

AGREEMENT

BETWEEN THE GOVERNMENT OF THE RUSSIAN FEDERATION AND THE GOVERNMENT OF THE REPUBLIC OF TURKEY FOR THE AVOIDANCE OF DOUBLE TAXATION WITH RESPECT TO TAXES ON INCOME

The Government of the Russian Federation and the Government of the Republic of Turkey, 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, in respect of taxation, 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 a Contracting State, irrespective of the manner in which they are levied.

2. There shall be regarded as taxes on income all taxes imposed on total income, or on elements of income, including taxes on gains from the alienation of movable or immovable property.

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

a) in the case of the Russian Federation - the taxes on income and profits imposed in accordance with the following Laws of the Russian Federation:

- (i) "On taxes on profits of enterprises and organisations"; and
- (ii) "On the income tax on individuals",

(hereinafter referred to as "Russian Tax");

b) in the case of the Republic of Turkey:

- (i) the income tax (Gelir Vergisi);
- (ii) the corporation tax (Kurumlar Vergisi); and
- (iii) the levies imposed on income tax and corporation tax,

(hereinafter referred to as "Turkish Tax").

4. 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, necessary for the implementation of this Agreement.

ARTICLE 3 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 depending on the context, the Russian Federation (Russia) or the Republic of Turkey (Turkey);

b) the terms "the Russian Federation" and "the Republic of Turkey" mean their territories, territorial seas, as well as their continental shelves and exclusive economic zones established in accordance with international law;

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

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

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

f) the term "registered office" means, in the case of Turkey the legal head office registered under the Turkish Code of Commerce;

g) 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;

h) the term "international traffic" means any transport by a ship, a boat, an aircraft or a road vehicle operated by an enterprise of a Contracting State, except when the ship, boat, aircraft or road vehicle is operated solely between places situated in the territory of the same Contracting State;

i) the term "competent authority" means:

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

(ii) in the case of the Republic of Turkey - the Ministry of Finance or its authorised representative;

j) the "beneficial owner" clause should be interpreted in the meaning that a third country resident will not be allowed to get benefits from the Tax Agreement with regard to dividends, interests and royalties derived from Russia or Turkey, but this restriction shall in no case be applied to residents of the Contracting States.

2. As regards the application of this Agreement at any time by a Contracting State, any term not defined therein shall, unless the context otherwise

requires, have the meaning that it has at that time under the law of that State for the purposes of the taxes to which this Agreement applies, any meaning under the applicable tax laws of that State prevailing over a meaning given to the term under other laws of that State.

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 (registered office), or any other criterion of similar nature.

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

b) if the State in which he has his centre of vital interests cannot be determined, or if he has not a permanent home available to him in either Contracting State, he shall be deemed to be a resident of the State in which he has an habitual abode;

c) if he has an habitual abode in both States or in neither of them, he shall be deemed to be a resident only 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, then it shall be deemed to be a resident of the State in which its legal head office is situated.

ARTICLE 5

Permanent Establishment

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

2. The term "permanent establishment" includes especially:

- a) a place of management;
- b) a branch;
- c) an office;
- d) a factory;
- e) a workshop, and
- f) a mine, an oil or gas well, a quarry or any other place of extraction of natural resources.

3. For the purposes of this Agreement:

a) a building site, a construction, assembly or installation project or supervisory activities in connection therewith constitutes a permanent establishment, but only if such site, project or activities continue for a period of more than 18 months. A site exists from the date on which the contractor begins his work, including any preparatory work, in the construction. In the calculation of the period of 18 months the date of the handing over of such site or project is considered as the final date of the construction site or project. The period between the date of handing over and the date of taking over shall not be taken into account in the calculation of the period of 18 months;

b) if, after the entrance into force of this Agreement each of the Contracting States agrees with one or more other states on a longer period for the activities mentioned in subparagraph a) and those agreements enter into force, the competent authorities of the Contracting States shall decide on the extension of the period mentioned in subparagraph a).

