AGREEMENT
BETWEEN
THE INTERCHANGE ASSOCIATION
AND THE ASSOCIATION OF EAST ASIAN RELATIONS
FOR THE AVOIDANCE OF DOUBLE TAXATION
AND THE PREVENTION OF FISCAL EVASION
WITH RESPECT TO TAXES ON INCOME

The Interchange Association and the Association of East Asian Relations,

Having regard to paragraph 3 of the Arrangement between the Interchange Association and the Association of East Asian Relations for the Establishment of the Respective Overseas Offices of 26th December 1972,

Shall cooperate with each other to obtain necessary consent of the authorities concerned of the respective Territories with a view to carrying out the matters as contained in Articles 1 through 29 below:

Article 1
PERSONS COVERED

1. This Agreement shall apply to persons who are residents of one or both of the Territories.

2. For the purposes of this Agreement, income derived by or through an entity or arrangement that is established in either Territory and that is treated as wholly or partly fiscally transparent under the tax law of either Territory shall be considered to be income of a resident of a Territory but only to the extent that the income is treated, for purposes of taxation by that Territory, as the income of a resident of that Territory. In no case shall the provisions of this paragraph be construed so as to restrict in any way a Territory's right to tax the residents of that Territory. For the purposes of this paragraph, the term "fiscally transparent" means situations where, under the tax law of a Territory, income or part thereof of an entity or arrangement is not taxed at the level of the entity or arrangement but at the level of the persons who have an interest in that entity or arrangement.

Article 2
TAXES COVERED

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

(a) in the case of Japan:

(i) the income tax;

(ii) the corporation tax;

(iii) the special income tax for reconstruction;

(iv) the local corporation tax;

(v) the local inhabitant taxes; and

(b) in the case of Taiwan:

(i) the profit-seeking enterprise income tax;

(ii) the individual consolidated income tax;

(iii) the income basic tax;

including the surcharges levied thereon.

2. This Agreement shall apply also to any identical or substantially similar taxes that are imposed after the date of signature of the Agreement in addition to, or in place of, the existing taxes. The competent authorities of the Territories shall notify each other of any significant changes that have been made in their taxation laws in accordance with Article 25.

Article 3
GENERAL DEFINITIONS

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

(a) the term "Territory" means a tax territory in which the taxation laws administered by the Ministry of Finance of Japan or the Ministry of Finance of Taiwan, as the case may be, are applied. The terms "other Territory" and "Territories" shall be construed accordingly;

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

(c) the term "company" means any body corporate or any entity that is treated as a body corporate for tax purposes;

(d) the terms "enterprise of a Territory" and "enterprise of the other Territory" mean respectively an enterprise carried on by a resident of a Territory and an enterprise carried on by a resident of the other Territory;

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

(f) the term "competent authority" means:

(i) in the case of Japan, the Minister of Finance or his authorised representative;

(ii) in the case of Taiwan, the Minister of Finance or his authorised representative; and

(g) the term "national or citizen", in relation to a Territory, means:

(i) any individual who:

(aa) in the case of Japan, is in a family register of Japan in accordance with the relevant laws of Japan;

(bb) in the case of Taiwan, is entitled to possess a passport of Taiwan;

(ii) any legal person, partnership or association deriving its status as such from the laws in force in that Territory.

2. As regards the application of this Agreement at any time by a Territory, any term not defined therein shall, unless the context otherwise requires, have the meaning that it has at that time under the laws of that Territory for the purposes of the taxes to which the Agreement applies, any meaning under the applicable tax laws of that Territory prevailing over a meaning given to the term under other laws of that Territory.

Article 4
RESIDENT

1. For the purposes of this Agreement, the term "resident of a Territory" means any person who, under the laws of that Territory, is liable to tax therein by reason of his domicile, residence, place of management, place of head or main office, place of incorporation or any other criterion of a similar nature, and also includes the administrative authority of that Territory or any political subdivision or local authority thereof.

