

CONVENTION BETWEEN BARBADOS AND SWEDEN FOR THE  
AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF  
FISCAL EVASION WITH RESPECT TO TAXES ON INCOME.

Barbados and Sweden, desiring to conclude a Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, have agreed as follows:

ARTICLE 1

PERSONAL SCOPE

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

ARTICLE 2

TAXES COVERED

1. The taxes to which this Convention shall apply are:

(a) In Barbados:

- (i) the income tax (including premium income tax);
- (ii) the corporation tax (including tax on branch profits); and
- (iii) the petroleum winning operations tax (hereinafter referred to as "Barbados Tax");

(b) In Sweden:

- (i) the State income tax (den statliga inkomstskatten), including the sailors' tax (sjömansskatten) and the coupon tax (kupongskatten);
- (ii) the tax on the undistributed profits of companies (ersättningsskatten) and the tax on distribution in connection with reduction of share capital or the winding up of a company (utskifningsskatten);
- (iii) the tax on public entertainers (bevillningsavgiften for vissa offentliga föreställningar);

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- (iv) the communal income tax (den kommunala inkomstskatten); and
- (v) the profit sharing tax (vinstdelningsskatten) (hereinafter referred to as "Swedish tax").

2. The Convention shall apply also to any identical or substantially similar taxes which are imposed after the date of signature of the Convention in addition to, or in place of, the taxes referred to in paragraph 1. The competent authorities of the Contracting States shall notify each other of any substantive changes which have been made in their respective taxation laws.

### ARTICLE 3

#### GENERAL DEFINITIONS

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

- (a) the term "Barbados" means the island of Barbados and the territorial waters thereof, including any area outside such territorial waters which in accordance with international law and the laws of Barbados is an area within which the rights of Barbados with respect to the sea-bed and sub-soil and their natural resources may be exercised;
- (b) the term "Sweden" means the Kingdom of Sweden and, when used in a geographical sense, includes the national territory, the territorial sea of Sweden as well as other maritime areas over which Sweden in accordance with international law exercises sovereign rights or jurisdiction;
- (c) the terms "a Contracting State" and "the other Contracting State" mean Barbados or Sweden, as the context requires;
- (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 ship or aircraft is operated solely between places in the other Contracting State;
- (h) the term "national" means:
  - (i) any individual who is a citizen of a Contracting State;
  - (ii) any legal person, partnership and association deriving its status as such from the laws in force in a Contracting State;
- (i) the term "competent authority" means:
  - (i) in Barbados, the Minister of Finance or his authorized representative;
  - (ii) in Sweden, the Minister of Finance, his authorized representative or the authority which is designated as a competent authority for the purposes of this Convention.

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

#### ARTICLE 4

#### RESIDENCE

1. For the purposes of this Convention, 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 or any other criterion of a similar nature, provided, however, that in the case of a partnership or estate this term applies only to the extent that the income derived by such partnership or estate is subject to tax in that State as the income of a resident, either in its hands or in the hands of its partners.

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 State in which he has a permanent home available to him; if he has a permanent home

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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 does not have a permanent home available to him in either State, he shall be deemed to be a resident of the State in which he has an habitual abode;
- (c) if he has an habitual abode in both States or in neither of them, he shall be deemed to be a resident of the State of which he is a national;
- (d) if he is a national of both States or of neither of them, the competent authorities of the Contracting States shall settle the question by 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 place of effective management is situated.

#### ARTICLE 5

##### PERMANENT ESTABLISHMENT

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

2. The term "permanent establishment" includes especially:

- (a) a place of management;
- (b) a branch;
- (c) an office;
- (d) a factory;
- (e) a workshop;
- (f) a warehouse in relation to a person providing storage facilities for others;
- (g) a store or other sales outlet;

- (h) a mine, an oil or gas well, a quarry or any other place of extraction of natural resources;
- (i) a building site or construction, assembly, installation or dredging project, or a drilling rig or ship used for the exploration or development of natural resources within a Contracting State, but only if such site, project or activity continues for a period of more than six months, including the period of any supervisory activity connected therewith; and
- (j) the maintenance of substantial equipment or machinery, but only if such maintenance continues for a period of more than six months.