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

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

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

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

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

e) the maintenance of a fixed place of business solely for the purpose of carrying on, for the enterprise, any other activity of a preparatory or an auxiliary character;

f) the maintenance of a fixed place of business solely for any combination of activities mentioned in sub-paragraphs a) to e), provided that the overall activity of the fixed place of business resulting from this combination is of a preparatory or auxiliary character.

5. Notwithstanding the provisions of paragraphs 1 and 2, where a person - other than an agent of an independent status to whom paragraph 6 applies - is acting in a Contracting State on behalf of an enterprise of the other Contracting State, that enterprise shall be deemed to have a permanent establishment in the first-mentioned Contracting State in respect of any activities which that person undertakes for the enterprise, if such a person has and habitually exercises in that State an authority to conclude contracts in the name of the enterprise, unless the activities of such person are limited to those mentioned in paragraph 4 which, if exercised through a fixed place of business would not make this fixed place of business a permanent establishment under the provisions of that paragraph.

6. An enterprise shall not be deemed to have a permanent establishment in a Contracting State merely because it carries on business in that State through a

broker, general commission agent or any other agent of an independent status, provided that such persons are acting in the ordinary course of their business.

7. The fact that a company which is a resident of a Contracting State controls or is controlled by a company which is a resident of the other Contracting State, or which carries on business in that other State (whether through a permanent establishment or otherwise), shall not of itself constitute either company a permanent establishment of the other.

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, fishing places of every kind, rights to which the provisions of domestic 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, boats, aircraft and road vehicles shall not be regarded as immovable property.

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

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

ARTICLE 7 **Business Profits**

1. The profits derived in a Contracting State by an enterprise of the other Contracting State may be taxed in the first-mentioned State only if it is derived through a permanent establishment situated therein and only so much of them as is attributable to the activity of such permanent establishment.

2. Subject to the provisions of paragraph 3, where an enterprise of a Contracting State carries on business in the other Contracting State through a permanent establishment situated therein, there shall in each Contracting State be attributed to that permanent establishment the profits which it might be expected to make if it were a distinct and separate enterprise engaged in the same or similar activities under the same or similar conditions and dealing wholly independently with the enterprise of which it is a permanent establishment.

3. In determining the profits of a permanent establishment, there shall be allowed as deductions expenses which are incurred for the purposes of the permanent establishment, including executive and general administrative expenses, so incurred, whether in the State in which the permanent establishment is situated or elsewhere.

4. No profits shall be attributed to a permanent establishment by reason of the mere purchase by that permanent establishment of goods or merchandise for the enterprise.

5. 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.

ARTICLE 8 **Profits from Shipping, Air and Land Transport**

1. Profits of an enterprise of a Contracting State derived from the other Contracting State from the operation of ships in international traffic shall be taxable in the first-mentioned State. However, such profits may also be taxed in the other Contracting State in accordance with the law of that other State, but the tax chargeable in that other State on such profits shall be reduced by an amount equal to 50 per cent.

2. Profits of an enterprise of a Contracting State derived from the other Contracting State from the operation of an aircraft or a road vehicle in international traffic shall be taxable only in the first-mentioned State.

3. Notwithstanding the provisions of Article 6 and the preceding paragraphs of this Article, payments in respect of leasing of a ship or an aircraft made by a resident of a Contracting State to a resident of the other Contracting State may be subject to withholding tax in the first-mentioned State.

4. The provisions of paragraphs 1 and 2 shall also apply to profits from the participation in a pool, a joint business or an international operating agency.

ARTICLE 9 **Possible Adjustments to Income**

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 by the first-mentioned State claimed to be profits which would have accrued to the enterprise of the first-mentioned State if the conditions made between the two enterprises had been those which would have been made between independent enterprises, then that

other State shall make an appropriate adjustment to the amount of the tax charged therein on those profits, where that other State considers the adjustment justified. In determining such adjustment, due regard shall be had to the other provisions of this Agreement and the competent authorities of the Contracting States shall if necessary consult each other.

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.

3. The term "dividends" as used in this Article means income from shares, or other rights, not being debt-claims, participating in profits, as well as income from other corporate rights which is subjected to the same taxation treatment as income from shares by the laws of the State of which the company making the distribution is a resident.