2. A person is not a resident of a Territory for the purposes of this Agreement if that person is liable to tax in that Territory in respect only of income from sources in that Territory. However, this provision shall not apply to individuals who are residents of Taiwan under the taxation laws of Taiwan, as long as they are liable to tax only in respect of income from sources in Taiwan provided that they are not required to include their overseas income in the basic income in accordance with the Income Basic Tax Act of Taiwan.

3. Where by reason of the provisions of paragraphs 1 and 2 an individual is a resident of both Territories, then his status shall be determined as follows:

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

(b) if the Territory 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 Territory, he shall be deemed to be a resident only of the Territory in which he has an habitual abode;

(c) if he has an habitual abode in both Territories or in neither of them, he shall be deemed to be a resident only of the Territory of which he is a national or citizen.

Where his status cannot be determined in accordance with the provisions of subparagraphs (a) to (c), he shall not be entitled to any reduction in or exemption from tax provided for in this Agreement.

4. Where by reason of the provisions of paragraphs 1 and 2 a person other than an individual is a resident of both Territories, then it shall be deemed to be a resident only of the Territory in which its place of head or main office is situated.

Article 5
PERMANENT ESTABLISHMENT

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

2. The term "permanent establishment" includes especially:

(a) a place of management;

(b) a branch;

(c) an office;

(d) a factory;

(e) a workshop, and

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

3. The term "permanent establishment" also encompasses:

(a) a building site, a construction, assembly or installation project or supervisory activities in connection therewith, but only if such site, project or activities last more than six months;

(b) the furnishing of services, including consultancy services, by an enterprise through employees or other personnel or persons engaged by the enterprise for such purpose, but only if activities of that nature continue (for the same or a connected project) within a Territory for a period or periods aggregating more than 183 days in any twelve-month period commencing or ending in the taxable year concerned.

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 auxiliary character;

(f) the maintenance of a fixed place of business solely for any combination of activities mentioned in subparagraphs (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 on behalf of an enterprise and has, and habitually exercises, in a Territory an authority to conclude contracts in the name of the enterprise, that enterprise shall be deemed to have a permanent establishment in that Territory in respect of any activities which that person undertakes for the enterprise, unless the activities of such person are limited to those mentioned in paragraph 4 which, if exercised through a fixed place of business, would not make this fixed place of business a permanent establishment under the provisions of that paragraph.

6. An enterprise shall not be deemed to have a permanent establishment in a Territory merely because it carries on business in that Territory 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 Territory controls or is controlled by a company which is a resident of the other Territory, or which carries on business in that other Territory (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 Territory from immovable property (including income from agriculture or forestry) situated in the other Territory may be taxed in that other Territory.

2. The term "immovable property" shall have the meaning which it has under the laws of the Territory in which the property in question is situated. The term shall in any case include property accessory to immovable property, livestock and equipment used in agriculture and forestry, rights to which the provisions of general law respecting landed property apply, usufruct of immovable property and rights to variable or fixed payments as consideration for the working of, or the right to work, mineral deposits, sources and other natural resources; ships, boats 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 Territory shall be taxable only in that Territory unless the enterprise carries on business in the other Territory through a permanent establishment situated therein. If the enterprise carries on business as aforesaid, the profits of the enterprise may be taxed in that other Territory but only so much of them as is attributable to that permanent establishment.

2. Subject to the provisions of paragraph 3, where an enterprise of a Territory carries on business in the other Territory through a permanent establishment situated therein, there shall in each Territory 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 Territory in which the permanent establishment is situated or elsewhere.

4. Insofar as it has been customary in a Territory 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 Territory from determining the profits to be taxed by such an apportionment as may be customary; the method of apportionment adopted shall, however, be such that the result shall be in accordance with the principles contained in this Article.

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

6. For the purposes of the preceding paragraphs of this Article, the profits to be attributed to the permanent establishment shall be determined by the same method year by year unless there is good and sufficient reason to the contrary.

