

**AGREEMENT BETWEEN  
THE GOVERNMENT OF THE STATE OF ISRAEL  
AND THE GOVERNMENT OF THE REPUBLIC OF SINGAPORE FOR THE  
AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL  
EVASION WITH RESPECT TO TAXES ON INCOME**

NOTE

Date of Conclusion: 19 May 2005

Entry into Force: 6 December 2005

Effective Date: 1 January 2006

NOTE

Singapore and Israel signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (commonly known as the “Multilateral Instrument” or in short, the “MLI”) on 7 June 2017. Singapore and Israel ratified the MLI on 21 December 2018 and 13 September 2018 respectively.

More information on the MLI is available at <https://www.iras.gov.sg/irashome/Quick-Links/International-Tax/Multilateral-Instrument/>.

The Income Tax (Singapore-Israel) (Avoidance of Double Taxation Agreement) (Modifications to Implement Multilateral Instrument) Order 2019, which has entered into force on 1 April 2019, implements the applicable provisions of the MLI to the articles of this Agreement. For informational purposes, details of the amendments to this Agreement are shown in Annex A.

NOTE

There was an earlier Agreement signed between the Government of the Republic of Singapore and the Government of the State of Israel for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income.

The text of this Agreement which was signed on 27 September 1971 is shown in Annex B.

The Government of the State of Israel and the Government of the Republic of Singapore,

Desiring to conclude an Agreement for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income,

Have agreed as follows:

## **Article 1 – Persons Covered**

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

## Article 2 – Taxes Covered

1. This Agreement shall apply to taxes on income imposed on behalf of a Contracting State or of its 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.
3. The existing taxes to which the Agreement shall apply are in particular:
  - (a) in Israel:
    - the income tax and company tax (including tax on capital gains);
    - the tax imposed upon gains from the alienation of real property according to the real estate Taxation Law;(hereinafter referred to as "Israeli tax");
  - (b) in Singapore:
    - the income tax(hereinafter referred to as "Singapore tax").
4. The Agreement shall apply also to any identical or substantially similar taxes which are imposed after the date of signature of the Agreement in addition to, or in place of, the existing taxes. The competent authorities of the Contracting States shall notify each other of any significant changes which have been made in their respective taxation laws.

### Article 3 – General Definitions

1. For the purposes of this Agreement, unless the context otherwise requires:
  - (a) the term "Israel" means State of Israel and when used in a geographical sense comprises the territory of the State of Israel and the part of the seabed and subsoil under the sea over which the State of Israel has sovereign rights in accordance with International Law; and including the area, which in accordance with International Law and the Law of the State of Israel, Israel is entitled to exercise its rights regarding exploration and exploitation of natural resources which are found under the sea;
  - (b) the term "Singapore" means the Republic of Singapore and when used in a geographical sense, the term "Singapore" includes the territorial waters of Singapore and any area extending beyond the limits of the territorial waters of Singapore, and the sea-bed and subsoil of any such area, which has been or may hereafter be designated under the laws of Singapore and in accordance with international law as an area over which Singapore has sovereign rights for the purposes of exploring and exploiting the natural resources, whether living or non-living;
  - (c) the terms "a Contracting State" and "the other Contracting State" mean Israel or Singapore 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 that 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 "competent authority" means:
    - (i) in Israel, the Minister of Finance or his authorised representative;
    - (ii) in Singapore, the Minister for Finance or his authorised representative;
  - (i) the term "national" means:
    - (i) any individual possessing the nationality of a Contracting State;
    - (ii) any legal person, partnership or association deriving its status as such from the laws in force in a Contracting State.
2. As regards the application of the Agreement at any time by a Contracting State, any term not defined therein shall, unless the context otherwise requires, have the meaning that it has at

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

#### **Article 4 – Resident**

1. For the purposes of this Agreement, the term "resident of a Contracting State" means any person who, under the laws of that State, is liable to tax therein by reason of his domicile, residence, place of management or any other criterion of a similar nature, and also includes that State, local authority or statutory body thereof.

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

- (a) he shall be deemed to be a resident only of the State in which he has a permanent home available to him; if he has a permanent home available to him in both States, he shall be deemed to be a resident of the State with which his personal and economic relations are closer (centre of vital interests);
- (b) if the State in which he has his centre of vital interests cannot be determined, or if he has not a permanent home available to him in either State, he shall be deemed to be a resident only of the State in which he has an habitual abode;
- (c) if he has an habitual abode in both States or in neither of them, he shall be deemed to be a resident only of the State of which he is a national;
- (d) in any other case, 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 only of the State in which its place of effective management is situated. If its place of effective management cannot be determined, the competent authorities of the Contracting States shall settle the question by mutual agreement.

## Article 5 – Permanent Establishment

1. For the purposes of this Agreement, the term "permanent establishment" means a fixed place of business through which the business of an enterprise is wholly or partly carried on.
2. The term "permanent establishment" includes especially:
  - (a) a place of management;
  - (b) a branch;
  - (c) an office;
  - (d) a factory;
  - (e) a workshop; and
  - (f) a mine, an oil or gas well, a quarry or any other place of extraction of natural resources.
3. The term "permanent establishment" also includes:
  - (a) a building site, a construction, installation or assembly project, or supervisory activities connected therewith, but only where such site, project or activities continue for a period of more than 6 months;
  - (b) the furnishing of services, including consultancy services, by an enterprise of a Contracting State through employees or other personnel engaged by the enterprise for such purpose, but only where activities of that nature continue (for the same or a connected project) within the other Contracting State for a period or periods aggregating more than 183 days in any calendar year.
4. Notwithstanding the preceding provisions of this Article, the term "permanent establishment" shall be deemed not to include:
  - (a) the use of facilities solely for the purpose of storage, display or delivery of goods or merchandise belonging to the enterprise;
  - (b) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage, display or delivery;
  - (c) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise;
  - (d) the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise, or of collecting information, for the enterprise;
  - (e) the maintenance of a fixed place of business solely for the purpose of carrying on, for the enterprise, any other activity of a preparatory or auxiliary character;
  - (f) the maintenance of a fixed place of business solely for any combination of activities mentioned in sub-paragraphs (a) to (e), provided that the overall activity of the fixed place of business resulting from this combination is of a preparatory or auxiliary character.

