

CONVENTION

BETWEEN THE GOVERNMENT OF THE ITALIAN REPUBLIC AND THE
GOVERNMENT OF THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
FOR THE AVOIDANCE OF DOUBLE TAXATION WITH RESPECT TO TAXES
ON INCOME AND THE PREVENTION OF FISCAL EVASION.

The Government of the Italian Republic and the Government of Federal Democratic Republic of Ethiopia,

Desiring to conclude a Convention to avoid double taxation with respect to taxes on income and to prevent fiscal evasion

Have agreed upon the following:

Chapter I

Scope of the Convention

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. This Convention shall apply to taxes on income imposed on behalf of each Contracting State or of its political or administrative subdivisions or local authorities, irrespective of the manner in which they are levied.

2. There shall be regarded as taxes on income all taxes imposed on total income, or on elements of income, including taxes on gains from the alienation of movable or immovable property, taxes on the total amounts of wages or salaries paid by enterprises, as well as taxes on capital appreciation.

3. The existing taxes to which the Convention shall apply are in particular:

(a) in the case of Ethiopia

- 1 - tax on income from employment and related emoluments;
- 2 - tax on income from incorporated and unincorporated business including tax on income from agricultural activities and tax on income from real estate rent;
- 3 - taxes on income derived from services rendered abroad;
- 4 - tax on dividend, royalty and chance winning;
- 5 - capital gains tax.

(hereinafter referred to as "Ethiopian tax")

(b) in the case of Italy:

- 1 - the personal income tax (l'imposta sul reddito delle persone fisiche);
- 2 - the corporate income tax (l'imposta sul reddito delle persone giuridiche);
- 3 - the local income tax (l'imposta locale sui redditi)

whether or not they are collected by withholding at source.

(hereinafter referred to as "Italian Tax").

4. This Convention shall also apply to any identical or substantially similar taxes which are imposed after the date of signature of this Convention in addition to, or in place of, the existing taxes. The competent authorities of the Contracting States shall notify each other of any significant change which have been made in their respective taxation laws.

Chapter II

Definitions

Article 3

GENERAL DEFINITIONS

1. In this Convention, unless the context otherwise requires:

- (a) the term "Ethiopia" means the Federal Democratic Republic of Ethiopia and, when used in a geographical sense, it means the national territory and any other area which in accordance with international law or the laws of Ethiopia is or may be designated as an area in which Ethiopia exercises sovereign rights or its jurisdiction;
- (b) the term "Italy" means the Italian Republic and includes any area beyond the territorial waters of Italy which, in accordance with the international laws and the laws of Italy concerning the exploration and exploitation of natural resources, may be designated as an area within which the rights of Italy, with respect to the seabed and subsoil and natural resources, may be exercised;
- (c) the terms "a Contracting State" and "the other Contracting State" mean Ethiopia or Italy, 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 which has its place of effective management in a Contracting State, except when the ship or aircraft is operated solely between places in the other Contracting State;

(h) the term "nationals" means:

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

(ii) all legal persons, partnerships and associations deriving their status as such from the laws in force in a Contracting State;

(i) the term "competent authority" means:

(i) in the case of Ethiopia, the Ministry of Finance.

(ii) in the case of Italy, the Ministry of Finance.

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

Article 4

RESIDENT

1. For the purposes of this Convention, the term "resident of a Contracting State" means any person who, under the law 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.

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

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

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

(c) if he has an habitual abode in both Contracting States or in neither of them, he shall be deemed to be a resident of the Contracting State of which he is a national;

(d) if he is a national of both Contracting 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 in which the business of the enterprise is wholly or partly carried on.

2. The term "permanent establishment" shall include especially:

- (a) a place of management;
- (b) a branch;
- (c) an office;
- (d) a factory;
- (e) a warehouse;
- (f) a workshop;
- (g) a mine, oil well, quarry or other place of extraction of natural resources;
- (h) a farm, plantation or other place where agricultural, forestry, plantation or related activities are carried on;
- (i) a building site or construction, or assembly project which exists for more than six months;
- (j) the provision of supervisory activities for more than six months on a building site or construction or assembly project.

3. The term "permanent establishment" shall not be deemed 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 advertising, for the supply of information, for scientific research, or for similar activities which have a preparatory or auxiliary character for the enterprise.