3. 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 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 carrying on, for the enterprise, any other activity of a preparatory or auxiliary character.

4. Notwithstanding the provisions of paragraphs 1 and 2, where a person, other than an agent of an independent status to whom paragraph 5 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:

- (a) 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; or

- (b) has no such authority, but habitually maintains in the first-mentioned State a stock of goods or merchandise from which he regularly delivers goods or merchandise on behalf of the enterprise if the transactions between the agent and the enterprise were not made under arm's-lengths conditions.

5. 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. However, when the activities of such an agent are devoted wholly or almost wholly on behalf of that enterprise, he will not be considered an agent of an independent status within the meaning of this paragraph but in such cases the provisions of paragraph 4 shall apply.

6. 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 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, buildings, 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.

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 that permanent establishment.

2. Notwithstanding the provisions of paragraph 1, where an enterprise of a Contracting State which has a permanent establishment in the other Contracting State carries on business activities in that other State otherwise than through the permanent establishment, of the same or similar kind as the business activities carried on by the permanent establishment, then the profits of such activities may be attributable to the permanent establishment unless the enterprise shows that such activities could not have been reasonably undertaken by the permanent establishment.

3. Subject to the provisions of paragraph 4, 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 attributable 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.

4. In determining the profits of a permanent establishment, there shall be allowed as a deduction the 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.

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

6. 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 3 shall preclude that Contracting State from determining the profits to be so taxed by such an apportionment as may be customary; the

method apportionment adopted shall, however, be such that the result shall be in accordance with the principles laid down in this Article.

7. If the information available to the assessment authority concerned is inadequate to determine the profits to be attributed to the permanent establishment, such profits may be determined by the exercise of discretion or the making of an estimate by that assessment authority, provided that such discretion shall be exercised or such estimate shall be made in accordance with the principles stated in this Article.

8. 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 a good and sufficient reason to the contrary.

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

#### ARTICLE 8

#### SHIPPING AND AIR TRANSPORT

1. Profits of an enterprise of a Contracting State from the operation of ships or aircraft in international traffic shall be taxed only in that State.

2. With respect to profits derived by the air transport consortium Scandinavian Airlines System (SAS) the provisions of paragraph 1 shall apply only to such part of the profits as corresponds to the participation held in that consortium by AB Aerotransport (ABA), the Swedish partner of Sandinavian Airlines System (SAS).

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

#### 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, but for those conditions, have accrued to one of the enterprises, but, by reason of those conditions, have not so accrued, may be included in the profits of that enterprise and taxed accordingly.

2. Where a Contracting State includes in the profits of an enterprise of that State – and taxes accordingly – profits on which an enterprise of the other Contracting State has been charged to tax in that other State and the profits so included are profits which would have accrued to the enterprise of the first-mentioned State if the conditions made between the two enterprises had been those which would have been made between independent enterprises, then that other State shall make an appropriate adjustment to the amount of the tax charged therein on those profits. In determining such adjustment, due regard shall be had to the other provisions of this Convention 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:

- (a) 5 percent of the gross amount of the dividends if the beneficial owner is a company (other than a partnership) which holds directly at least 10 per cent of the capital of the company paying the dividends;
- (b) 15 per cent of the gross amount of the dividends in all other cases.