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

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

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

## **Article 6 – Income From Immovable Property**

1. Income derived by a resident of a Contracting State from immovable property (including income from agriculture or forestry) situated in the other Contracting State may be taxed in that other State.

2. The term "immovable property" shall have the meaning which it has under the law of the Contracting State in which the property in question is situated. The term shall in any case include property accessory to immovable property, livestock and equipment used in agriculture and forestry, rights to which the provisions of general law respecting landed property apply, usufruct of immovable property and rights to variable or fixed payments as consideration for the working of, or the right to work, mineral deposits, sources and other natural resources; ships 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 determining the profits of a permanent establishment, there shall be allowed as deductions all expenses, including executive and general administrative expenses, which would be deductible if the permanent establishment were an independent enterprise, insofar as they are reasonably allocable to the permanent establishment, whether incurred in the Contracting 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 contained in this Article.
5. No profits shall be attributed to a permanent establishment by reason of the mere purchase by that permanent establishment of goods or merchandise for the enterprise.
6. For the purposes of the preceding paragraphs, the profits to be attributed to the permanent establishment shall be determined by the same method year by year unless there is good and sufficient reason to the contrary.
7. Where profits include items of income which are dealt with separately in other Articles of this Agreement, then the provisions of those Articles shall not be affected by the provisions of this Article.

## **Article 8 – Shipping And Air Transport**

1. Profits derived by an enterprise of a Contracting State from the operation of ships or aircraft in international traffic shall be taxable only in that State.
2. The provisions of paragraph 1 shall also apply to profits from the participation in a pool, a joint business or an international operating agency.
3. Interest on funds directly connected with and incidental to the operations of ships or aircraft in international traffic shall be regarded as profits derived from the operation of such ships or aircraft, and the provisions of Article 11 shall not apply in relation to such interest.
4. For the purposes of this Article, profits from the operation of ships or aircraft in international traffic shall include:
  - (a) profits from the rental on a bareboat basis of ships or aircraft; and
  - (b) profits from the use, maintenance or rental of containers (including trailers and related equipment for the transport of containers), used for the transport of goods or merchandise;

where such rental or such use, maintenance or rental, as the case may be, is incidental to the operation of ships or aircraft in international traffic.

## **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 Agreement and the competent authorities of the Contracting States shall if necessary consult each other.

## Article 10 – Dividends

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

2. However, such dividends may also be taxed in the Contracting State of which the company paying the dividends is a resident and according to the laws of that State, but if the beneficial owner of the dividends is a resident of the other Contracting state, the tax so charged shall not exceed:

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

The competent authorities of the Contracting States shall by mutual agreement settle the mode of application of these limitations.

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

3. Notwithstanding the provisions of paragraphs 1 and 2, dividends paid by a company which is a resident of Israel to the Government of Singapore shall be exempt from Israeli tax.

4. For the purposes of paragraph 3, the term "Government of Singapore" means the Government of Singapore and shall include:

- (a) the Monetary Authority of Singapore;
- (b) the Government of Singapore Investment Corporation Pte Ltd;
- (c) a statutory body; and
- (d) any institution wholly or mainly owned by the Government of Singapore as may be agreed from time to time between the competent authorities of the Contracting States.

5. 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 laws of the State of which the company making the distribution is a resident.

6. 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 14, as the case may be, shall apply.

7. 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 undistributed profits, even if the dividends paid or the undistributed profits consist wholly or partly of profits or income arising in such other State.

8. (a) Under the current Singapore laws, where dividends are paid by a company which is a resident of Singapore to a resident of Israel who is the beneficial owner of such dividends, there is no tax in Singapore which is chargeable on dividends in addition to the tax chargeable in respect of the profits or income of the company.
- (b) If, subsequent to the signing of the Agreement, Singapore imposes a tax on dividends in addition to the tax chargeable in respect of the profits or income of a company which is a resident of Singapore, such tax may be charged but the tax so charged on the dividends derived by a resident of Israel who is the beneficial owner of such dividends shall be in accordance with the provisions of paragraph 2. However in such case, dividends paid by a company which is a resident of Singapore to the Government of Israel shall be exempt from Singapore tax. The "Government of Israel" in this sub-paragraph means the Government of Israel and shall include:
  - (i) the central bank of Israel;
  - (ii) a local authority;
  - (iii) a statutory body;
  - (iv) any company wholly or mainly owned by the Government of Israel as may be agreed from time to time between the competent authorities of the Contracting States.

## Article 11 – Interest

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

2. However, such interest may also be taxed in the Contracting State in which it arises and according to the laws of that State, but if the beneficial owner of the interest is a resident of the other Contracting State, the tax so charged shall not exceed 7 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 these limitations.

3. Notwithstanding the provisions of paragraphs 1 and 2, interest arising in a Contracting State and paid to the Government of the other Contracting State shall be exempt from tax in the first-mentioned State.

4. For the purpose of paragraph 3, the term "Government":

(a) in the case of Israel, means the Government of Israel and shall include:

- (i) the central bank of Israel;
- (ii) a local authority;
- (iii) a statutory body;
- (iv) any company wholly or mainly owned by the Government of Israel as may be agreed from time to time between the competent authorities of the Contracting States;

(b) in the case of Singapore, means the Government of Singapore and shall include:

- (i) the Monetary Authority of Singapore;
- (ii) the Government of Singapore Investment Corporation Pte Ltd;
- (iii) a statutory body; and
- (iv) any institution wholly or mainly owned by the Government of Singapore as may be agreed from time to time between the competent authorities of the Contracting States.

5. The term "interest" as used in this Article means income from debt-claims of every kind, whether or not secured by mortgage and whether or not carrying a right to participate in the debtor's profits, and in particular, income from government securities and income from bonds or debentures, including premiums and prizes attaching to such securities, bonds or debentures. Penalty charges for late payment shall not be regarded as interest for the purpose of this Article.

6. The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the interest, being a resident of a Contracting State, carries on 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 such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14, as the case may be, shall apply.

7. Interest shall be deemed to arise in a Contracting State when the payer is 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 a fixed base in connection with which the indebtedness on which the interest is paid was incurred, and such interest is borne by such permanent establishment or fixed base, then such interest shall be deemed to arise in the State in which the permanent establishment or fixed base is situated.