4. A person acting in a Contracting State on behalf of an enterprise of the other Contracting State - other than an agent of an independent status to whom paragraph 6 applies - shall be deemed to be a permanent establishment in the first-mentioned State if:

- a) he has, and habitually exercises in that State, an authority to conclude contracts in the name of the enterprise, unless his activities are limited to the purchase of goods or merchandise for the enterprise; or

b) he has no such authority, but maintains in that first mentioned State a stock of goods or merchandise belonging to that enterprise from which he regularly fulfils orders on behalf of that enterprise.

5) An insurance enterprise of a Contracting State shall be deemed to have a permanent establishment in the other Contracting State if it collects premiums in that other State or insures risks therein through an employee or through a representative who is not an agent of independent status within the meaning of paragraph 6 of this Article.

6. An enterprise of a Contracting State shall not be deemed to have a permanent establishment in the other Contracting State merely because it carries on business in that other State through a broker, general commission agent or any other agent of an independent status, where such persons are acting in the ordinary course of their business.

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

Chapter III

Taxation of income

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 be defined in accordance with the law of the Contracting State in which the property in question is situated. The term shall in any case include property accessory to immovable property, livestock and equipment used in agriculture and forestry, rights to which the provisions of general law respecting landed property apply. Usufruct of immovable property and rights to variable or fixed payments as consideration for the working of, or the right to work, mineral deposits, sources and other natural resources shall also be considered as "immovable property". 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 Contracting State shall be taxable only in that State unless the enterprise carries on business in the other Contracting State through a permanent establishment situated therein. If the enterprise carries on business as aforesaid, the profits of the enterprise may be taxed in the other State but only so much of them as is attributable to that permanent establishment.
2. Subject to the provisions of paragraph 3, where an enterprise of a Contracting State carries on business in the other Contracting State through a permanent establishment situated therein, there shall in each Contracting State be attributed to that permanent establishment the profits which it might be expected to make if it were a distinct and separate enterprise engaged in the same or similar activities under the same or similar conditions and dealing wholly independently with the enterprise of which it is a permanent establishment.
3. In the determination of the profits of a permanent establishment, there shall be allowed as deduction expenses which are incurred for the purposes of the permanent establishment including executive and general administrative expenses so incurred, whether in the State in which the permanent establishment is situated or elsewhere.
4. Insofar as it has been customary in a Contracting State to determine the profits to be attributed to a permanent establishment on the basis of an apportionment of the total profits of the enterprise to its various parts, nothing in paragraph 2 shall preclude that Contracting State from determining the profits to be taxed by such an apportionment as may be customary. The method of apportionment adopted shall, however, be such that the result shall be in accordance with the principles embodied 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, 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 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 from the operation of ships or aircraft in international traffic shall be taxable only in the Contracting State in which the place of effective management of the enterprise is situated.

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

3. The provisions of paragraph 1 shall also apply to profits derived from the participation in a pool, a joint business or in 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 been accrued to the enterprises 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. Any such adjustment shall be made only in accordance with the mutual agreement procedure provided for by Article 25 of this Convention and by paragraph 4 of the Additional Protocol.

Article 10

DIVIDENDS

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

2. However, such dividends may also be taxed in the Contracting State of which the company paying the dividends is a resident, and according to the laws of that State,

but if the recipient is the beneficial owner of the dividends the tax so charged shall not exceed 10 per cent of the gross amount of the dividends.

The competent authorities of the Contracting States shall by mutual agreement settle the mode of application of this limitation.

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, "jouissance" shares or "jouissance" rights, mining shares, founders' shares or other rights, not being debt-claims, participating in profits, as well as income from other corporate rights which is subjected to the same taxation treatment as income from shares by the taxation laws of the State of which the company making the distribution is a resident.

4. The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the dividends, being a resident of a Contracting State, carries on 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 a case the dividends are taxable in that other Contracting State according to its own law.

5. Where a company which is a resident of a Contracting State, derives profits or income from the other Contracting State that other State may not impose any tax on the dividends paid by the company, except insofar as such dividends are paid to a resident of that other State or insofar as the holding in respect of which the dividends are paid is effectively connected with a permanent establishment or a fixed base situated in that other State, nor subject the company's undistributed profits to a tax on the company's undistributed profits, even if the dividends paid or the undistributed profits consist wholly or partly of profits or income arising in such other State.