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

Article 8
SHIPPING AND AIR TRANSPORT

1. Profits from the operation of ships or aircraft in international traffic carried on by an enterprise of a Territory shall be taxable only in that Territory.

2. Notwithstanding the provisions of Article 2, where an enterprise of a Territory carries on the operation of ships or aircraft in international traffic, that enterprise, if an enterprise of Taiwan, shall be exempt from the enterprise tax of Japan, and, if an enterprise of Japan, shall be exempt from any tax similar to the enterprise tax of Japan which may hereafter be imposed in Taiwan.

3. The provisions of the preceding paragraphs of this Article shall also apply to profits from the participation in a pool, a joint business or an international operating agency, but only to so much of the profits so derived as is attributable to the participant in proportion to its share in the joint operation.

Article 9
ASSOCIATED ENTERPRISES

1. Where

   (a) an enterprise of a Territory participates directly or indirectly in the management, control or capital of an enterprise of the other Territory, or

   (b) the same persons participate directly or indirectly in the management, control or capital of an enterprise of a Territory and an enterprise of the other Territory,

and in either case conditions are made or imposed between the two enterprises in their commercial or financial relations which differ from those which would be made between independent enterprises, then any profits which would, but for those conditions, have accrued to one of the enterprises, but, by reason of those conditions, have not so accrued, may be included in the profits of that enterprise and taxed accordingly.

2. Where a Territory includes, in accordance with the provisions of paragraph 1, in the profits of an enterprise of that Territory - and taxes accordingly - profits on which an enterprise of the other Territory has been charged to tax in that other Territory and that other Territory agrees that the profits so included are profits which would have accrued to the enterprise of the first-mentioned Territory if the conditions made between the two enterprises had been those which would have been made between independent enterprises, then that other Territory shall make an appropriate adjustment to the amount of the tax charged therein on those profits. In determining such adjustment, due regard shall be had to the other provisions of this Agreement and the competent authorities of the Territories shall if necessary consult each other in accordance with Articles 24 and 25.

Article 10
DIVIDENDS

1. Dividends paid by a company which is a resident of a Territory to a resident of the other Territory may be taxed in that other Territory.

2. However, such dividends may also be taxed in the Territory of which the company paying the dividends is a resident and according to the laws of that Territory, but if the beneficial owner of the dividends is a resident of the other Territory, the tax so charged shall not exceed 10 per cent of the gross amount of the dividends.

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

3. The term “dividends” as used in this Article means income from shares or other rights, not being debt-claims, participating in profits, as well as income which is subjected to the same taxation treatment as income from shares by the laws of the Territory 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 Territory, carries on business in the other Territory of which the company paying the dividends is a resident through a permanent establishment situated therein, or performs in that other Territory independent personal services from a fixed base situated therein, and the holding in respect of which the dividends are paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or 14, as the case may be, shall apply.

5. Where a company which is a resident of a Territory derives profits or income from the other Territory, that other Territory 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 Territory or insofar as the holding in respect of which the dividends are paid is effectively connected with a permanent establishment or fixed base situated in that other Territory, 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 Territory.

Article 11
INTEREST

1. Interest arising in a Territory and paid to a resident of the other Territory may be taxed in that other Territory.

2. However, such interest may also be taxed in the Territory in which it arises and according to the laws of that Territory, but if the beneficial owner of the interest is a resident of the other Territory, 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 Territory shall be taxable only in the other Territory if:

(a) the interest is beneficially owned by the administrative authority of that other Territory, a political subdivision or local authority thereof, the central bank of that other Territory or any financial institution which aims at promoting export and is wholly owned by the administrative authority of that other Territory or a political subdivision or local authority thereof;

(b) the interest is beneficially owned by a resident of that other Territory with respect to debt-claims guaranteed, insured or indirectly financed by any financial institution which aims at promoting export and is wholly owned by the administrative authority of that other Territory or a political subdivision or local authority thereof.