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

## **Article 12 – Royalties**

1. Royalties arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State. However, the tax so charged in the other Contracting State shall not exceed 20 per cent of the amount of such royalties.

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 beneficial owner of the royalties is a resident of the other Contracting State, the tax so charged shall not exceed 5 per cent of the gross amount of 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 computer software, patent, trade mark, design or model, plan, secret formula or process, or for the use of, or 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 place situated therein, and the right or property in respect of which the royalties are paid is effectively connected with such permanent establishment or fixed place. In such case, the provisions of Article 7 or Article 14, as the case may be, shall apply.

5. Royalties shall be deemed to arise in a Contracting State when the payer is 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 Contracting State in which the permanent establishment or fixed base is situated.

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

## **Article 13 – Capital Gains**

1. Gains derived by a resident of a Contracting State from the alienation of immovable property referred to in Article 6 and situated in the other Contracting State may be taxed in that other State.
2. Gains derived by a resident of a Contracting State from the alienation of shares, other than shares traded on a recognised Stock Exchange, deriving at least fifty per cent of their value directly or indirectly from immovable property situated in the other Contracting State may be taxed in that other State.
3. 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 Contracting State.
4. 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.
5. Gains derived by a resident of a Contracting State from the alienation of any property other than that referred to in paragraphs 1, 2, 3 and 4, shall be taxable only in the Contracting State of which the alienator is a resident, if that resident is the beneficial owner of the property from which the capital gains are derived.

## **Article 14 – Independent Personal Services**

1. Income derived by an individual who is a resident of a Contracting State from the performance of professional services or other activities of an independent character shall be taxable only in that State 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 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 State; or
- (b) if his stay in the other State is for a period or periods exceeding in the aggregate 183 days in any calendar year; 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, lawyers, engineers, architects, dentists and accountants.

## **Article 15 – Income From Employment**

1. Subject to the provisions of Articles 16, 18 and 19, 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 the calendar year concerned; and
- (b) the remuneration is paid by, or on behalf of, an employer who is not a resident of the other 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 operated in international traffic by an enterprise of a Contracting State shall be taxable only in that State. However, if the remuneration is derived by a resident of the other Contracting State, it may also be taxed in that other State.

## **Article 16 – Directors' Fees**

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

## **Article 17 – Artistes And Sportsmen**

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

2. Where income in respect of or in connection with personal activities exercised by an entertainer or a sportsman 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. This paragraph shall not apply if it is established that neither the entertainer nor the sportsman himself, nor persons related thereto control, directly or indirectly, such person.

3. The provisions of paragraphs 1 and 2 shall not apply to income derived from activities exercised in a Contracting State by an artiste or a sportsman if the visit to that State is wholly or mainly supported by public funds of one or both of the Contracting States or local authorities or statutory bodies thereof. In such case, the income shall be taxable only in the Contracting State in which the artiste or the sportsman is a resident.

## **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. Notwithstanding the provisions of paragraph 1, pensions and other payments made under the social security legislation of a Contracting State shall be taxable only in that State.

## **Article 19 – Government Service**

1. (a) Salaries, wages and other similar remuneration, other than a pension, paid by a Contracting State, a local authority or a statutory body thereof to an individual in respect of services rendered to that State, authority or body shall be taxable only in that State.  
  
(b) However, such salaries, wages and other similar 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, a local authority or a statutory body thereof to an individual in respect of services rendered to that State, authority or body shall be taxable only in that State.  
  
(b) However, such pension shall be taxable only in the other Contracting State if the individual is a resident of, and a national of, that State.
  
3. The provisions of Articles 15, 16, 17 and 18 shall apply to such salaries, wages and other similar remuneration, and to pensions in respect of services rendered in connection with a business carried on by a Contracting State, a local authority or a statutory body thereof.

## **Article 20 – 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 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 21 – Other Income**

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

2. The provisions of paragraph 1 of this Article shall not apply to income, other than income from immovable property as defined in paragraph 2 of Article 6 of this Agreement, 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 provisions of Article 7 or Article 14 of this Agreement, as the case may be, shall apply.

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

## Article 22 – Elimination Of Double Taxation

1. Subject to the laws of Singapore regarding the allowance as a credit against Singapore tax of tax payable in any country other than Singapore, Israeli tax payable in respect of income derived from Israel shall be allowed as a credit against Singapore tax payable in respect of that income. Where such income is a dividend paid by a company which is a resident of Israel to a company which is a resident of Singapore and which owns not less than 10 per cent of the share capital of the company paying the dividend, the credit shall take into account Israeli tax payable by that company in respect of its income. The credit shall not, however, exceed that part of the Singapore tax, as computed before the credit is given, which is appropriate to such item of income.

2. The term "Israeli tax payable" shall be deemed to include the amount of Israeli tax which would have been paid if the Israeli tax had not been exempted or reduced in accordance with the special incentive laws designed to promote economic development in Israel, effective on the date of signature of this Agreement, or which may be introduced in future in the Israeli taxation laws in modification of, or in addition to, the existing laws.

3. In the case of Israel double taxation shall be avoided as follows:

- (i) Where a resident of Israel derives income which, in accordance with the provisions of this Agreement, may be taxed in Singapore, Israel shall (subject to the laws of Israel regarding the allowance of a credit of foreign taxes, which shall not affect the general principle contained in this paragraph) allow as a deduction from the tax on the income of that resident, an amount equal to the income tax paid in Singapore.

Such deduction shall not, however, exceed that part of the income tax, as computed before the deduction is given, which is attributable, as the case may be, to the income which may be taxed in Singapore.

- (ii) Where such income is a dividend paid by a company which is a resident of Singapore to a company which is a resident of Israel and which owns not less than 25 per cent of the share capital of the company paying the dividend, such dividend shall be excluded from the basis upon which Israeli tax is imposed. However, the provisions of this sub-paragraph shall cease to have effect in respect of dividends paid on or after 1 January 2008 or on or after the date the provisions of this Agreement commence to have effect, whichever is the later.

The provisions of this sub-paragraph shall apply only to a company which was a resident of Singapore before the date the provisions of this Agreement commence to have effect.