Article 11

INTEREST

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

2. However, such interest may also be taxed in the Contracting State in which it arises, and according to the law of that State, but if the recipient is the beneficial owner of the interest, the tax so charged shall not exceed 10 per cent of the gross amount of the interest. The competent authorities of the Contracting States shall by mutual agreement settle the mode of application of this limitation.

3. Notwithstanding the provisions of paragraph 2, interest arising in a Contracting State shall be exempt from tax in that State if:

- a) the payer of the interest is the Government of that Contracting State or a local authority thereof; or
- b) the interest is paid to the Government of the other Contracting State or local authority thereof or any agency or instrumentality (including a financial institution) wholly owned by that other Contracting State or local authority thereof; or
- c) the interest is paid to any other agency or instrumentality (including a financial institution) in relation to loans made in application of an agreement concluded between the Governments of the Contracting States.

4. The term "interest" as used in this Article means income from Government securities, bonds or debentures, whether or not secured by mortgage and whether or not carrying a right to participate in profits, and debt-claims of every kind as well as all other income assimilated to income from money lent by the taxation law of the State in which the income arises.

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

the royalties. The competent authorities of the Contracting State shall by mutual agreement settle the mode of application of this limitation.

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 radio or television broadcasting, any patent, trade mark, design or model, plan, secret formula or process, or for the use of, or the right to use, industrial, commercial or scientific equipment, or for information concerning industrial, commercial or scientific experience.

4. The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the royalties, being a resident of a Contracting State, carries on business in the other Contracting State in which the royalties arise through a permanent establishment situated therein, or 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 such permanent establishment or fixed base. In such a case the royalties are taxable in that other Contracting State according to its own law.

5. Royalties shall be deemed to arise in a Contracting State when the payer is that State itself, a political or administrative subdivision, 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 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 State in which the permanent establishment or fixed base is situated.

6. Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the royalties, having regard to the use, right or information for which they are paid, exceeds the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case, the excess part of the payments shall remain taxable according to the law of each Contracting State, due regard being had to the other provisions of this Convention.

Article 13

CAPITAL GAINS

1. Gains from the alienation of immovable property, as defined in paragraph 2 of Article 6, may be taxed in the Contracting State in which such property is situated.
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 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 the Contracting State in which the place of effective management of the enterprise is situated.
4. Gains from the alienation of any property other than that referred to in paragraphs 1, 2 and 3, shall be taxable only in the Contracting State of which the alienator is a resident.
5. The provisions of paragraph 4 of this Article shall not affect the right of Contracting State to levy according to its own law a tax on capital gains from the alienation of any property derived by an individual who is a resident of the other Contracting State and has been resident of the first mentioned Contracting State at any time during the ten years immediately preceding the alienation of the property.

Article 14

INDEPENDENT PERSONAL SERVICES

1. Income derived by a resident of a Contracting State in respect of professional services or other independent activities of a similar character shall be taxable only in that State unless:

a) he has a fixed base regularly available to him in the other Contracting State for the purposes of performing his activities, in which case so much of the income may be taxed in that other State as is attributable to that fixed base; or

b) he is present in the other Contracting State for the purpose of performing his activities for a period exceeding in the aggregate 183 days in the calendar year concerned, in which case so much of the income may be taxed in that other State as is attributable to the activities performed in that other State.

2. The term "professional services" includes, especially, independent scientific, literary, artistic, educational or teaching activities as well as the independent activities of physicians, lawyers, engineers, architects, dentists and accountants.

Article 15

DEPENDENT PERSONAL SERVICES

1. Subject to the provisions of Articles 16, 18, 19 and 20 salaries, wages and other similar remuneration derived by a resident of a Contracting State in respect of an employment shall be taxable only in that State unless the employment is exercised in the other Contracting State. If the employment is so exercised, such remuneration as is derived therefrom may be taxed in that other State.

