



## Final Protocol – 18<sup>th</sup> December, 1981

### FRANCE

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1. In respect of paragraph 1 (d) of Article 3, the term "international traffic" also means any transport by a container where such transport is supplementary to a transport in international traffic.
2. In respect of Article 6, income from shares, rights or participations in a company or a legal person owning immovable property situated in France, which, under the French laws, is subjected to the same taxation treatment as income from immovable property, may be taxed in France.
3.
  - a. In respect of paragraphs 1 and 2 of Article 7, where an enterprise of a State sells goods or merchandise or carries on business in the other State through a permanent establishment situated therein, the profits of this permanent establishment are not determined on the basis of the total amount received by the enterprise, but are determined only on the basis of the revenue which is attributable to the actual activity of the permanent establishment for such sales or business.

In the case of contracts for the survey, supply, installation or construction of industrial, commercial or scientific equipment or premises, or of public works, when the enterprise has a permanent establishment the profits of such permanent establishment are not determined on the basis of the total amount of the contract, but are determined only on the basis of that part of the contract which is effectively carried out by the permanent establishment in the State where the permanent establishment is situated. The profits related to that part of the contract which is carried out by the head office of the enterprise shall be taxable only in the State of which the enterprise is a resident.

- b. In respect of paragraph 1 of Article 7, payments of any kind received as a consideration for the use of, or the right to use, industrial, commercial or scientific equipment shall be deemed to be profits of an enterprise to which the provisions of Article 7 apply.

4.
  - a. In respect of Article 14, gains from the alienation of shares, rights or participations in a company or a legal person owning immovable property situated in France, which under the French laws are subjected to the same taxation treatment as gains from the alienation of immovable property, may be taxed in France.
  - b. Notwithstanding the provisions of paragraph 4 of Article 14, gains from the alienation of shares forming part of a substantial interest in the capital of a company which is a resident of France may be taxed in France, according to the provisions of Article 160 of the "Code general des Impots". A substantial interest shall be deemed to exist when the alienator, alone or together with associated or related persons, holds directly or indirectly shares which together give right to 25 per cent or more of the company profits.
5. In respect of Article 24, elements of capital represented by shares, rights or participations in a company, or a legal person owning immovable property situated in France, which under the French laws are subjected to the same taxation treatment as immovable property, may be taxed in France.
6. In respect of Article 26:
  - a. Nothing in paragraph 1 shall be construed as preventing France from granting only to persons possessing French nationality the benefit of exemption of the capital gains derived from the alienation of immovable property or part of immovable property constituting a residence in French persons who are not domiciled in France, according to the provisions of Article 150 C of the "Code general des Impots";
  - b. Nothing in paragraph 5 shall be construed as preventing France from applying the provisions of Article 212 of the "Code general des Impots" as regards interest paid by a French company to a foreign parent company.