4. Profits of a company which is a resident of a Contracting State carrying on business in the other Contracting State through a permanent establishment situated therein may, after having been taxed under Article 7, be taxed on the remaining amount in the Contracting State in which the permanent establishment is situated and in accordance with the laws of that State provided that the rate of tax so charged shall not exceed the rate mentioned in paragraph 2.

5. 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 situated therein, or in the case of a resident of Turkey, performs in Russia 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.

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 arising in:

a) Russia and paid to the Government of Turkey or to the Central Bank of Turkey or to the Turkish Eximbank shall be exempt from the Russian Tax;

b) Turkey and paid to the Government of Russia or to the Central Bank of Russia or to the Foreign Trade Bank of Russia shall be exempt from the Turkish Tax.

4. The term "interest" as used in this Article 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 situated therein, or in the case of a resident of Turkey, performs in Russia 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 the Government of that Contracting State, a regional or local authority thereof or 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 in connection with which the indebtedness on which the interest is paid was incurred, and such interest is borne by such permanent establishment or a 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, having regard to the debt-claim for which it is paid, exceeds the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case the excess part of the payments shall remain taxable according to the laws of each Contracting State, due regard being had to the other provisions of this Agreement.

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 in which they arise and according to the laws of that State, but if the recipient is the beneficial owner of the royalties the tax so charged shall not exceed 10 per cent 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, the sale of, any copyright of literary, artistic or scientific work including cinematograph films and recordings for radio or television broadcasting, any patent, trade mark, design or model, plan, secret formula or process, or for information concerning industrial, commercial or scientific

experience or for the use of, or the right to use industrial, commercial or scientific equipment.

4. The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the royalties, being a resident of a Contracting State, carries on business in the other Contracting State in which the royalties arise, through a permanent establishment situated therein, or in the case of a resident of Turkey performs in Russia 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 the Government of that Contracting State, a regional or local authority thereof or 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 fixed base in connection with which the liability to pay the royalties was incurred, and such royalties are borne by such permanent establishment or fixed base, then such royalties shall be deemed to arise in the 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 paid, 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.

ARTICLE 13 **Capital Gains**

1. Gains derived by a resident of a Contracting State from the alienation of immovable property referred to in Article 6 and situated in the other Contracting State may be taxed in that other State.

2. Gains 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 State in the other 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.

The term "movable property" means property which is recognised as such by the legislation of the Contracting State where such property is located.

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

4. Gains derived from the alienation of any property such as shares in a company or securities, bonds, debentures and alike shall be taxable only in the

Contracting State of which the alienator is a resident. However, the capital gains mentioned in the foregoing sentence and derived from the other Contracting State, shall be taxable in the other State if the time period does not exceed one year between acquisition and alienation.

ARTICLE 14

Income from Independent Personal Services

1. Income derived by an individual who is a resident of a Contracting State from the performance of professional services or other activities of an independent character shall be taxable only in that State, unless such services are performed or were performed in the other Contracting State and the income is attributable to a fixed base which the individual has or had regularly available to him 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 and accountants.

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 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 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 the resident of a Contracting State for work carried out in the other Contracting State are not taxed in that other State if it is performed by persons:

a) in connection with a building site, a construction, assembly or installation project in accordance with subparagraph a) of paragraph 3 of Article 5 of this Agreement, and

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

4. Notwithstanding the provisions of paragraphs 1 and 2 a journalist or a correspondent who is or was immediately before visiting a Contracting State a resident of the other Contracting State shall be exempt from tax in the first-mentioned State for a period of two years provided that payments made to him arise from sources in that other 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 or any other legal person which is a resident of the other Contracting State may be taxed in that other State.

ARTICLE 17 **Income of Artistes and Sportsmen**

1. Notwithstanding the provisions of Articles 14 and 15, income derived by a resident of a Contracting State as an entertainer, such as a theatre, motion picture, radio or television artiste, or a musician, or as a sportsman, from his personal activities as such exercised in the other Contracting State, may be taxed in that other State.

2. Where income in respect of personal activities exercised by an entertainer or an athlete in his capacity as such accrues not to the entertainer or a sportsman himself but to another person, that income may, notwithstanding the provisions of Articles 7, 14 and 15, be taxed in the Contracting State in which the activities of the entertainer or sportsman are exercised.