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

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

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

Article 16

DIRECTORS' FEES

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

Article 17

ARTISTS AND SPORTSMEN

1. Notwithstanding the provisions of Articles 14 and 15, income derived by a resident of a Contracting State as an entertainer, such as a theatre, motion picture, radio or

television artist, or a musician, or as a sportsman, from his personal activities as such exercised in the other Contracting State, may be taxed in that other State.

2. Where income in respect of personal activities exercised by an entertainer or 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, 14 and 15, be taxed in the Contracting State in which the activities of the entertainer or sportsman are exercised.

Article 18

PENSIONS

1. Subject to the provisions of paragraph 2 of Article 19, pensions and other similar remuneration paid to a resident of a Contracting State in consideration of past employment shall be taxable only in that State.

2. If a resident of a Contracting State becomes a resident of the other Contracting State, payments received by such resident on the cessation of his employment in the first-mentioned State as severance payments (indemnities) or similar lump sum payments shall be taxable only in that first mentioned Contracting State. In this

paragraph, the expression "severance payments (indemnities)" includes any payment made in consequence of the termination of any office or employment of a person.

Article 19

GOVERNMENT SERVICE

1. a) Remuneration, other than a pension, paid by a Contracting State or a political or administrative subdivision or a local authority thereof to any individual in respect of services rendered to that State or subdivision or authority shall be taxable only in that State.

b) However, such remuneration shall be taxable only in the other Contracting State if the services are rendered in that State and the individual is a resident of that State, who:
 - (i) is a national of that State, or
 - (ii) did not become a resident of that State solely for the purpose of rendering the services.
2. a) Any pension paid by, or out of funds created by, a Contracting State or a political or administrative subdivision or a local authority thereof to any individual in respect of services rendered to that State or subdivision or authority shall be taxable only in that State.

b) However, such pension shall be taxable only in the other Contracting State if the individual is a national of and a resident of that State.
3. The provisions of Articles 15, 16 and 18 shall apply to remunerations or pensions in respect of services rendered in connection with business carried on by one of the Contracting State or a political or administrative subdivision or a local authority thereof.

Article 20

PROFESSORS AND TEACHERS

1. A professor or teacher who makes a temporary visit to a Contracting State for a period not exceeding two years for the purpose of teaching or conducting research at a university, college, school or other educational institution, and who is, or immediately before such visit was, a resident of the other Contracting State shall be exempt from tax in the first-mentioned Contracting State in respect of remuneration for such teaching or research.

2. This Article shall not apply to income from research if such research is undertaken not in the public interest but primarily for the private benefit of a specific person or persons.

Article 21

STUDENTS

Payments which a student or business apprentice who is or was immediately before visiting a Contracting State a resident of the other Contracting State and who is present in the first-mentioned Contracting State solely for the purpose of his education or training receives for the purpose of his maintenance, education or training shall not be taxed in that State, provided that such payments arise from sources outside that State.

Article 22

OTHER INCOME

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

2. The provisions of paragraph 1 shall not apply to income, other than income from immovable property as defined in paragraph 2 of Article 6, if the recipient of such income, being a resident of a Contracting State, carries on business in the other Contracting State through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the right or property in respect of which the income is paid is effectively connected with such permanent establishment or fixed base. In such case the items of income are taxable in that other Contracting State according to its own law.

3. Where, by reason of a special relationship between the persons who have carried on activities from which income referred to in paragraph 1 are derived, the payment for such activities exceeds the amount which would have been agreed upon by independent persons, the provisions of paragraph 1 shall apply only to the last mentioned amount. In such case, the excess part of the payment shall remain taxable according to the law of each Contracting State, due regard being had to the other provisions of this Convention.

4. Notwithstanding the provisions of paragraphs 1 and 2, items of income of a resident of a Contracting State not dealt with in the foregoing Articles of this Convention and arising in the other Contracting State may also be taxed in that other State.

Chapter IV

METHODS FOR ELIMINATION OF DOUBLE TAXATION

Article 23

ELIMINATION OF DOUBLE TAXATION

1. It is agreed that double taxation shall be avoided in accordance with the following paragraphs of this Article.

2. In the case of Italy:

If a resident of Italy owns items of income which are taxable in Ethiopia, Italy, in determining its income taxes specified in Article 2 of this Convention, may include in the basis upon which such taxes are imposed the said items of income, unless specific provisions of this Convention otherwise provide.