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, not being debt-claims and 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. Notwithstanding the provisions of paragraph 1, dividends paid by a company which is a resident of Barbados to a company which is a resident of Sweden shall be exempt from Swedish tax to the extent that the dividends would have been exempt under Swedish law if both companies had been Swedish companies. This exemption shall not apply unless:

- (a) the profits out of which the dividends are paid have been subjected to the normal corporate tax in Barbados or an income tax comparable thereto, whether in Barbados or elsewhere, or
- (b) the dividends paid by the company which is a resident of Barbados consist wholly or almost wholly of dividends which that company has received, in the year or previous years, in respect of shares held by it in a company which is a resident of a third State and which would have been exempt from Swedish tax if the shares in respect of which they are paid had been held directly by the company which is a resident of Sweden.

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 business in the other Contracting State of which the company paying the dividends is a resident, through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the holding in respect of which the dividends are paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 15, as the case may be, shall apply.

6. A Contracting State may not impose any tax on dividends paid by a company which is not a resident of that State, except insofar as:

- (a) the dividends are paid to a resident of that State;
- (b) the dividends are attributable to a permanent establishment or fixed base situated in that State.

Nor shall the company's undistributed profits be subject to tax in that State even if the dividends paid or the undistributed profits consist wholly or partly of profits or income arising in that State.

7. Where a company, which is a resident of a Contracting State having a permanent establishment in the other Contracting State, derives profits or

income from that permanent establishment, any remittances of such profits or income by the permanent establishment to the company which is a resident of the first mentioned Contracting State may, notwithstanding any other provisions of the Convention, be taxed in accordance with the law of the other Contracting State, but the rate of tax imposed on such remittance shall not exceed 5 per cent, provided that such tax shall not apply to the extent the profits or income remitted have been reinvested in that other Contracting 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 law of that State, but if the recipient is the beneficial owner of the interest the tax so charged shall not exceed 5 per cent of the gross amount of the interest.

3. Notwithstanding the provisions of paragraphs 1 and 2, interest derived by

- (a) a Contracting State or an instrumentality thereof (including the Central Bank of Barbados, the Barbados Development Bank, the Central Bank of Sweden, the Swedish National Debt Office, the Swedish Export Credit Board, the Swedish Export Credit Inc. and such other institutions of either Contracting State as the competent authorities may agree, pursuant to Article 26); or
- (b) a resident of a Contracting State with respect to debt obligations guaranteed or insured by that Contracting State or an instrumentality thereof, including any institutions mentioned in sub-paragraph (a) above,

shall be exempt from tax by the other Contracting State.

4. 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. Penalty charges for late payment shall not be regarded as interest for the purposes of this Article.

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5. The provisions of paragraphs 1, 2, and 3 shall not apply if the beneficial owner of the interest, being a resident of a Contracting State, carries on business in the other Contracting State in which the interest arises, through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the debt-claim in respect of which the interest is paid is effectively connected with:

- (a) such permanent establishment or fixed base, or;
- (b) business activities referred to under paragraph 2 of Article 7.

In such case the provisions of Article 7 or Article 15, as the case may be, shall apply.

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

7. Where by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the interest, having regard to the debt-claim for which it is paid, exceeds the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this 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 Convention.

## 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 5 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 or films or tapes for radio or television broadcasting, any patent, trademark, design or model, plan, secret formula or process, or for information concerning industrial, commercial or scientific experience.

4. Notwithstanding the provisions of paragraphs 1 and 2, copyright royalties in respect of the use of, or the right to use any literary, artistic or scientific work (including royalties in respect of cinematographic films and films or tapes for radio or television broadcasting) arising in a Contracting State and paid to a resident of the other Contracting State shall be exempt from tax in the first-mentioned State.

5. The provisions of paragraphs 1, 2 and 4 shall not apply if the beneficial owner of the royalties, being a resident of a Contracting State, carries on business in the other Contracting State in which the royalties arise, through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the right or property in respect of which the royalties are paid is effectively connected with:

- (a) such permanent establishment or fixed base, or;
- (b) business activities referred to under paragraph 2 of Article 7.

In such case the provisions of Article 7 or Article 15, as the case may be, shall apply.