- (iii) Where such income is a dividend paid by a company which is a resident of Singapore to a company which is a resident of Israel and which owns not less than 10 per cent of the share capital of the company paying the dividend, subject to the laws of Israel regarding the allowance of a credit of foreign taxes, which shall not affect the general principle contained in this paragraph, the deduction shall take into account Singapore tax payable by that company in respect of its income. The deduction amount shall not, however, exceed that part of the Israeli tax, as computed before the credit is given, which is appropriate to such item of income.

- (iv) For the purposes of sub-paragraph (i) of this paragraph, the term "income tax paid in Singapore" shall be deemed to include the amount of Singapore tax which would have been paid if the Singapore tax had not been exempted or reduced in accordance with the special incentive laws designed to promote economic development in Singapore, effective on the date of signature of this Agreement, or which may be introduced in future in the Singapore taxation laws in modification of, or in addition to, the existing laws.

## **Article 23 – Non-Discrimination**

1. Nationals of a Contracting State shall not be subjected in the other Contracting State to any taxation or any requirement connected therewith, which is other or more burdensome than the taxation and connected requirements to which nationals of that other State in the same circumstances, in particular with respect to residence, are or may be subjected. This provision shall, notwithstanding the provisions of Article 1, also apply to persons who are not residents of one or both of the Contracting States.
  
2. 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. Nothing in this Article shall be construed as obliging a Contracting State to grant to nationals of the other Contracting State those personal allowances, reliefs and reductions for tax purposes which it grants to its own nationals who are not residents of that State or to such other persons as may be specified in the taxation laws of that State.
  
4. Except where the provisions of paragraph 1 of Article 9, paragraph 8 of Article 11, or paragraph 6 of Article 12, apply, interest, royalties and other disbursements paid by an enterprise of a 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. Similarly, any debts of an enterprise of a Contracting State to a resident of the other Contracting State shall, for the purpose of determining the taxable capital of such enterprise, be deductible under the same conditions as if they had been contracted to a resident of the first-mentioned State. Provided that nothing in this paragraph shall be construed as preventing a Contracting State from imposing any obligation to withholding tax from such payments.
  
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. Where a Contracting State grants tax incentives to its nationals designed to promote economic or social development in accordance with its national policy and criteria, it shall not be construed as discrimination under this Article.
  
7. The provisions of this Article shall apply to the taxes which are the subject of this Agreement.

## **Article 24 – Mutual Agreement Procedure**

1. Where a person considers that the actions of one or both of the Contracting States result or will result for him in taxation not in accordance with the provisions of this Agreement, he may, irrespective of the remedies provided by the domestic law of those States, present his case to the competent authority of the Contracting State of which he is a resident or, if his case comes under paragraph 1 of Article 23, to that of the Contracting State of which he is a national. The case must be presented within 3 years from the first notification of the action resulting in taxation not in accordance with the provisions of the Agreement.
2. The competent authority shall endeavour, if the objection appears to it to be justified and if it is not itself able to arrive at a satisfactory solution, to resolve the case by mutual agreement with the competent authority of the other Contracting State, with a view to the avoidance of taxation which is not in accordance with the Agreement. 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 Agreement. They may also consult together for the elimination of double taxation in cases not provided for in the Agreement.
4. The competent authorities of the Contracting States may communicate with each other directly for the purpose of reaching an agreement in the sense of the preceding paragraphs.

## **Article 25 – 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 Agreement or of the domestic laws of the Contracting States concerning taxes covered by the Agreement insofar as the taxation thereunder is not contrary to the Agreement. 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) concerned with the assessment or collection of, the enforcement or prosecution in respect of, or the determination of appeals in relation to, the taxes covered by the Agreement. Such persons or authorities shall use the information only for such purposes. They may disclose the information in public court proceedings or in judicial decisions.

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

- (a) to carry out administrative measures at variance with the laws and administrative practice of that or of the other Contracting State;
- (b) to supply information which is not obtainable under the laws or in the normal course of the administration of that or of the other Contracting State;
- (c) to supply information which would disclose any trade, business, industrial, commercial or professional secret or trade process, or information, the disclosure of which would be contrary to public policy (ordre public).

## **Article 26 – Members of Diplomatic Missions and Consular Posts**

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

## Article 27 – Entry Into Force

1. Each of the Contracting States shall notify to the other the completion of the procedures required by its law for the bringing into force of this Agreement.

2. The Agreement shall enter into force on the date of the later of these notifications and its provisions shall have effect:

(a) in Israel:

(i) in respect of taxes withheld at source, to amounts of income derived on or after 1 January of the year following the year the Agreement enters into force;

(ii) in respect of other taxes on income, to such taxes chargeable for any taxable year beginning on or after 1 January of the year following the year the Agreement enters into force;

(b) in Singapore:

in respect of tax chargeable for any year of assessment beginning on or after 1 January in the second calendar year following the year in which the Agreement enters into force.

3. The Agreement between the Republic of Singapore and the State of Israel for the Avoidance of Double Taxation with respect to Taxes on Income signed on 27<sup>th</sup> September 1971 shall cease to have effect for all cases covered by this Agreement as from the date on which the provisions of this Agreement commence to have effect.

## **Article 28 – Termination**

This Agreement shall remain in force until terminated by a Contracting State. Either Contracting State may terminate the Agreement, through diplomatic channels, by giving 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 event, the Agreement shall cease to have effect:

- (a) in Israel:
  - (i) in respect of taxes withheld at source, for amounts paid or credited on or after the first day of January in the calendar year next following that in which such notice has been given;
  - (ii) in respect of other taxes, for taxable periods beginning on or after the first day of January in the calendar year next following that in which such notice has been given.
- (b) in Singapore:

in respect of tax chargeable for any year of assessment beginning on or after 1 January in the second calendar year following the year in which the notice is given.

IN WITNESS WHEREOF the undersigned, duly authorised thereto, have signed this Agreement.

DONE in duplicate at Israel on this 19th day of May 2005 in the Hebrew and English languages, both texts being equally authentic, but in the case of divergence of interpretation the English text shall prevail.

**For the Government of  
the Republic of Singapore**

**Goh Chok Tong  
Senior Minister**

**For the Government of  
the State of Israel**

**Benjamin Netanyahu  
Finance Minister**

## PROTOCOL

At the time of signing the Agreement between the Government of the State of Israel and the Government of the Republic of Singapore for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, both Governments have agreed that the following provisions shall form an integral part of the Agreement.