In such a case, Italy shall deduct from the taxes so calculated the income tax paid in Ethiopia but in an amount not exceeding that proportion of the aforesaid Italian tax which such items of income bear to the entire income.

However, no deduction will be granted if the item of income is subjected in Italy to a final withholding tax by request of the recipient of the said income in accordance with the Italian law.

3. In the case of Ethiopia:

Tax payable under the laws of Italy and in accordance with this Convention, whether directly or by deduction, in respect of income from sources within Italy shall be allowed as a credit against any Ethiopian tax payable in respect of that income, provided that such credit shall not exceed the Ethiopian tax, computed before allowing any such credit, which is appropriate to the income derived from Italy.

4. For the purposes of the paragraphs 2 and 3 of this Article, where a tax on business profits, dividends, interests or royalties arising in a Contracting State is exempted or reduced for a limited period of time in accordance with the laws and regulations of that State, such a tax which has been exempted or reduced shall be deemed to have been paid at an amount not exceeding:

- a) 30 per cent of business profits referred to under Article 7;
- b) 10 per cent of the gross amount of the dividends and interests referred to under Articles 10 and 11;
- c) 20 per cent of the gross amount of the royalties referred to under Article 12.

Chapter V

Special Provisions

Article 24

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

2. The taxation 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.

This provision shall not be construed as obliging a Contracting State to grant to residents of the other Contracting State any personal allowances, reliefs and reductions for taxation purposes on account of civil status or family responsibilities which it grants to its own residents.

3. Except where the provisions of paragraph 1 of Article 9, paragraph 7 of Article 11, or paragraph 6 of Article 12, apply, interest, royalties and other disbursements paid by an enterprise of a Contracting State to a resident of the other Contracting State shall, for the purpose of determining the taxable profits of such enterprise, be deductible under the same conditions as if they had been paid to a resident of the first-mentioned State.

4. Enterprises of a Contracting State, the capital of which is wholly or partly owned or controlled, directly or indirectly, by one or more residents of the other Contracting

State, shall not be subjected in the first-mentioned Contracting State to any taxation or any requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which other similar enterprises of that first-mentioned State are or may be subjected.

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

6. However, the provisions mentioned in the previous paragraphs of this Article will not limit the application of the domestic provisions for the prevention of the fiscal evasion and tax avoidance. This provision shall in any case include the limitations of the deduction of expenses and other negative elements deriving from transactions between enterprises of a Contracting State and enterprises situated in the other Contracting State.

Article 25

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 24, to that of the Contracting State of which he is a national. The case must be presented within two 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 not in accordance with the Convention.

3. The competent authorities of the Contracting States shall endeavour to resolve by mutual agreement any difficulties or doubts arising as to the interpretation or application of the Convention.

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

Article 26

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 covered by this Convention insofar as the taxation thereunder is not contrary to the Convention as well as to prevent fiscal evasion. The exchange of information is not restricted by Article 1. Any information received by a Contracting State shall be treated as secret in the same manner as information obtained under the domestic laws of that State and shall be disclosed only to persons or authorities (including courts and administrative bodies) involved in the assessment or collection of, the enforcement or prosecution in respect of, or the determination of appeals in relation to, the taxes covered by the Convention. Such persons or authorities shall use the information only for such purposes. They may disclose the information in public court proceedings or in judicial decisions.

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

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

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

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

Article 27

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 28

REFUNDS

1. Taxes withheld at the source in a Contracting State will be refunded by request of the taxpayer if the right to collect the said taxes is affected by the provisions of this Convention.

2. Claims for refund, that shall be produced within the time limit fixed by the law of the Contracting State which is obliged to carry out the refund, shall be accompanied by an official certificate of the Contracting State of which the taxpayer is a resident certifying the existence of the conditions required for being entitled to the application of the allowances provided for by this Convention.

3. The provisions of the preceding paragraphs of this Article shall not prevent the competent Authorities of the Contracting States from the carrying out, by mutual agreement, of other practices for the application of the benefits provided for in this Convention.