6. Royalties shall be deemed to arise in a Contracting State when the payer is that State itself, a local authority or a resident of that State. Where, however, the person paying the 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 State in which the permanent establishment or fixed base is situated.

7. Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the 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 Convention.

ARTICLE 13

MANAGEMENT CHARGES

1. Management charges paid by a resident of a Contracting State to an enterprise of the other Contracting State may be taxed in that other State.

2. However, such management charges may also be taxed in the Contracting State in which the person paying the management charges is a resident and according to the laws of that State, but if the recipient is the beneficial owner of the charges the tax so charged shall not exceed 5 per cent of the gross amount of the charges.

3. The term "management charges" as used in this Article means payments of any kind to any person, other than to an employee of that person making the payments, for, or in respect of, the provision of industrial or commercial advice, or management or technical services, or similar services or facilities, but it does not include payments for professional services mentioned in Article 15.

4. The provisions of paragraphs 1 and 2 shall not apply if the enterprise to which the management charges are paid, being an enterprise of a Contracting State, carries on business in the other Contracting State from which the management charges are paid, through a permanent establishment situated therein and the services for which the management charges are paid are effectively connected with:

- (a) such a permanent establishment; or
- (b) business activities referred to under paragraph 2 of Article 7.

In such cases the provisions of Article 7 shall apply.

5. Where by reason of a special relationship between the payer and the recipient, or between both of them and some other person, the amount of the management charges, having regard to the services for which they are paid, exceeds the amount which would have been agreed upon by the payer and the recipient 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 Convention.

## ARTICLE 14

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

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

With respect to gains derived by the air transport consortium Scandinavian Airlines System (SAS), the provisions of this paragraph shall apply only to such portion of the gains as corresponds to the participation held in that consortium by AB Aerotransport (ABA), the Swedish partner of Scandinavian Airlines System (SAS).

4. Gains from the alienation of shares in a company which is a resident of a Contracting State may be taxed in that State.

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

## ARTICLE 15

## 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 except in the following circumstances, when such income may also be taxed in the other Contracting State:

- (a) if he has a fixed base regularly available to him in the other Contracting State 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 Contracting State; or

- (b) if his stay in the other Contracting State is for a period or periods exceeding in the aggregate 90 days in the fiscal year of that other State; in that case only so much of the income as is derived from his activities performed in that other State may be taxed 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, surgeons, lawyers, engineers, architects, dentists and accountants.

#### ARTICLE 16

##### DEPENDENT PERSONAL SERVICES

1. Subject to the provisions of Articles 17, 19, 20 and 21 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 exercise in the, other Contracting State shall be taxable only in the first-mentioned State if:

- (a) the recipient is present in the other State for a period or periods not exceeding in the aggregate 183 days in any period of twelve months; and
- (b) the remuneration is paid by, or on behalf of, an employer who is not a resident of the other State; and
- (c) the remuneration is not borne by a permanent establishment or a fixed base which the employer has in the other State.

3. Notwithstanding the preceding provisions of this Article, remuneration derived in respect of an employment exercise aboard a ship or aircraft operated in international traffic by an enterprise of a Contracting State may be taxed in that State. Where a resident of Sweden derives remuneration in respect of an



employment exercised aboard an aircraft in international traffic by the air transport consortium Scandinavian Airlines System (SAS), such remuneration shall be taxable only in Sweden.

#### ARTICLE 17

##### DIRECTORS' FEES AND REMUNERATION OF TOP LEVEL MANAGERIAL OFFICIALS

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

2. Salaries, wages and other similar remuneration derived by a resident of a Contracting State in his capacity as an official in a top-level managerial position of a company which is a resident of the other Contracting State may be taxed in that other State.

