwarded to the competent authority of the other State.

#### **ARTICLE 26**

##### **Assistance in Collection**

1. Each of the Contracting States shall aid and assist the other Contracting State in the collection of the taxes of that other State, in as much as is necessary to prevent persons not entitled to the tax exemptions or reductions provided for in this Agreement to benefit from such exemptions and reductions.

2. Nothing in this Article shall be construed as obliging the State receiving the application to apply any means of enforcement which are not authorized by the laws or regulations of either Contracting State or to carry out measures which are contrary to public policy.

#### **ARTICLE 27**

##### **Members of Diplomatic Missions and Consular Establishments**

Nothing in this Agreement shall affect the fiscal privileges of members of diplomatic missions and consular establishments, who are provided with such

privileges under the rules of general international law or under the provisions of special agreements.

**ARTICLE 28**  
**Miscellaneous Provisions**

1. No provision of the Agreement, except for the Article "Exchange of Information", shall apply to:

a) an item of income that is exempt from tax in a Contracting State of which the beneficial owner of the income is a resident or is taxable in that State in the hands of that resident at a rate lower than the rate applicable to the same item of income derived by other residents of that State that do not benefit from such exemption or rate; or

b) an item of income beneficially owned by a resident of a Contracting State that benefits from a deduction, rebate or other concession or benefit that is provided directly or indirectly in relation to that item of income, other than a credit for foreign tax paid, and is not available to other residents of that State.

2. The competent authorities of the Contracting States may consult each other with regard to the application of this Article.

**ARTICLE 29**  
**Entry into Force**

The Contracting States shall notify each other in writing through the diplomatic channels of the completion of the internal procedures required by the law applied in that Contracting State for the bringing this Agreement into force. This Agreement shall enter into force on the date of the later of these notifications and its provisions shall have effect in respect of income derived on or after the first day of January of the calendar year following that of the entry into force of the Agreement.

**ARTICLE 30**  
**Termination**

This Agreement shall remain in force indefinitely but either of the Contracting States may terminate the Agreement through diplomatic channels, by giving to the other Contracting State written notice of termination at any time after the expiration of five years from the date on which the Agreement enters into force. In such event, the Agreement shall cease to have effect in respect of income derived on or after the first day of January of the calendar year next following that in which the notice of termination is given.

Signed at Mexico City, on the 7th day of June of the year two thousand and four in two original copies, in the Russian, Spanish and English languages, being all texts equally authentic. In case of divergence in the interpretation of this Agreement, the English text shall prevail.

**FOR THE GOVERNMENT OF  
THE RUSSIAN FEDERATION**



**FOR THE GOVERNMENT OF  
THE UNITED MEXICAN  
STATES**



## Protocol

At the moment of signing the Agreement for the avoidance of double taxation with respect to taxes on income, this day concluded between the Government of the Russian Federation and the Government of the United Mexican States, the undersigned have agreed that the following provisions shall form an integral part of the Agreement:

1. With regard to Article 4,

It is understood that a partnership or a trust (other than a trust the income of which is exempt from taxation under the law of a Contracting State relating to its tax) shall not be treated as a resident of a Contracting State except to the extent that the income is subject to tax in that State as the income of a resident of that State either in the hands of a partner or beneficiary, or, if that income is exempt from tax in that State, it is so exempt solely because it is subject to tax in the other State.

2. With regard to paragraph 3 of Article 7,

It is understood that expenses allowed as a deduction include a reasonable allocation of research and development expenses, interest, and other expenses incurred in the taxable year for the purpose of the enterprise as a whole (or the part thereof which includes the permanent establishment), regardless of where incurred, but only to the extent that such expenses have not been deducted by such enterprise and are not reflected in other deductions allowed to the permanent establishment, such as the deduction for the cost of goods sold or of the value of the purchases.

3. With regard to Article 10, and Article 11,

If the law of a Contracting State calls for a payment to be characterized in whole or in part as a dividend or limits the deductibility of such payment because of thin capitalization rules or because the relevant debt instrument includes an equity interest, the Contracting State may treat such payment in accordance with such law.

4. With regard to Article 11,

The provisions of paragraph 2 shall not apply to interest derived from back-to-back loans. In such case, the interest shall be taxable in accordance with the domestic law of the State in which it arises.

For the purposes of the provisions in the second part of paragraph 6 of Article 11, if the loan is incurred by the head office of the enterprise and the amount in question affects several permanent establishments or fixed bases situated in different countries, then the interest shall be deemed to arise in the Contracting State in which the permanent establishment or fixed base is situated, but only so much of the interest payment as is borne by such permanent establishment or fixed base.

5. With regard to Article 12,

a) For the purposes of paragraph 3 of Article 12, it is understood that payments relating to software fall within the scope of the Article where less than the full rights to software are transferred either if the payments are in consideration for the right to use a copyright on software for commercial exploitation or if they related to software acquired for the business use of the purchaser;

b) For the purposes of the provisions in the second part of paragraph 5 of Article 12, where the obligation to pay the royalties is incurred by the head office of the enterprise and the right or property in respect of which they are paid is effectively connected with several permanent establishments or fixed bases situated in different countries, then the royalties shall be deemed to arise in the Contracting State in which the permanent establishment or fixed base is situated, but only so much of the royalty payment as is borne by such permanent establishment or fixed base.

6. With regard to Article 14,

a) It is understood that a fixed base shall be treated for tax purposes in accordance with the principles applicable to a permanent establishment;

b) For purposes of paragraph 1, it is understood that Article 14 shall also apply to income derived by a company which is a resident of a Contracting State from the furnishing of personal services through a fixed base in the other Contracting State in accordance with subparagraph (a) of paragraph 1.

7. With regard to Article 30,

When the competent authority of one of the Contracting States considers that the law of the other Contracting State is or may be applied in a manner that eliminates or significantly limits a benefit provided by the Agreement, that State shall inform the other Contracting State in a timely manner and may request consultations with a view to restoring the balance of benefits of the Agreement. If so requested, the other State shall begin such consultations within six months of the date of such request.

If the Contracting States are unable to agree on the way in which the Agreement should be modified to restore the balance of benefits, the affected State may terminate the Agreement in accordance with the procedures of paragraph 1, notwithstanding the five year period referred to in that paragraph.

8. It is understood that the Contracting States shall endeavour to apply the provisions of this Agreement in accordance with the Commentaries on the Articles of the Model Tax Convention on Income and on Capital drawn up from time to time by the OECD Committee on Fiscal Affairs to the extent that the provisions contained in the Agreement correspond to those set forth under such Model.

Signed at Mexico City, on the 7th day of June of the year two thousand and four in two original copies, in the Russian, Spanish and English languages, being all texts equally authentic. In case of divergence in the interpretation of this Agreement, the English text shall prevail.

**FOR THE GOVERNMENT OF  
THE RUSSIAN FEDERATION**



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