Chapter VI

Final Provisions

Article 29

ENTRY INTO FORCE

1. This Convention shall be ratified and the instruments of ratification shall be exchanged at Addis Ababa as soon as possible.
2. The Convention shall enter into force on the date of the exchange of instruments of ratification and its provisions shall have effect:
 - (a) in respect of taxes withheld at source, to amounts derived on or after the date of the signature of this Convention;
 - (b) in respect of other taxes on income, to taxes chargeable for any taxable period beginning on or after the date of the signature of this Convention.
3. Claims for refund or credits arising in accordance with this Convention in respect of any tax payable by residents of either of the Contracting States in respect of income which is subject to tax and to which this Convention applies in accordance with paragraph 2 of this Article and which was derived before the entry into force of this Convention, shall be lodged within two years from the date of entry into force of this Convention or from the date the tax was charged whichever is later.

Article 30

TERMINATION

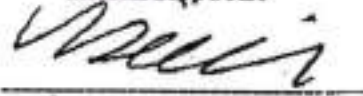
This Convention shall remain in force until terminated by one of the Contracting States. Either Contracting State may terminate the Convention, through diplomatic channels, by giving notice of termination at least six months before the end of any calendar year after the period of five years from the date on which the Convention enters into force. In such event, the Convention shall cease to have effect:

- a) in respect of taxes withheld at source, to amounts derived on or after the date on which the notice is given;
- b) in respect of other taxes on income, to taxes chargeable for any taxable period beginning on or after the date on which the notice is given.

IN WITNESS THEREOF THE UNDERSIGNED HAVE SIGNED THIS CONVENTION.

Done in duplicate at Rome, the eighth day of April 1997, in the English and Italian languages, both texts being equally authoritative.

For the Government of the
Italian Republic



For the Government of the
Federal Democratic Republic
of Ethiopia



ADDITIONAL PROTOCOL

to the Convention between the Government of the Italian Republic and the Government of the Federal Democratic Republic of Ethiopia for the avoidance of double taxation with respect to taxes on income and the prevention of fiscal evasion.

At the signing of the Convention concluded today between the Government of the Italian Republic and the Government of the Federal Democratic Republic of Ethiopia for the avoidance of double taxation with respect to taxes on income and the prevention of fiscal evasion, the undersigned have agreed upon the following additional provisions which shall form an integral part of the said Convention.

It is understood that:

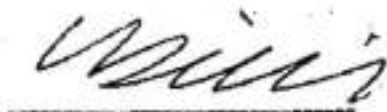
1. With reference to paragraph 3 of Article 7, the term "expenses which are incurred for the purposes of the permanent establishment" means the expenses directly connected with the activity of the permanent establishment.
2. With reference to Article 8, profits from the operation in international traffic of ships or aircraft shall include:
 - (a) profits derived from the rental on a bare boat basis of ships or aircraft used in international traffic,
 - (b) profits derived from the use or rental of containers if such profits are incidental to the other profits from the operation of ships or aircraft in international traffic.
3. With reference to paragraph 2 of Article 12, if the Government of Ethiopia, in any Convention concluded with other OECD countries after the date of the signature of this Convention, would agree to a lower rate than 20 per cent on gross amount of royalties Ethiopia will automatically apply this lower rate on royalties paid to Italian residents;

4. With respect to Article 25, an adjustment of taxes pursuant to that Article may be made only prior to the final determination of such taxes. It is further understood that the preceding sentence means that invoking the mutual agreement procedure does not relieve the taxpayer of the obligation to initiate the procedure of domestic law for solving tax disputes.

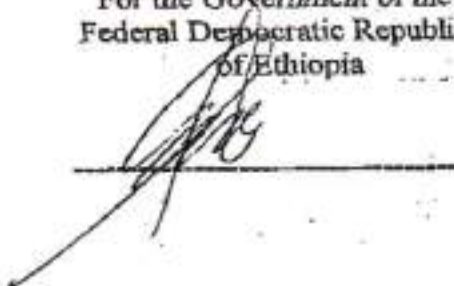
IN WITNESS THEREOF the undersigned have signed this Additional Protocol.

Done in duplicate at Rome the eighth day of April 1997, in the English and Italian languages, both texts being equally authoritative.