4. For the purposes of paragraph 3, the terms "the central bank" and "financial institution which aims at promoting export and is wholly owned by the administrative authority of that other Territory or a political subdivision or local authority thereof" mean:

(a) in the case of Japan:

(i) the Bank of Japan;

(ii) the Japan Bank for International Cooperation;

(iii) the Nippon Export and Investment Insurance;

(b) in the case of Taiwan:

(i) the Central Bank;

(ii) the Export-Import Bank; and

(c) such other similar financial institution the capital of which is wholly owned by the administrative authority of a Territory or a political subdivision or local authority thereof as may be agreed upon from time to time between the Interchange Association and the Association of East Asian Relations.

5. The term "interest" as used in this Article means income from debt-claims of every kind, whether or not secured by mortgage and whether or not carrying a right to participate in the debtor's profits, and in particular, income from government securities and income from bonds or debentures, including premiums and prizes attaching to such securities, bonds or debentures, and all other income that is subjected to the same taxation treatment as income from money lent by the tax laws of the Territory in which the income arises. Income dealt with in Article 10, penalty charges for late payment and income from debt-claims arising as a part of the sale on credit of equipment, merchandise or service shall not be regarded as interest for the purposes of this Article.

6. The provisions of paragraphs 1, 2 and 3 shall not apply if the beneficial owner of the interest, being a resident of a Territory, carries on business in the other Territory in which the interest arises through a permanent establishment situated therein, or performs in that other Territory independent personal services from a fixed base situated therein, and the debt-claim in respect of which the interest is paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or 14, as the case may be, shall apply.

7. Interest shall be deemed to arise in a Territory when the payer is a resident of that Territory. Where, however, the person paying the interest, whether he is a resident of a Territory or not, has in a Territory a permanent establishment or a fixed base in connection with which the indebtedness on which the interest is paid was incurred, and such interest is borne by such permanent establishment or fixed base, then such interest shall be deemed to arise in the Territory in which the permanent establishment or fixed base is situated.

8. Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the interest, having regard to the debt-claim for which it is paid, exceeds the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case, the excess part of the payments shall remain taxable according to the laws of each Territory, due regard being had to the other provisions of this Agreement.

Article 12
ROYALTIES

1. Royalties arising in a Territory and paid to a resident of the other Territory may be taxed in that other Territory.

2. However, such royalties may also be taxed in the Territory in which they arise and according to the laws of that Territory, but if the beneficial owner of the royalties is a resident of the other Territory, 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, any copyright of literary, artistic or scientific work including cinematograph films and films or tapes for television or radio broadcasting, any patent, trade mark, design or model, plan, secret formula or process, or for information concerning industrial, commercial or scientific experience.

4. The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the royalties, being a resident of a Territory, carries on business in the other Territory in which the royalties arise through a permanent establishment situated therein, or performs in that other Territory independent personal services from a fixed base situated therein, and the right or property in respect of which the royalties are paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or 14, as the case may be, shall apply.

5. Royalties shall be deemed to arise in a Territory when the payer is a resident of that Territory. Where, however, the person paying the royalties, whether he is a resident of a Territory or not, has in a Territory a permanent establishment or a fixed base in connection with which the liability to pay the royalties was incurred, and such royalties are borne by such permanent establishment or fixed base, then such royalties shall be deemed to arise in the Territory 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 Territory, due regard being had to the other provisions of this Agreement.

Article 13
CAPITAL GAINS

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

2. Gains from the alienation of any property, other than immovable property, forming part of the business property of a permanent establishment which an enterprise of a Territory has in the other Territory or of any property, other than immovable property, pertaining to a fixed base available to a resident of a Territory in the other Territory for the purpose of performing independent personal services, including such gains from the alienation of such a permanent establishment (alone or with the whole enterprise) or of such fixed base, may be taxed in that other Territory.