1. *In relation to paragraph 2 of Article 3 (General Definitions):*

With respect to Israel, the term "law" includes rules and regulations, with due regard given to interpretation by administrative directives and court decisions in the State of Israel.

2. *In relation to paragraph 4 of Article 8 (Shipping and Air Transport):*

It is understood that the activities giving rise to the income described in paragraph 4 are not the principal activities of the enterprise.

3. *In relation to paragraph 2 of Article 9 (Associated Enterprises):*

It is understood that the Contracting State that is asked to make the appropriate adjustment is not obliged to make the adjustment unless that State agrees that the adjustment to be made is justified both in principle and as regards to the amount.

4. *In relation to paragraphs 4(d) and 8(b)(iv) of Article 10 (Dividends) and paragraphs 4(a)(iv) and 4(b)(iv) of Article 11 (Interest):*

The term "company" or "institution", as the case may be, means a person performing governmental functions which would otherwise be performed by the Government of the Contracting State.

5. *In relation to paragraph 8(a) of Article 10 (Dividends):*

Singapore adopts the imputation system and the one-tier system concurrently at present. Under the imputation system, where dividends are paid by a company in Singapore, there is no tax chargeable on dividends in addition to the tax chargeable on the profits of the company. Under the one-tier system, dividends are not subject to tax in the hands of the shareholders. The imputation system will be fully replaced by the one-tier system with effect from 1 January 2008.

6. *In relation to paragraph 2 of Article 13 (Capital Gains) of the Agreement:*

The term "recognised Stock Exchange" means:

- (a) in the case of Israel, the Tel Aviv Stock Exchange;
- (b) in the case of Singapore, the Singapore Exchange (SGX);
- (c) any stock exchange in either Contracting State as may be agreed from time to time.

7. *In relation to paragraph 5 of Article 13 (Capital Gains) of the Agreement:*

It is understood that no capital gains tax is imposed in the country of source on the basis that Singapore does not impose any capital gains tax under its current domestic law. If, subsequent to the signing of this Agreement, Singapore imposes capital gains tax, the competent authority of either State may initiate a review of the provisions of this paragraph.

8. *In relation to Article 27 (Entry into Force) and Article 28 (Termination):*

Under the current Singapore laws, tax chargeable for any year of assessment in Singapore relates to the income arising in the year preceding the year of assessment.

9. *In relation to the application of the provisions of this Agreement:*

- (a) The term "statutory body" referred to in this Agreement means a body constituted by statute and performing functions which would otherwise be performed by the Government of the Contracting State;
- (b) Where the benefits or relief under the provisions of this Agreement is granted on the basis of residence status, the presentation of a certificate of residence issued by the competent authority of a Contracting State is required;
- (c) (i) For the purposes of clarification, a Contracting State may apply its domestic laws and procedures of that State with respect to the treatment of artificial transactions, deny the benefits of this Agreement to any person, or with respect to any transaction, if in its opinion the granting of those benefits would constitute an abuse of the Agreement according to its purposes;  
  
(ii) In the event that a resident of a Contracting State is denied relief from taxation in the other Contracting State by reason of the provisions of the above sub-paragraph (c)(i), the competent authority of the other Contracting State shall notify the competent authority of the first-mentioned Contracting State.

IN WITNESS WHEREOF the undersigned, duly authorised thereto, have signed this Agreement.

DONE in duplicate at Israel on this 19th day of May 2005 in the Hebrew and English languages, both texts being equally authentic, but in the case of divergence of interpretation the English text shall prevail.

**For the Government of  
the Republic of Singapore**

**Goh Chok Tong  
Senior Minister**

**For the Government of  
the State of Israel**

**Benjamin Netanyahu  
Finance Minister**

# ANNEX A

## Effects of the MLI on this Agreement

### 1. Deletion and replacement of the Preamble

The Preamble of the Agreement is deleted and replaced by the following Preamble:

“The Government of the Republic of Singapore and the Government of the State of Israel,

Intending to eliminate double taxation with respect to the taxes covered by this Agreement without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through treaty-shopping arrangements aimed at obtaining reliefs provided in this Agreement for the indirect benefit of residents of third jurisdictions),

Have agreed as follows:”.

### 2. Amendment of Article 9

Paragraph 2 of Article 9 (Associated Enterprises) of the Agreement is deleted and replaced by the following paragraph:

“2. Where a Contracting State includes in the profits of an enterprise of that Contracting State — and taxes accordingly — profits on which an enterprise of the other Contracting State has been charged to tax in that other Contracting State and the profits so included are profits which would have accrued to the enterprise of the first-mentioned Contracting State if the conditions made between the two enterprises had been those which would have been made between independent enterprises, then that other Contracting 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 Agreement and the competent authorities of the Contracting States shall if necessary consult each other.”.

### 3. New Article 26A

The following new Article 26A is inserted immediately after Article 26 (Members of Diplomatic Missions and Consular Posts):

#### **“ARTICLE 26A – PREVENTION OF TREATY ABUSE**

Notwithstanding any provisions of this Agreement, a benefit under this Agreement shall not be granted in respect of an item of income if it is reasonable to conclude, having regard to all relevant facts and circumstances, that obtaining that benefit was one of the principal purposes of any arrangement or transaction that resulted directly or indirectly in that benefit, unless it is established that granting that benefit in these circumstances would be in accordance with the object and purpose of

the relevant provisions of this Agreement.”.

4. Entry into effect

The effects of the MLI on this Agreement shall have effect in Singapore:

- (a) with respect to taxes withheld at source, in respect of amounts paid, deemed paid or liable to be paid (whichever is the earliest), on or after 1 January 2020; and
- (b) with respect to taxes other than those withheld at source, where the income is derived or received in a basis period beginning on or after 1 October 2019.

# **ANNEX B**

The Government of the Republic of Singapore and the Government of the State of Israel,

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. This Convention shall apply to taxes on income imposed on behalf of each Contracting State irrespective of the manner in which they are levied.
2. The existing taxes which are the subject of this Convention are -
  - (a) in Singapore:  
the income tax  
(hereinafter referred to as "Singapore tax");
  - (b) in Israel:
    - (i) the income tax (including capital gains tax and company tax);
    - (ii) the security levy;  
(hereinafter referred to as "Israeli tax").
3. This Convention shall also apply to any other taxes of a substantially similar character which are subsequently imposed in addition to, or in place of, the existing taxes.
4. If by reason of changes made in the taxation law of either Contracting State, it seems desirable to amend any article of this Convention without affecting the general principles thereof the necessary amendments may be made by mutual consent by means of an exchange of diplomatic notes or in any other manner in accordance with their constitutional procedures.