3. Income derived by entertainers or sportsmen who are residents of a Contracting State from the activities exercised in the other Contracting State shall be exempt from tax in that other State, if the visit to that State is supported by public funds of the other State, a regional or a local authority thereof.

ARTICLE 18 **Income from Government Service**

1. a) Remuneration, other than a pension, paid by the Government of a Contracting State, regional or local authority thereof to an individual in respect of services rendered to that State, regional or local authority thereof 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 recipient is a resident of that State who:

(i) is a national of that State not being a national of the first-mentioned State;
or

(ii) not being a national of the first-mentioned State 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, regional or local authority thereof to an individual in respect of services rendered to that State, regional or local authority shall be taxable only in that State.

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

3. The provisions of paragraphs 1 and 2 of this Article shall not apply and the provisions of Article 15, 16 and 19 shall apply to remuneration and pensions paid by a Contracting State, regional or local authority thereof if such remuneration or pensions are paid in respect of services rendered in connection with any business activities carried on in the other Contracting State.

ARTICLE 19 **Pensions**

Subject to the provisions of paragraph 2 of Article 18, pensions and other similar remunerations paid to a resident of a Contracting State in consideration of past employment may be taxed only in that State.

ARTICLE 20 **Payments to Students, Business Apprentices, Teachers and Researchers**

1. 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 the first-mentioned State provided that such payments arise from sources outside the first-mentioned State.

2. Likewise, remuneration received by a teacher or a researcher 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 for the primary purpose of teaching or conducting research in this Contracting State shall be exempt from tax in this State for a period of two years in respect of remuneration for such teaching or research, provided that such payments arise from sources in the other State.

ARTICLE 21 **Other Income**

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.

ARTICLE 22 **Elimination of Double Taxation**

Where a resident of a Contracting State derives income from the other Contracting State, which, in accordance with the provisions of this Agreement, may be taxed in the other State, the amount of tax on that income payable in that other State, may be credited against the tax levied in the first-mentioned State. The amount

of credit, however, shall not exceed the amount of the tax of the first-mentioned State on that income computed in accordance with its taxation laws and regulations.

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. 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. Subject to provisions of paragraph 4 of Article 10 a resident of a Contracting State which has a permanent establishment in the other Contracting State shall not, in that other State and with respect to income attributable to that permanent establishment, be subjected to more burdensome taxes than are generally imposed on residents of that other State or of a third state carrying on the same activities.

3. Nothing in this Article shall be construed as obliging a Contracting State to grant to residents of the other Contracting State any personal allowances, reliefs and deductions for taxation purposes on account of civil status or family responsibilities which it grants to its own residents.

4. Except where the provisions of paragraph 1 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 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.

ARTICLE 24 **Mutual Agreement Procedure**

1. Where a resident of a Contracting State considers that the actions of one or both of the Contracting States result or will result for him in taxation not in accordance with the provisions of this Agreement, he may, irrespective of the remedies provided by the domestic law of those States, present his case to the competent authority of the State of which he is a resident. 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 Agreement. In the case of Turkey, the case must be presented to the competent authority within one year from the first notification of the action, resulting in taxation not in accordance with the provisions of this Agreement. However, if such period has expired, the taxpayer may, in any case apply to the competent authority in Turkey within the period of five years beginning on the first day of January of the calendar year next following the related taxable year. The

related taxable year is the year in which the income subject to the action not in accordance with the provisions of this Agreement is derived.

2. The competent authority shall endeavour, if the objection appears to it to be justified and if it is not itself able to arrive at a satisfactory solution, to resolve the case by mutual agreement with the competent authority of the other Contracting State, with a view to the avoidance of taxation which is not in accordance with the Agreement.

3. The competent authorities of the Contracting States shall endeavour to resolve by mutual agreement any difficulties or doubts arising as to the interpretation or application of the Agreement. They may also consult together for the elimination of double taxation in cases not provided for in this Agreement.