3. Gains derived by an enterprise of a Territory from the alienation of ships or aircraft operated by that enterprise in international traffic or any property, other than immovable property, pertaining to the operation of such ships or aircraft shall be taxable only in that Territory.

4. Gains derived by a resident of a Territory from the alienation of shares in a company or of interests in a partnership or trust deriving at least 50 per cent of the value of its property directly or indirectly from immovable property referred to in Article 6 and situated in the other Territory may be taxed in that other Territory.

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

Article 14
INDEPENDENT PERSONAL SERVICES

1. Income derived by a resident of a Territory in respect of professional services or other activities of an independent character shall be taxable only in that Territory except in the following circumstances, when such income may also be taxed in the other Territory:

(a) if he has a fixed base regularly available to him in the other Territory for the purpose of performing his activities; in that case, only so much of the income as is attributable to that fixed base may be taxed in that other Territory; or

(b) if his stay in the Territory is for a period or periods amounting to or exceeding in the aggregate 183 days in any twelve-month period commencing or ending in the calendar year concerned; in that case, only so much of the income as is derived from his activities performed in that other Territory may be taxed in that other Territory.

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
DEPENDENT PERSONAL SERVICES

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

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

(a) the recipient is present in that other Territory for a period or periods not exceeding in the aggregate 183 days in any twelve-month period commencing or ending in the calendar year concerned, and

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

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

3. Notwithstanding the preceding provisions of this Article, remuneration derived in respect of an employment exercised aboard a ship or aircraft operated in international traffic by an enterprise of a Territory may be taxed in that Territory.

Article 16
DIRECTORS' FEES

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

Article 17
ENTERTAINERS AND SPORTSPERSONS

1. Notwithstanding the provisions of Articles 14 and 15, income derived by a resident of a Territory 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 Territory, may be taxed in that other Territory.

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 sportsperson himself but to another person, that income may, notwithstanding the provisions of Articles 7, 14 and 15, be taxed in the Territory in which the activities of the entertainer or sportsperson are exercised.

Article 18
PENSIONS

Subject to the provisions of paragraph 2 of Article 19, pensions and other similar remuneration arising in a Territory and paid to a resident of the other Territory may be taxed in the first-mentioned Territory.

Article 19
PUBLIC SERVICE

1. (a) Salaries, wages and other similar remuneration paid by the administrative authority of a Territory or a political subdivision or local authority thereof to an individual in respect of services rendered to that administrative authority or political subdivision or local authority shall be taxable only in that Territory.

(b) However, such salaries, wages and other similar remuneration shall be taxable only in the other Territory if the services are rendered in that other Territory and the individual is a resident of that other Territory who:

(i) is a national or citizen of that other Territory; or

(ii) did not become a resident of that other Territory solely for the purpose of rendering the services.

2. (a) Notwithstanding the provisions of paragraph 1, pensions and other similar remuneration paid by, or out of funds which are created by or to which contributions are made by, the administrative authority of a Territory or a political subdivision or local authority thereof to an individual in respect of services rendered to that administrative authority or political subdivision or local authority shall be taxable only in that Territory.

(b) However, such pensions and other similar remuneration shall be taxable only in the other Territory if the individual is a resident of, and a national or citizen of, that other Territory.

3. The provisions of Articles 15, 16, 17 and 18 shall apply to salaries, wages, pensions, and other similar remuneration in respect of services rendered in connection with a business carried on by the administrative authority of a Territory or a political subdivision or local authority thereof.

Article 20
STUDENTS

Payments which a student or business apprentice who is or was immediately before visiting a Territory a resident of the other Territory and who is present in the first-mentioned Territory 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 Territory, provided that such payments arise from sources outside the first-mentioned Territory. The exemption provided by this Article shall apply to a business apprentice only for a period not exceeding two years from the date on which he first begins his training in the first-mentioned Territory.