For the Government of the
Italian Republic



For the Government of the
Federal Democratic Republic
of Ethiopia



AGREEMENT ON CULTURAL CO-OPERATION BETWEEN
THE ITALIAN REPUBLIC
AND
THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

The Government of the Italian Republic and the Government of the Federal Democratic Republic of Ethiopia, desirous to strengthen the friendly relations between the two Countries and to promote their mutual knowledge and understanding through the development of cultural relations, have agreed on the following:

Art. 1 - The present Agreement has the purpose to promote and realize activities aimed at improving the knowledge of the respective cultural heritage as well as the co-operation between the two Countries in the fields of education, arts and sciences.

Art. 2 - The two Parties will favour the development of the academic co-operation between the two Countries, through the strengthening of interuniversities agreements, the exchange of professors and researchers, the setting up of joint researches of common interest and the organization of seminars and symposia. They will inform each other on the interuniversities undertakings concluded or to be concluded in order to assure the follow up of the purposes of the present Agreement.

Art. 3 - Each of the Contracting Parties will encourage the functioning of educational and cultural Institutions of the other Party operating on its own territory, and the possible creation, under separate Agreements, of new such institutions in both Countries. The above mentioned institutions will be granted customs and other duties facilities, in order to favour their functioning and the activity of their staff members. Within this framework the functioning of the Italian Schools and of the Italian Cultural Institute in Addis Ababa, as well as the establishment of similar Ethiopian institutions in Italy will be encouraged. The Italian Cultural Institute will promote teaching, training activities and the promotion of Italian publishing availing itself also of local associations and bodies.

The above mentioned activities will be conducted in compliance with the laws and regulations of the Country in which the institutions operate.

Art. 4 - The Contracting Parties undertake to study the formalities and conditions for the equivalence of the degrees and diplomas awarded by the educational institutions of any type, grade and level of the other Country.

Art. 5 - Each Contracting Party will promote initiatives aimed at developing the knowledge, the spreading and the teaching of the language, literature civilization and most typical cultural traditions of the other Country in its own universities and in the other institutions of higher education, through the functioning of courses, lectorates and chairs.

Art. 6 - The two Parties will promote the mutual knowledge of their educational systems through the exchange of experts, and will start contacts between the respective Administrations in order to organize exchanges of teachers and classes.

Art. 7 - The two Parties will grant scholarships to students and graduates of the other Country for studies and researches both at university and postuniversity level, taking into consideration those granted in the framework of the development cooperation programmes between the two Countries. The two Parties will favour the training of Italianists and Ethiopianists of the two Countries for teaching in the respective Universities and educational institutions.

Art. 8 - The two Parties will co-operate in order to avoid any illicit import, export and transfer of works of art and of other cultural properties, and to promote the exchange of cultural and historical properties lost or illegally transferred within the territories of the Contracting Parties.

Art. 9 - The two Parties will encourage in particular the collaboration in the sectors of music, dance, also popular, theatre and cinema through the exchange of artists and through the mutual participation to festivals, movies shows and other important events. They will moreover exchange exhibitions of adequate level representing the cultural and artistic heritage of each Country.

Art. 10 - The two Parties will favour the co-operation in the fields of archaeology, paleontology, anthropology, conservation and restoration of cultural properties, also through exchanges of information and experience, also in joint agreement, if that be the case, with other countries and international organizations. To this end they will facilitate the activities of the missions of one Contracting Party operating in the territory of the other Party.

Art. 11 - The two Parties will encourage the co-operation between archives and libraries of the two Countries, through the exchange of material and experts.

Art. 12 - The two Parties will promote the exchange of information on political, economic, cultural and social aspects of the two Countries, also through visits of personalities from media and cultural sectors.

Art. 13 - The two Parties will encourage the exchange of information and experiences in the sectors of sport and youth.

Art. 14 - The two Parties will promote contacts and collaboration between their respective radio-television organizations.

Art. 15 - In order to implement this Agreement, the two Parties have decided to create a Joint Commission with the task of examining the development in the field of cultural co-operation and of finalizing pluriennial executive Programmes. The Commission will meet alternatively in the Capitals of the two Countries.

Art. 16 - This Agreement will be ratified after the legal and constitutional formalities will be completed in each Country, and it will enter into force after 60 days from the exchange of the ratification letters, which will be done in Addis Ababa.

