

AGREEMENT BETWEEN THE REPUBLIC OF TURKEY
AND THE SOCIALIST REPUBLIC OF ROMANIA FOR
THE AVOIDANCE OF DOUBLE TAXATION WITH RESPECT
TO TAXES ON INCOME AND CAPITAL

THE GOVERNMENT OF THE REPUBLIC OF TURKEY

and

THE GOVERNMENT OF THE SOCIALIST REPUBLIC OF ROMANIA

desiring to conclude an Agreement for the avoidance of double taxation with respect to taxes on income and capital and with a view to promote and strengthen the economic relations between the two countries

HAVE AGREED AS FOLLOWS:

Article 1

PERSONAL SCOPE

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 and on capital imposed on behalf of each Contracting State or of its administrative territorial units or local authorities, irrespective of the manner in which they are levied.

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

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

- a) in the case of the Republic of Turkey :
 - i) income tax;
 - ii) corporation tax;
 - iii) the fund for the support of defence industry (hereinafter referred to as "Turkish tax");
- b) in the case of the Socialist Republic of Romania:
 - i) the tax on income derived by individuals and corporate bodies;
 - ii) the tax on the profits of joint companies constituted with the participation of some Romanian economic organizations and some foreign partners;
 - iii) the tax on income realised from agricultural activities (hereinafter referred to as "Romanian tax").

4. The Agreement shall also apply to any identical or substantially similar taxes which are subsequently imposed in addition to, or in place of, the existing taxes. The competent authorities of the Contracting States shall notify to each other any significant changes which have been made in their respective taxation laws covered by this Agreement.

Article 3

GENERAL DEFINITIONS

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

- a) i) the term "Turkey" means the Republic of Turkey and when used in a geographical sense means the territory of Turkey in which the laws of Turkey are in force, as well as the continental shelf over which Turkey has, in accordance with international law, sovereign rights to explore and exploit its natural resources;
- ii) the term "Romania" means the Socialist Republic of Romania and used in a geographical sense it means the territory of Romania, the continental shelf and an area beyond the territorial sea of Romania within which Romania may, on the basis of the internal law and in accordance with international law, exercise sovereign rights to exploration and exploitation of natural, biological and mineral resources existing in the sea waters, sea-bed and in its subsoil;
- b) the terms "a Contracting State" and "the other Contracting State" mean Turkey and Romania as the context requires;
- c) the term "tax" means Turkish tax or Romanian tax, as the context requires, and also includes any tax covered by Article 2 of this Agreement;
- d) the term "person" includes an individual, a company and any other body of persons;
- e) the term "company" means any body corporate or any entity which is treated as a body corporate for tax purposes and also includes joint companies incorporated under the legislations of the Contracting States;
- f) the term "Registered Office" means the legal head office registered under the Turkish Code of Commerce or under the Romanian law;
- g) the term "nationals" means:
 - i) in respect of Turkey, any individual possessing the Turkish nationality from the "Turkish Nationality Code" and any legal person, partnership and association deriving its status as such from the law in force in Turkey;
 - ii) in respect of Romania, any individual possessing the Romanian citizenship and any legal person, partnership and association deriving its status as such from the law in force in Romania;
- h) 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;

- i) the term "competent authority" means :
 - i) in Turkey, the Minister of Finance and Customs, or his authorised representative ;
 - ii) in Romania, the Minister of Finance or his authorised representative ;
- j) the term "beneficial owner" means a resident of a Contracting State or of the other Contracting State. This term shall not include a resident of a third state, and such a resident shall not be allowed to get benefit from the provisions of this Agreement.

2. As regards the application of the provisions of this Agreement by one of the Contracting States 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 Agreement.

Article 4

FISCAL LOMK İLE

1. For the purposes of this Agreement, the term "resident of a Contracting State" means any person who, under the law of that State, is liable to tax therein, by reason of his domicile, residence, legal head office (Registered Office), place of effective management or any other criterion of a similar nature.

2. Where by reason of the provisions of paragraph 1 an individual is a resident of both Contracting States, then his status shall be determined 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, he shall be deemed to be a resident of the Contracting State of which he is a national;
- d) if he is a national of both Contracting States or of neither of them, the competent authorities of the Contracting States shall settle the question by mutual agreement.

3. Where, by reason of the provisions of paragraph 1 a company is a resident of both Contracting States, the competent authorities of the Contracting States shall settle the question by mutual agreement in accordance with Article 25.