Article 21
OTHER INCOME

1. Items of income of a resident of a Territory, wherever arising, not dealt with in the foregoing Articles of this Agreement shall be taxable only in that Territory.

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 Territory, carries on business in the other Territory through a permanent establishment situated therein, or performs in that other Territory independent personal service 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 of this Article, items of income of a resident of a Territory not dealt with in the foregoing Articles of this Agreement and arising in the other Territory may also be taxed in that other Territory.

Article 22
ELIMINATION OF DOUBLE TAXATION

1. Subject to the provisions of the laws of Japan regarding the allowance as a credit against tax referred to in paragraph 1 (a) of Article 2 (hereinafter referred to as the "Japanese tax") of tax payable outside Japan, where a resident of Japan derives income from Taiwan which may be taxed in Taiwan in accordance with the provisions of this Agreement, the amount of tax payable in Taiwan in respect of that income shall be allowed as a credit against the Japanese tax on that resident. The amount of credit, however, shall not exceed the amount of the Japanese tax which is appropriate to that income.

2. Subject to the provisions of the laws of Taiwan, where a resident of Taiwan derives income from Japan, the amount of tax on that income paid in Japan (but excluding, in the case of a dividend, tax paid in respect of the profits out of which the dividend is paid) and in accordance with the provisions of this Agreement, shall be credited against the tax levied in Taiwan imposed on that resident. The amount of credit, however, shall not exceed the amount of the tax in Taiwan on that income computed in accordance with its taxation laws and regulations.

Article 23
NON-DISCRIMINATION

1. Nationals or citizens of a Territory shall not be subjected in the other Territory to any taxation or any requirement connected therewith, which is other or more burdensome than the taxation and connected requirements to which nationals or citizens of that other Territory 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 Territories.

2. The taxation on a permanent establishment which an enterprise of a Territory has in the other Territory shall not be less favourably levied in that other Territory than the taxation levied on enterprises of that other Territory carrying on the same activities. This provision shall not be construed as obliging a Territory to grant to residents of the other Territory any personal allowances, reliefs and reductions for taxation purposes on account of civil status or family responsibilities which it grants to its own residents.

3. Except where the provisions of paragraph 1 of Article 9, paragraph 8 of Article 11, or paragraph 6 of Article 12, apply, interest, royalties and other disbursements paid by an enterprise of a Territory to a resident of the other Territory shall, for the purposes 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 Territory.

4. Enterprises of a Territory, the capital of which is wholly or partly owned or controlled, directly or indirectly, by one or more residents of the other Territory shall not be subjected in the first-mentioned Territory 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 Territory are or may be subjected.

5. The provisions of this Article shall apply to taxes which are the subject of this Agreement.

Article 24
MUTUAL AGREEMENT PROCEDURE

1. Where a person considers that the actions of one or both of the Territories 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 law of those Territories, present his case to the competent authority of the Territory of which he is a resident or, if his case comes under paragraph 1 of Article 23, to that of the Territory of which he is a national or citizen. 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.

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 Territory, with a view to the avoidance of taxation which is not in accordance with the provisions of this Agreement. Any agreement reached shall be implemented notwithstanding any time limits in the law of the Territories.

3. The competent authorities of the Territories shall endeavour to resolve by mutual agreement any difficulties or doubts arising as to the interpretation or application of this Agreement.

Article 25
EXCHANGE OF INFORMATION

1. The competent authorities of the Territories shall exchange such information as is foreseeably relevant for carrying out the provisions of this Agreement or to the administration or enforcement of the law of the respective Territories concerning taxes of every kind and description imposed on behalf of the Territories, or of their political subdivisions or local authorities, insofar as the taxation thereunder is not contrary to the Agreement. The exchange of information is not restricted by Articles 1 and 2.