### ARTICLE 3 – GENERAL DEFINITIONS

1. In this Convention, unless the context otherwise requires:
  - (a) the term "Singapore" means the Republic of Singapore;
  - (b) the term "Israel" means the State of Israel;
  - (c) the terms "a Contracting State" and "the other Contracting State" mean Singapore or Israel, as the context requires;
  - (d) the term "tax" means Singapore tax or Israeli tax, as the context requires;
  - (e) the term "person" comprises an individual, a company and any other body of persons which is treated as an entity for tax purposes;
  - (f) the term "company" means any body corporate or any entity which is treated as a body corporate for tax purposes;
  - (g) the terms "enterprise of a Contracting State" and "enterprise of the other Contracting State" mean respectively an enterprise carried on by a resident of a Contracting State and an enterprise carried on by a resident of the other Contracting State;
  - (h) the term "competent authority" means, in the case of Singapore, the Minister for Finance or his authorised representative; and in the case of Israel, the Minister of Finance or his authorised representative.
  
2. As regards the application of this Convention by either Contracting State any term not otherwise defined shall, unless the context otherwise requires, have the meaning which it has under the laws of that Contracting State relating to the taxes which are the subject of this Convention.

## **ARTICLE 4 – FISCAL DOMICILE**

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 taxation 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 case shall be determined in accordance with the following rules:
  - (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, 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 Contracting State in which the control and management of its business is exercised.

## 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 workshop;
  - (f) a mine, oil well, quarry or other place of extraction of natural resources;
  - (g) a plantation, farm, orchard or vineyard;
  - (h) a building site or construction or installation or assembly project which exists for more than six months.
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 for 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. An enterprise of a Contracting State, notwithstanding it has no fixed place of business in the other Contracting State, shall be deemed to have a permanent establishment in that other Contracting State if it carries on supervisory activities therein for more than six months in connection with a construction, installation or assembly project which is being undertaken in that other Contracting State.
5. A person acting in a Contracting State on behalf of an enterprise of the other Contracting State (other than an agent of independent status to whom paragraph 6 applies) notwithstanding he has no fixed place of business in the former Contracting State shall be deemed to be a permanent establishment in the first-mentioned Contracting State if -

- (a) he has, and habitually exercises a general authority in the first-mentioned Contracting State to conclude contracts in the name of the enterprise; or
- (b) he maintains in the first-mentioned Contracting State a stock of goods or merchandise belonging to the enterprise from which he regularly fills orders on behalf of the enterprise.

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 Contracting 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 Contracting State (whether through a permanent establishment or otherwise), shall not of itself constitute for either company a permanent establishment of the other.

## **ARTICLE 6 – INCOME FROM IMMOVABLE PROPERTY**

1. Income from immovable property may be taxed in the Contracting State in which such property is situated.
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 considerations for the working of, or the right to work, mineral deposits, sources and other natural resources; ships, boats and aircraft shall not be regarded as immovable property.
3. The provisions of paragraph 1 shall apply to income derived from the direct use, letting, or use in any other form of immovable property.
4. The provisions of paragraph 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 professional 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. 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 deductions expenses which are incurred for the purposes of the permanent establishment including executive and general administrative expenses so incurred, whether in the State in which the permanent establishment is situated or elsewhere.
4. No profits shall be attributed to a permanent establishment by reason of the mere purchase (including transportation) by that permanent establishment of goods or merchandise for the enterprise.
5. Where profits include items of income which are dealt with separately in other Articles of this 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 which an enterprise of a Contracting State derives from the operation of ships or aircraft in international traffic shall be exempt from tax of the other Contracting State.
2. The provisions of paragraph 1 of this Article shall likewise apply in respect of participations in pools, in a joint business or in an international operations agency of any kind by enterprises engaged in the operation of ships or aircraft in international traffic.
3. The exemption mentioned in paragraph 1 of this Article shall not affect the provisions of Article 13 as regards the taxation of employees of enterprises of either Contracting State engaged in the operation of ships and aircraft in international traffic.

## **ARTICLE 9 – ASSOCIATED ENTERPRISES**

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 reasons of those conditions, have not so accrued, may be included in the profits of that enterprise and taxed accordingly.

## ARTICLE 10 – DIVIDENDS

1. Dividends paid by a company resident in a Contracting State to a resident of the other Contracting State who is subject to tax in that other Contracting State in respect of such dividends shall be exempt from any tax in the first-mentioned Contracting State which is chargeable on dividends in addition to the tax chargeable in respect of the profits or income of the company.

2. The term "dividends" as used in this Article means income from shares as well as income assimilated to income from shares according to the taxation law of the Contracting State of which the company making the distribution is a resident.

3. The provisions of paragraph 1 shall not apply if the recipient of the dividends, being a resident of a Contracting State, has in the other Contracting State, of which the company paying the dividends is a resident, a permanent establishment with which the holding by virtue of which the dividends are paid is effectively connected. In such a case, the provisions of Article 7 shall apply.

4. 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 to persons who are not residents of that other State, or subject the company's undistributed profits to a tax on undistributed profits, even if the dividends paid or undistributed profits consist wholly or partly of profits or income arising in such other State.

- 5.
- (a) Dividends shall be deemed to arise in Israel if paid by a company resident there.
  - (b) Dividends shall be deemed to arise in Singapore
    - (i) if paid by a company resident there, out of profits accumulated after 1965; or
    - (ii) if paid by a company resident there out of profits accumulated before 1966, and qualifying as dividends arising in Singapore under Article VII of the 1968 Double Taxation Agreement between Singapore and Malaysia.