4. The competent authorities of the Contracting States may communicate with each other directly for the purpose of reaching an agreement in the sense of the preceding paragraphs. When it seems advisable in order to reach agreement to have an oral exchange of opinions, such exchange may take place through a Commission consisting of representatives of the competent authorities of the Contracting States.

ARTICLE 25

Exchange of Information

1. The competent authorities of the Contracting States shall exchange information necessary for implementation of 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 this Agreement. 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 the Agreement. Such persons or authorities shall use the information only for such purposes. They may disclose the information in public court proceedings or in judicial decisions.

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

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

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

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

ARTICLE 26
Members of Diplomatic Missions and Consular Posts

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

ARTICLE 27
Entry into Force

Each of the Contracting States shall notify the other in writing through diplomatic channels of the completion of the internal procedures required by the legislation of that State for the bringing into force of this Agreement. This Agreement shall enter into force on the date of the later of these notifications and shall thereupon have effect:

a) in respect of tax withheld at source, for amounts paid or credited on or after the first day of January next following the date on which the Agreement enters into force; and

b) in respect of other taxes on income, for taxable period beginning on or after the first day of January next following the date on which the Agreement enters into force.

ARTICLE 28
Termination

This Agreement shall remain in force indefinitely but either of the Contracting States may, on or before the thirtieth day of June in any calendar year from the fifth year following that in which the instruments of ratification have been exchanged, give to the other Contracting State, through diplomatic channels, written notice of termination and, in such event, this Agreement shall cease to have effect :

a) in respect of tax withheld at source, for amounts paid or credited on or after the first day of January in the calendar year next following that in which the notice is given ; and

b) in respect of other taxes on income, for taxation years beginning on or after the first day of January in the calendar year next following that in which the notice is given.

DONE in duplicate, ~~15 December~~ of 1997 in ~~Ankara~~, each in Russian, Turkish and English languages, all three texts being equally authentic. In case of divergence between the texts, the English text shall be the operative one.

FOR THE GOVERNMENT OF
THE RUSSIAN FEDERATION



FOR THE GOVERNMENT OF
THE REPUBLIC OF TURKEY



PROTOCOL
between the Government of the Russian Federation
and the Government of the Republic of Turkey
for Taxation of Construction Companies

The Government of the Russian Federation and the Government of the Republic of Turkey

have agreed as follows:

1. The competent authorities of the Russian Federation and of the Republic of Turkey shall, at the earliest possible time and in any case until the end of 1998, undertake necessary measures for cancellation, refund or compensation of Russian and Turkish taxes (in particular, in the case of the Russian Federation, taxes on profits of enterprises and organizations, the income tax on individuals; in the case of the Republic of Turkey, the income tax, the corporation tax and the levies imposed on income tax and corporation tax), paid or due to be paid by the construction companies of the two States and their employees on income and profits derived during the period starting from January 1, 1991 up to December 31, 1996.

2. The provisions of paragraph 1 of this Protocol shall apply to companies and their employees which carried on business or service in a building site, a construction, assembly or installation project or supervisory activities in connection therewith, but only if such site, project or activities continued for a period of less than 36 months. A site exists from the date on which the contractor begins his work, including any preparatory work, in the construction. In the calculation of the period of 36 months the date of the handing over of such site or project is considered as the final date of the construction site or project. The period between the date of handing over and the date of taking over shall not be taken into account in the calculation of the period of 36 months.

3. Cancellation, refund and compensation mentioned in paragraph 1 of this Protocol can also be made by deducting an amount equal to the taxes to be cancelled, refunded or compensated from the other taxes due to be paid by those companies.

4. Each of the Contracting States shall notify the other in writing through diplomatic channels of the completion of the internal procedures required by the legislation of that State for the bringing into force of this Protocol. This Protocol shall enter into force on the date of the last notification.

DONE at Ankara on December 15, 1997, in duplicate, each in Russian, Turkish and English languages, all three texts being equally authentic. In case of divergence between the texts, the English text shall be the operative one.

**FOR THE GOVERNMENT OF
THE RUSSIAN FEDERATION**



**FOR THE GOVERNMENT OF
THE REPUBLIC OF TURKEY**