2. Any information received under paragraph 1 by a Territory shall be treated as secret in the same manner as information obtained under the law of the respective Territories and shall be disclosed only to persons or authorities (including courts and administrative bodies) concerned with the assessment or collection of, the enforcement in respect of, or the determination of appeals in relation to the taxes referred to in paragraph 1, or the oversight of the above. Such persons or authorities shall use the information only for such purposes and shall not use the information for the purposes of criminal tax matters. They may disclose the information in public court proceedings or in judicial decisions.

3. In no case shall the provisions of paragraphs 1 and 2 be construed so as to impose on a Territory the obligation:

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

(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 Territory;

(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; or

(d) to provide information that would reveal confidential communications between a client and an attorney, solicitor or other admitted legal representative where such communications are:

(i) produced for the purposes of seeking or providing legal advice; or

(ii) produced for the purposes of use in existing or contemplated legal proceedings.

Article 26
LIMITATION OF RELIEF

Notwithstanding the provisions of any other Article of this Agreement, a resident of a Territory shall not receive the benefit of any reduction in or exemption from tax provided for in the Agreement in the other Territory if the conduct of operations by such resident or a person connected with such resident had for the main purpose or one of the main purposes to obtain the benefit of the Agreement.

Article 27
RECIPROCITY

A Territory is not obliged to grant the benefit of any reduction in or exemption from tax provided for in this Agreement to a resident of the other Territory following the finding of the non-application of equivalent benefit provided for in the Agreement in that other Territory.

Article 28
ENTRY INTO FORCE

1. The Interchange Association and the Association of East Asian Relations shall notify each other in writing about the completion of the procedures required for the entry into force of this Agreement in their respective Territories. The Agreement shall enter into force on the date on which the later of these written notifications is received.

2. This Agreement shall have effect:

(a) in the case of Japan:

(i) with respect to taxes levied on the basis of a taxable year, for taxes for any taxable years beginning on or after 1st January of the calendar year next following the year in which the Agreement enters into force;

(ii) with respect to taxes not levied on the basis of a taxable year, for taxes levied on or after 1st January of the calendar year next following the year in which the Agreement enters into force;

(b) in the case of Taiwan:

(i) in respect of taxes withheld at source, to income payable on or after 1st January of the calendar year next following the year in which the Agreement enters into force;

(ii) in respect of taxes on income which are not withheld at source, to the income for any taxable year beginning on or after 1st January of the calendar year next following the year in which the Agreement enters into force; and

(c) in respect of Article 25, to information that relates to taxes for taxable years beginning, or taxes levied, on or after 1st January of the calendar year next following the year in which the Agreement enters into force.

Article 29
TERMINATION

1. This Agreement shall remain in force until terminated by either of the Interchange Association and the Association of East Asian Relations. Either Association may terminate the Agreement by giving notice of termination at least six months before the end of any calendar year beginning after the expiration of a period of five years from the date of the entry into force of the Agreement.

2. This Agreement shall cease to have effect:

(a) in the case of Japan:

(i) with respect to taxes levied on the basis of a taxable year, for taxes for any taxable years beginning on or after 1st January of the calendar year next following the year in which the notice of termination is given;

(ii) with respect to taxes not levied on the basis of a taxable year, for taxes levied on or after 1st January of the calendar year next following the year in which the notice of termination is given; and

(b) in the case of Taiwan:

(i) in respect of taxes withheld at source, to the income payable on or after 1st January of the calendar year next following the year in which the notice of termination is given;

(ii) in respect of taxes on income which are not withheld at source, to the income for any taxable year beginning on or after 1st January of the calendar year next following the year in which the notice of termination is given.

This Agreement has been made in the English language.

In witness whereof the representative of the Interchange Association and the representative of the Association of East Asian Relations signed this Agreement in Tokyo, on November 26, 2015.

FOR THE INTERCHANGE ASSOCIATION	FOR THE ASSOCIATION OF EAST ASIAN RELATIONS
OHASHI Mitsuo Chairman	LEE Chia-chin Chairman