Article 5

PERMANENT ESTABLISHMENT

1. For the purposes of this Agreement, the term "permanent establishment" means a fixed place of business in which the business of an 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, an oil or gas well, a quarry or any other place of extraction of natural resources;
- g) i) a building site, a construction, assembly or installation project, but only if such site or project continue for a period of more than six months;
- ii) the furnishing of services, including consultancy services, by an enterprise 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 country for a period or periods aggregating more than six months within any 12-month period.

The Contracting States are free to apply the withholding tax on the gross receipts or to operate the taxation on net income, according to their internal legislation.

3. Notwithstanding the preceding provisions of this Article, the term "permanent establishment" shall be deemed not to include:

- a) the use of facilities solely for the purpose of storage, 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 enterprise, any other activity of a preparatory or auxiliary character of collecting information, or scientific research, or similar activities;
- f) the maintenance of a fixed place of business solely for any combination of activities mentioned in subparagraphs a) to e), provided that the overall activity of the fixed place of business resulting from this combination is of a preparatory or auxiliary character.

4. Notwithstanding the provisions of paragraphs 1 and 2, where a person - other than an agent of independent status to whom paragraph 6 applies - is acting in a Contracting State on behalf of an enterprise of the other Contracting State, that enterprise shall be deemed to have a permanent establishment in the first-mentioned Contracting State in respect of any activities which that person undertakes for the enterprise, if such a person:

- a) Has and habitually exercises in that State an authority to conclude contracts in the name of the enterprise, unless the activities of such person are limited to those mentioned in paragraph 3 which, if exercised through a fixed place of business would not make this fixed place of business a permanent establishment under the provisions of that paragraph; or
- b) Has no such authority, but habitually maintains in the first-mentioned State a stock of goods or merchandise from which he regularly delivers goods or merchandise on behalf of the enterprise. However, if a person occasionally maintains in the first-mentioned State a stock of goods or merchandise from which he seldom delivers goods or merchandise on behalf of the enterprise, that person shall not constitute a permanent establishment for such enterprise.

5) Notwithstanding the provisions of paragraphs 1 and 2 the term "permanent establishment" shall be deemed not to include the sale of goods or merchandise belonging to the enterprise displayed in the frame of an occasional temporary fair or exhibition solely at such a fair or exhibition.

6) An enterprise of a Contracting State shall not be deemed to have a permanent establishment in the other Contracting State merely because it carries on business in that other State through a broker, general commission agent or any other agent of an independent status, 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 from immovable property (including income from agriculture or forestry) 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 consideration for the working of, or the right to work, mineral deposits, sources and other natural resources; ships, boats and aircraft shall not be regarded as immovable property.

3. The provisions of paragraph 1 shall apply to income derived from the direct use, letting, or use in any other form of immovable property.

4. The provisions of paragraphs 1 and 3 shall also apply to the income from immovable property of an enterprise and to income from immovable property used for the performance of independent personal services.

Article 7

BUSINESS PROFITS

1. The profits of an enterprise of a 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 directly or indirectly attributable to that permanent establishment. The profits arising from transactions in which the permanent establishment has been involved should be regarded as attributable to the permanent establishment to the extent appropriate to the part played by the permanent establishment in these transactions. The profits should be attributable in this way notwithstanding that the contract or order relating to the purchase or provision of the goods or services in question is placed direct with the overseas head office of the enterprise rather than with the 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 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.

However, no such deduction will be allowed in respect of participations to the expenses and losses of the enterprise itself or other permanent establishment situated abroad, other than the reimbursement of expenses actually incurred.

4. 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.

5. 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.

6. Profits of a company of a Contracting State carrying on business in the other Contracting State through a permanent establishment situated therein may, after having been taxed under this Article, be taxed on the remaining amount in the State in which the permanent establishment is situated, and in accordance with the taxation law of that State, but the tax so charged shall not exceed 15 per cent.

7. Notwithstanding the preceding provisions of this Article, a payment made to a broker, a general commission agent or to any other person assimilated to such a broker or agent by the taxation law of the Contracting State in which such payment arises, may be taxed in that State, but the tax so charged shall not exceed 6 per cent of the gross amount of the commission. However, if the beneficial owner of the commission, being a resident of the other Contracting State, has in the first-mentioned State a permanent establishment with which the activity giving rise to the commission is effectively connected, the preceding provision of this paragraph shall not be applied. In such a case, other provisions of this Article shall apply.