## **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 be taxed in the Contracting State in which it arises, and according to the law of that State, but the tax so charged shall not exceed 15 per cent of the gross amount of interest. The competent authorities of the Contracting States shall by mutual agreement settle the mode of application of this limitation.
3. 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 according to the taxation law of the State in which the income arises.
4. The provisions of paragraphs 1 and 2 shall not apply if the recipient of the interest, being a resident of a Contracting State, has in the other Contracting State in which the interest arises, a permanent establishment with which the debt-claim from which the interest arises is effectively connected. In such a case, the provisions of Article 7 shall apply.
5. Interest shall be deemed to arise in a Contracting State when the payer is that State itself, a political sub-division, 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 in connection with which the indebtedness on which the interest is paid was incurred, and such interest is borne by such permanent establishment, then such interest shall be deemed to arise in the Contracting State in which the permanent establishment is situated.
6. Where, owing to a special relationship between the payer and the recipient or between both of them and some other person, the amount of interest paid, 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 recipient in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In that 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 12 – ROYALTIES**

1. Royalties arising in a Contracting State and paid to a resident of the other Contracting State shall be taxable only in that other State. However, the tax so charged shall not exceed 15 per cent of the amount of such royalties.
2. 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 scientific work, 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, or scientific experience.
3. The provisions of paragraph 1 shall not apply if the recipient of the royalties, being a resident of a Contracting State, has in the other Contracting State in which the royalties arise a permanent establishment with which the right or property giving rise to the royalties is effectively connected. In such a case, the provisions of Article 7 shall apply.
4. Where, owing to a special relationship between the payer and the recipient or between both of them and some other person, the amount of the royalties paid, having regard to the use, right or information for which they are paid, exceeds the amount which would have been agreed upon by the payer and the recipient in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In that 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.
5. Royalties shall be deemed to arise in a Contracting State when the payer is that State itself, a political 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 in connection with which the obligation to pay the royalties was incurred, and such royalties are borne by such permanent establishment, then such royalties shall be deemed to arise in the Contracting State in which the permanent establishment is situated.

## **ARTICLE 13 – PERSONAL SERVICES**

1. Subject to the provisions of Articles 14, 16, 17 and 18, salaries, wages and other similar remuneration or income for personal (including professional) services derived by a resident of a Contracting State, shall be taxable only in that Contracting State, unless the services are performed in the other Contracting State. If the services are so performed, such remuneration or income as is derived therefrom may be taxed in that other Contracting State.

2. Notwithstanding the provisions of paragraph 1, remuneration or income derived by a resident of a Contracting State for personal (including professional) services performed in the other Contracting State shall be exempt from tax of that other Contracting State if -

- (a) the recipient is present in the other Contracting State for a period or periods not exceeding in the aggregate 183 days in the calendar year concerned; and
- (b) the remuneration or income is paid by or on behalf of, a person who is a resident of the first-mentioned Contracting State; and
- (c) the remuneration or income is not borne by a permanent establishment which that person has in the other Contracting State.

3. A resident of a Contracting State shall be exempt from tax in the other Contracting State on remuneration for services performed on ships or aircraft in international traffic.

## **ARTICLE 14 – DIRECTORS' FEES**

Directors' fees and 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 Contracting State.

## **ARTICLE 15 – ARTISTS AND ATHLETES**

1. Notwithstanding the provisions of Article 13, income derived by public entertainers, such as theatre, motion picture, radio or television artists, and musicians, and by athletes, from their personal services as such may be taxed in the Contracting State in which these services are performed.

2. The provisions of paragraph 1 shall not apply to remuneration or profits, salaries, wages and similar income derived from services rendered in a Contracting State by public entertainers if the visit to that Contracting State is substantially supported by public funds of the Government of the other Contracting State.

3. Where the services mentioned in paragraph 1 are provided in a Contracting State by an enterprise of the other Contracting State the profits derived from providing these services by such an enterprise may be taxed in the first-mentioned State unless the enterprise is substantially supported from the public funds of the Government of the other Contracting State in connection with the provision of such services.

4. For the purposes of this Article the term "Government" shall include any local authority or statutory body of either Contracting State.

## **ARTICLE 16 – PUBLIC FUNDS**

1. Remuneration paid by, or out of funds created by a Contracting State, a political subdivision, a local authority or a statutory body thereof to any individual in respect of an employment shall be taxable only in that State. If, however, the employment is exercised in the other Contracting State by a resident of that other State not being a citizen or national of the first-mentioned State, the remuneration shall be taxable only in that other State.
2. The provisions of Articles 13 and 14 shall apply to remuneration in respect of an employment in connection with any business carried on by a Contracting State, a political subdivision, a local authority or a statutory body thereof for the purpose of profits.
3. For the purposes of paragraph 1, the term "a citizen or national" in the case of Israel includes any individual who is eligible to Israeli citizenship according to the laws of Israel.

## **ARTICLE 17 – TEACHERS**

An individual who is a resident of a Contracting State immediately before making a visit to the other Contracting State, and who, at the invitation of any university, college, school or other similar educational institution, which is recognised by the competent authority in that other Contracting State, visits that other Contracting State for a period not exceeding two years solely for the purpose of teaching or research or both at such educational institutions shall be exempt from tax in that other Contracting State on his remuneration for such teaching or research.

## ARTICLE 18 – STUDENTS AND TRAINEES

1. An individual, who immediately before visiting a Contracting State, is a resident of the other Contracting State and is temporarily present in the first-mentioned Contracting State solely as a student at a recognised university, college or school in that first-mentioned Contracting State, or as a business apprentice therein, shall be exempt from tax in the first-mentioned Contracting State in respect of -

- (a) all remittances from the other Contracting State for the purposes of his maintenance, education, or training; and
- (b) any remuneration for personal services rendered in the first-mentioned Contracting State with a view to supplementing the resources available to him for such purposes.

2. An individual, who immediately before visiting a Contracting State, is a resident of the other Contracting State and is temporarily present in the first-mentioned Contracting State for a period not exceeding three years for the purpose of study, research or training solely as a recipient of a grant, allowance or award from a scientific, educational, religious and charitable organisation or under a technical assistance programme entered into by the Government of one of the Contracting States, shall be exempt from tax in the first-mentioned Contracting State on -

- (a) the amount of such grant, allowance or award; and
- (b) any remuneration for personal services rendered in the first-mentioned Contracting State provided such services are in connection with his study, research or training or are incidental thereto.