Art. 17 - This Agreement shall remain valid for an unlimited period. Each Party could denounce it at any moment through diplomatic channels. Such a denounce will be valid after six months from its notification to the other Contracting Party and will not affect the implementation of the ongoing programmes agreed during the duration of the Agreement, unless both Parties will decide differently.

In witness thereof, the undersigned have signed this Agreement.

Done in Rome on April the 8th 1997 in two originals in the Italian and English languages, both texts being equally authentic.

FOR THE GOVERNMENT OF
THE ITALIAN REPUBLIC

FOR THE GOVERNMENT OF
THE FEDERAL DEMOCRATIC
REPUBLIC OF ETHIOPIA



EXCHANGE OF LETTERS CONCERNING THE ITALIAN SCHOOLS IN ETHIOPIA

In conformity with Article 3 of the Cultural Cooperation Agreement between the Government of Italian Republic and the Government of the Federal Democratic Republic of Ethiopia signed in Rome on 8 April 1997 and with art 1.6 of the Executive Programme for Cultural Cooperation signed in Rome on November 18th, 2004, the operating conditions of the Italian Schools in Ethiopia should be as follows:

1. The Italian Schools in Ethiopia shall provide pre-primary (Kindergarten), Elementary and Secondary education (scientific, commercial and technical). The secondary classes are divided into Lower and Upper classes.
2. The curricula of the above mentioned schools shall take into consideration the requirements of the Ethiopian curriculum, with particular reference to the teaching of the official and international languages, namely Amharic and English. In particular, from the first year of schooling the teaching of Amharic language shall be compulsory for all pupils of Ethiopian nationality. Such courses shall be given in accordance with the curricula of the Ethiopian Ministry of Education. Furthermore, the teaching of Ethiopian History and Geography shall be compulsory for all pupils, both Ethiopian and foreign, at all levels of secondary school.
3. The Italian Schools shall facilitate all the conditions and provide materials which are necessary for students who wish to appear for the Ethiopian National Examinations at the end of primary and general education levels.
4. Students who complete their secondary education in the Italian State School and thus pass the Italian Final State Exam could apply for higher education in Ethiopian universities and colleges.
5. The Italian Schools shall be financed and run by the Italian Government, which appoints the head-teacher, teachers and administrative personnel. The Ministry of Education shall grant approval to the head-teachers, teachers and other foreign personnel before their arrival in Ethiopia.
6. The Italian Government shall bear the salary of the head-teachers, teaching staff and administrative personnel, as well as the cost of books, implements, and maintenance of the school.



7. The teachers, school managers and Italian clerical staff appointed by the Italian Government are exempt from Ethiopian taxes on all service allowances and indemnities paid by the Italian Government. They also are exempted, during the first six months after their arrival in Ethiopia, of all customs duties or import duties payable on all their personal effects, including a vehicle. All such duty-free privileges shall be governed by the rules, regulations and procedures prevailing in the country.
8. The Italian Schools shall be opened to all Ethiopian students wishing to attend them. Scholarships, consisting in partial or total exemption from paying the school fee, will be granted to Ethiopian students on the basis of need and merit. The School Board, which includes at least one representative of the Ethiopian parents, shall select scholarship winners.
9. The proportion of Ethiopian Students in the Italian School shall not be less than 50 % of the total enrolment.
10. MOE shall be responsible for undertaking all the formalities necessary for obtaining entry and exit visas, and residence and work permits for teachers and other foreign staff approved by the Ministry of Education, with the exception of meeting any of the expenditures.
11. The Italian school shall have the right to import duty-free books, exercise books, school implements, equipment and furniture.
12. The Italian Schools shall promote in their teaching program a genuine understanding of the culture and traditions of both countries.
13. After the signing of the present agreement, the establishment of any new Italian school shall be dealt with under separate agreement(s) with the Ministry of Education.
14. Representatives from the Ethiopian Education Ministry will be allowed to visit the school and verify that the school activity complies with the provisions of this Agreement.

The present agreement shall become effective on the date of its signing and may be modified with the concurrence of the Two Parties.

This Agreement shall remain in force for five years and shall be automatically renewed for the same period, or may be denounced by both or anyone of the two Parties by due notification six month before the date of its expiration.