#### ARTICLE 18

##### ENTERTAINERS AND SPORTSMEN

1. Notwithstanding the provisions of Articles 15 and 16, income derived by a resident of a Contracting State as an entertainer, such as a theatre, motion picture, radio or television artiste, or 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 a sportsman in his capacity as such accrues not to the entertainer or sportsman himself but to another person, that income may, notwithstanding the provisions of Articles 7, 15 and 16, be taxed in the Contracting State in which the activities of the entertainer or the sportsman are exercised.

3. Where personal activities of an entertainer or a sportsman referred to in paragraph 1 are provided in a Contracting State by an enterprise of the other Contracting State, the profits derived by that enterprise for providing those activities may, notwithstanding the provisions of Article 7 or Article 15, be taxed in the Contracting State in which such activities are exercised.

4. Notwithstanding the provisions of paragraphs 1, 2 and 3, income derived in respect of activities referred to in paragraph 1 shall be exempt from tax in the Contracting State in which the activities are exercised, if

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- (a) the visit of the entertainer or sportsman to that State is substantially supported by public funds of the other Contracting State or a statutory body or local authority thereof;
- (b) the income is derived by a non-profit organisation, no part of the income of which was payable to, or was otherwise available for, the personal benefit of any proprietor, member or shareholder thereof; or
- (c) the income of the entertainer or sportsman is derived in respect of services provided to an organisation referred to in sub-paragraph (b).

#### ARTICLE 19

#### PENSIONS

Subject to the provisions of paragraph 2 of Article 20 pensions derived from sources within a Contracting State may be taxed in that State.

#### ARTICLE 20

#### GOVERNMENT SERVICE

1. (a) Remuneration, other than a pension, paid by a Contractor State or a local authority thereof to an individual in respect of services rendered to that State or authority shall be taxable only in that State.
  - (b) However, such remuneration shall be taxable only in the other Contracting State if the services are rendered in that other State and the individual is a resident of that State who:
    - (i) is a national of that state; or
    - (ii) did not become a resident of that State solely for the purpose of rendering the services.
2. Any pension paid by, or out of funds created by, a Contracting State or a local authority thereof to an individual in respect of services rendered to that State or authority shall be taxable only in that State.
3. The provisions of Articles 16, 17 and 19 shall apply to remuneration and pensions in respect of services rendered in connection with a business carried on by a Contracting State or a local authority thereof.

## ARTICLE 21

## STUDENTS AND TRAINEES

1. Payments, which a student or trainee 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, received for the purpose of his maintenance, education or training shall not be taxed in that State, provided that such payments arise from sources outside that State.

2. In respect of grants, scholarships and remuneration from employment not covered by paragraph 1, a student or trainee described in paragraph 1 shall, in addition, be entitled during such education or training to the same exemptions, reliefs or reductions in respect of taxes available to residents of the State which he is visiting provided that the student or trainee remains in that State for a period of more than six months.

## ARTICLE 22

## OTHER INCOME

Items of income of a resident of a Contracting State which are not expressly mentioned in the foregoing Articles of this Convention shall be taxable only in that Contracting State except that if such income is derived from sources in the other Contracting State, it may also be taxed in that other State.

## ARTICLE 23

## ELIMINATION OF DOUBLE TAXATION

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

- (a) Subject to the provisions of the laws of Barbados regarding the allowance as a credit against Barbados tax or tax payable in a territory outside Barbados (which shall not affect the general principle hereof)
  - (i) Swedish tax payable under the laws of Sweden and in accordance with this Convention, whether directly or by deduction, on profits or income from sources within Sweden (excluding, in the case of a dividend, tax payable in respect of the profits out of which the dividend is paid) shall be allowed as a credit against any Barbadian tax computed by reference to the same profits or income by reference to which the Swedish tax is computed;