3. An individual, who immediately before visiting a Contracting State, is a resident of the other Contracting State and is temporarily present in the first-mentioned Contracting State for a period not exceeding twelve months solely as an employee of, or under contract with, the Government or an enterprise of the second-mentioned Contracting State for the purpose of acquiring technical, professional or business experience shall be exempt from tax in the first-mentioned Contracting State on -

- (a) all remittances from the second-mentioned Contracting State for the purposes of his maintenance, education or training; and
- (b) any remuneration for personal services rendered in the first-mentioned Contracting State, provided such services are in connection with his studies or training or are incidental thereto, in an amount not in excess of 12,000 Singapore dollars or its equivalent in Israeli currency.

4. For the purposes of this Article the term "Government" shall include any local authority or statutory body of either of the Contracting States.

## **ARTICLE 19 – LIMITATION OF RELIEF**

Where this Convention provides (with or without other conditions) that income from sources in a Contracting State shall be exempt from tax, or taxed at a reduced rate in that Contracting State and under the laws in force in the other Contracting State the said income is subject to tax by reference to the amount thereof which is remitted to or received in that other Contracting State and not by reference to the full amount thereof, then the exemption or reduction of tax to be allowed under the Convention in the first-mentioned Contracting State shall apply to so much of the income as is remitted to or received in that other Contracting State.

## **ARTICLE 20 – ELIMINATION OF DOUBLE TAXATION**

1. Subject to the laws of Singapore regarding the allowance as a credit against Singapore tax of tax payable in any country other than Singapore, Israeli tax payable in respect of income derived from Israel shall be allowed as a credit against Singapore tax payable in respect of that income. Where such income is a dividend paid by a company which is a resident of Israel to a company which is a resident of Singapore and which owns not less than 25 per cent of the share capital of the company paying the dividend, the credit shall take into account Israeli tax payable by that company in respect of its income. The credit shall not, however, exceed that part of the Singapore tax, as computed before the credit is given, which is appropriate to such item of income.

2. The term "Israeli tax payable" shall be deemed to include the amount of Israeli tax which would have been paid if the Israeli tax had not been exempted or reduced in accordance with the special incentive laws designed to promote economic development in Israel, effective on the date of signature of this Convention, or which may be introduced in future in the Israeli taxation laws in modification of, or in addition to, the existing laws.

3. Subject to the laws of Israel regarding the allowance as a credit against Israeli tax of tax payable in any country other than Israel, Singapore tax payable in respect of income derived from Singapore shall be allowed as a credit against Israeli tax payable in respect of that income. The credit shall not, however, exceed that part of the Israeli tax, as computed before the credit is given, which is appropriate to such item of income. Where such income is a dividend paid by a company which is a resident of Singapore to a company which is a resident of Israel and which owns not less than 25 per cent of the share capital of the company paying the dividend, such dividend shall be excluded from the basis upon which Israeli tax is imposed.

4. The term "Singapore tax payable" shall be deemed to include the amount of Singapore tax which would have been paid if the Singapore tax had not been exempted or reduced in accordance with the special incentive laws designed to promote economic development in Singapore, effective on the date of signature of this Convention, or which may be introduced in future in the Singapore taxation laws in modification of, or in addition to, the existing laws.

5. The provisions of paragraph 2 and 4 of this Article shall not apply to royalties as defined in paragraph 2 of Article 12.

## **ARTICLE 21 – NON-DISCRIMINATION**

1. The 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 term "national" means -

- (a) in respect of Singapore all individuals possessing the citizenship of Singapore and all legal persons, partnerships, associations and other entities deriving their status as such from the laws in force in Singapore;
- (b) in respect of Israel all individuals possessing the nationality of Israel and all legal persons, partnerships, associations and other entities deriving their status as such from the laws in force in Israel.

3. 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.

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 the first-mentioned State are or may be subjected.

5. In this Article the term "taxation" means taxes which are the subject of this Convention.

## **ARTICLE 22 – MUTUAL AGREEMENT PROCEDURE**

1. Where a resident of a Contracting State considers that the actions of one or both of the Contracting States result or will result for him in taxation not in accordance with this Convention, he may, notwithstanding the remedies provided by the national laws of those States, present his case to the competent authority of the Contracting State of which he is a resident.
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 an appropriate 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. 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 23 – EXCHANGE OF INFORMATION**

1. The competent authorities of the Contracting States shall exchange such information as is necessary for the carrying out of this Convention and of the domestic laws of the Contracting States concerning taxes covered by this Convention insofar as the taxation thereunder is in accordance with this Convention. Any information so exchanged shall be treated as secret and shall not be disclosed to any persons or authorities other than those concerned with the assessment or collection of the taxes which are subject of this Convention.

2. In no case shall the provisions of paragraph 1 be construed so as to impose on one of the Contracting States 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 particulars which are 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 24 – DIPLOMATIC AND CONSULAR OFFICIALS**

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

2. The Convention shall not apply to International Organisations, to organs or officials thereof and to persons who are members of a diplomatic or consular mission of a Third State, being present in a Contracting State and not treated in either Contracting State as residents in respect of taxes on income.

## **ARTICLE 25 – ENTRY INTO FORCE**

This Convention shall come into force on the date when the last of all such things shall have been done in Singapore and in Israel as are necessary to give this Convention the force of law in Singapore and Israel respectively, and shall thereupon have effect -

(a) in Singapore:

as respects Singapore tax for years of assessment beginning on or after the first day of January 1972;

(b) in Israel:

as respects Israeli tax for assessment years which correspond to years of income beginning on or after the first day of April 1971.

## ARTICLE 26 – TERMINATION

This Convention shall continue in effect indefinitely, but the Government of either of the Contracting States may, on or before 30 June in any calendar year (not earlier than the year 1976), give to the other Contracting Government written notice of termination and, in such event, this Convention shall cease to be effective -

(a) in Singapore:

as respects Singapore tax for the years of assessment beginning on the first day of January of the calendar year next following that in which such notice is given;

(b) in Israel:

as respects Israeli tax for assessment years beginning on the first day of April of the calendar year following that in which such notice is given.

IN WITNESS WHEREOF the undersigned, being duly authorised thereto by their respective Governments, have signed this Convention.

DONE in Jerusalem, in duplicate the twenty-seventh day of September of the year 1971 in the English language.

For the Government of  
the Republic of Singapore:

WAN FOOK HOY

For the Government of  
the State of Israel:

MOSHE NEUDORFER