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- (ii) in the case of a dividend paid by a company which is a resident of Sweden to a company which is a resident of Barbados and which controls directly or indirectly at least 10 per cent of the capital in the company paying the dividend, the credit shall take into account [in addition to any Swedish tax creditable under sub-paragraph (a) (i)] the Swedish tax payable by the company paying the dividend in respect of the profits out of which such dividend is paid.
  - (b) The credit, however, shall in no case exceed that part of the tax as computed before the credit is given, which is appropriate to the income which may be taxed in Sweden.
2. In the case of Sweden, double taxation shall be avoided as follows:
- (a) where a resident of Sweden derives income which under the laws of Barbados and in accordance with the provisions of this Convention may be taxed in Barbados, Sweden shall allow – subject to the provisions of the law of Sweden concerning credit for foreign tax (as it may be amended from time to time without changing the general principle hereof) – as a deduction from the tax on such income an amount equal to the Barbados tax paid in respect of such income;
  - (b) where a resident of Sweden derives income which, in accordance with the provisions of Article 20, shall be taxable only in Barbados, Sweden may, when determining the graduated rate of Swedish tax, take into account the income which shall be taxable only in Barbados;
  - (c) for the purposes of sub-paragraph (a) the term "the Barbados tax paid" shall be deemed to include Barbados income tax and corporation tax which would have been paid but for the exemption or reduction of tax granted under the following incentive provisions designed to promote economic development:
    - (i) the *Fiscal Incentives Act*, Cap. 71A, and the *Hotel Aids Act*, Cap. 72; and
    - (ii) any other provision which may subsequently be enacted granting an exemption or reduction of tax which the competent authorities have agreed upon;
  - (d) for the purposes of paragraph 4 of Article 10 the term "the normal corporate tax in Barbados" shall be deemed to include Barbados income tax and corporation tax which would have been paid but for

the exemption or reduction of tax granted under the incentive provisions referred to in sub-section (c);

- (e) the provisions of sub-paragraphs (c) and (d) shall not apply to an incentive provision which is amended after the signature of this Convention if the change is a substantive one. The competent authorities of the Contracting States may, however, agree that the provisions of sub-paragraphs (c) and (d) shall still be applicable on such a provision even after it has been so amended;
- (f) the provisions of sub-paragraphs (c) and (d) shall apply for the first 10 years that this Convention is effective. The competent authorities shall consult in order to determine whether the provisions of these sub-paragraphs shall be applicable after that period of time.

#### ARTICLE 24

#### LIMITATION OF BENEFITS

1. A person which is a resident of a Contracting State and which derives income from sources within the other Contracting State shall not be entitled, in that other Contracting State, to the benefit of Article 6 (Income from immovable property) to Article 23 (Elimination of double taxation) if

- (a) 50 per cent or less of the beneficial interest in such persons (or in the case of a company, 50 per cent or less of the number of shares of each class of the company's shares) is owned, directly or indirectly, by any combination of one or more individual residents of a Contracting State; or
- (b) the income of such person is used in substantial part, directly or indirectly, to meet liabilities (including liabilities for interest or royalties) to persons who are residents of a State other than a Contracting State.

2. A company entitled to any special tax benefit under the *Exempt Insurance Act*, Cap. 308A, the *Offshore Banking Act*, Cap. 325, the *International Business Companies (Exemption from Taxes) Act*, Cap. 77 or any substantially similar law enacted in Barbados shall not be entitled to any benefits of this Convention.

3. The provisions of paragraph 1 shall not apply if the person deriving the income is a company which is a resident of a Contracting State in whose principal class of shares there is a substantial and regular trading on a recognised stock exchange.

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4. If one of the Contracting States proposes to deny benefits to a resident of the other Contracting State by reason of this Article, the competent authorities of the Contracting States shall consult each other.

#### ARTICLE 25

#### 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 are or may be subjected.

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

3. Except where the provisions of paragraph 1 of Article 9, paragraph 7 of Article 11, paragraph 7 of Article 12, or paragraph 5 of Article 13, apply, interest, royalties, management charges 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.

4. The provisions of paragraph 2 shall not be construed to prevent Barbados from applying its tax on branch profits, and its tax on the premium income of non-resident insurers or foreign insurance companies at the rates specified under the *Income Tax Act*.

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.

6. Nothing contained in this Article shall be construed as obliging either Contracting State to grant to individuals not resident in that State any of the personal allowances, reliefs and reductions for tax purposes which are granted to individuals so resident.

7. This Article shall apply to taxes which are the subject of this Convention.

#### ARTICLE 26

### 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 Convention, he may, irrespective of the remedies provided by the domestic law of those States, present his case to the competent authority of the Contracting State of which he is a resident or, if his case comes under paragraph 1 of Article 25, to that of the Contracting State of which he is a national. The case must be presented within three years from the first notification of the action resulting in taxation not in accordance with the provisions of the Convention.

2. The competent authority shall 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 Convention. Any agreement reached shall be implemented notwithstanding any time limits in the domestic law of the Contracting States.

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

4. The competent authorities of the Contracting States may communicate with each other directly for the purpose of reaching an agreement in the sense of the preceding paragraphs.

#### ARTICLE 27

### 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 Convention or of the domestic laws of the Contracting States concerning taxes of every kind or description, insofar as the taxation thereunder is not contrary to the Convention. Any information received by a Contracting State shall be treated

as secret in the same manner as information obtained under the domestic laws of that State and shall be disclosed only to persons or authorities (including courts and administrative bodies) involved in the assessment or collection of, the enforcement or prosecution in respect of, or the determination of appeals in relation to, the taxes covered by the Convention. Such persons or authorities shall use the information only for such purposes. They may disclose the information in public court proceedings or in judicial decisions. The competent authorities may, through consultation, develop appropriate conditions, methods and techniques concerning the matters in respect of which such exchanges of information shall be made, including, where appropriate, exchanges of information regarding tax avoidance.

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.

#### ARTICLE 28

#### DIPLOMATIC AGENTS AND CONSULAR OFFICERS

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

#### ARTICLE 29

#### MISCELLANEOUS RULES

Where under any provision of this Convention income or capital gains are relieved from Swedish tax and, under the law in force in Barbados, an individual, in respect of the said income or capital gains is subject to tax by reference to the amount thereof which is remitted to or received in Barbados



and not by reference to the full amount thereof, then the relief to be allowed under this Convention in Sweden shall apply only to so much of the income or capital gains as is remitted to or received in Barbados.

#### ARTICLE 30

##### ENTRY INTO FORCE

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

2. The Convention shall enter into force thirty days after the date of the later of the notifications referred to in paragraph 1 and its provisions shall have effect:

- (a) in respect of taxes withheld at source, on amounts paid or remitted to non-residents on or after the first day of January in the calendar year next following that in which the Convention enters into force; and
- (b) in respect of other taxes on income derived on or after the first day of January in the calendar year next following that in which the Convention enters into force.

#### ARTICLE 31

##### TERMINATION

This Convention shall remain in force until terminated by a Contracting State. Either Contracting State may terminate the Convention, through diplomatic channels, by giving written notice of termination at least six months before the end of any calendar year after the expiration of a period of five years from the date of its entry into force. In such case, the Convention shall cease to have effect:

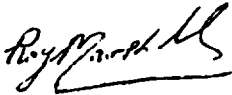
- (a) in respect of taxes withheld at source on amounts paid or remitted to non-residents on or after the first day of January next following the notice of termination; and
- (b) in respect of other taxes on income derived in any income year beginning on or after the first day of January next following the notice of termination.

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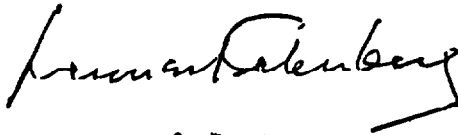
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IN WITNESS WHEREOF, the undersigned being duly authorised thereto have signed the present Convention and have affixed thereto their seals.

Done at London this first day of July 1991, in duplicate in the English language.



for Barbados



for Sweden