Article 8

TRANSPORT ENTERPRISES

1. Profits derived by an enterprise of a Contracting State from the operation of ships, aircraft or road vehicles in international traffic shall be taxable only in that State.

2. The expression "international traffic" means any transport by a ship, an aircraft or a road vehicle by a Turkish or Romanian enterprise, except when the ship, aircraft or road vehicle is operated solely between places situated in the territory of Turkey or of Romania.

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

Article 9

ASSOCIATED ENTERPRISES

1. Where

- a) an enterprise of a Contracting State participates directly or indirectly in the management, control or capital of an enterprise of the other Contracting State, or
- b) the same persons participate directly or indirectly in the management, control or capital of an enterprise of a Contracting State and an enterprise of the other Contracting State,

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

2. Where a Contracting State includes in the profits of an enterprise of that State—and taxes accordingly—profits on which an enterprise of the other Contracting State has been charged to tax in that other State and the profits so included are profits which would have accrued to the enterprise of the first-mentioned State if the conditions made between the two enterprises had been those which would have been made between independent enterprises, then that other State shall make an appropriate adjustment to the amount of the tax charged therein on those profits, where that other State considers the adjustment justified. 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 in accordance with the laws of that State, but if the recipient is the beneficial owner of the dividends the tax so charged shall not exceed 15 per cent of the gross amount of the dividends.

3. The term "dividends" as used in this Article means income from shares, "jouissance" shares or "jouissance" rights, 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 which the company making the distribution is a resident, and income derived from an investment fund and investment trust. In this context the profits distributed by Romanian joint companies to the capital subscribers are deemed to be dividends.

4. Subject to the provisions of paragraph 6 of Article 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 in so far as such dividends are paid to a resident of that other State or in so far as the holding in respect of which the dividends are paid is effectively connected with a permanent establishment or a fixed base situated in that other State, nor subject the company's undistributed profits to a tax on the company's undistributed profits, even if the dividends paid or undistributed profits consist wholly or partly of profits or income arising in such other State.

5. The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the dividends, being a resident of a Contracting State, carries on business in the other Contracting State of which the company paying the dividends is a resident, through a permanent establishment situated therein, and the holding in respect of which the dividends are paid is effectively connected with such permanent establishment. In such case the provisions of Article 7 shall apply.

Article II

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

3. Notwithstanding the provisions of paragraph 2, interest arising in :

- a) Romania and paid to Government of Turkey or to the Central Bank of Turkey shall be exempt from Romanian tax;
- b) Turkey and paid to the Government of Romania or to the National Bank of the Socialist Republic of Romania shall be exempt from Turkish tax.

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

5. The provisions of paragraphs 1 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, and the debt-claim in respect of which the interest is paid is effectively connected with such permanent establishment. In such case, the provisions of Article 7 shall apply.

6. Interest shall be deemed to arise in a Contracting State when the payer is that State itself, an administrative territorial unit, 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.

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

8. Where a resident of a Contracting State sales goods or merchandise to a resident of the other Contracting State, and the payments for such sales are made in a specified period after the delivery of such goods or merchandise, then any part of such payments shall not be regarded as interest for the purpose of this Article. In such a case, the provisions of Articles 5 and 7 shall be applied.

Article 12

ROYALTIES

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

2. However, such royalties may also be taxed in the Contracting State in which they arise, and according to the laws of that State, but if the recipient is beneficial owner of the royalties the tax so charged shall not exceed 10 per cent of the gross amount of the royalties.

3. The term "royalties" as used in this Article means payments of any kind received as a consideration for the use of, or the right to use, or the sale of, any copyright of literary, artistic or scientific work including cinematograph films and recordings for radio and television, any patent, trade mark, design or model, plan, secret formula or process, or for information concerning, industrial, commercial or scientific experience or for the use of, or the right to use, industrial, commercial or scientific equipment.

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 royalties arise, through a permanent establishment situated therein, and the right or property in respect of which the royalties are paid is effectively connected with such permanent establishment. In such case the provisions of Article 7 shall apply.

5. Royalties shall be deemed to arise in a Contracting State when the payer is that State itself, an administrative territorial unit, 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 right or property giving rise to the royalties is effectively connected, 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.

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 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 beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case, the excess part of the payments shall remain taxable according to the law of each Contracting State, due regard being had to the other provisions of this 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 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 a fixed base, may be taxed in the other State.

However, gains of an enterprise of a Contracting State from the alienation of ships, aircraft or road vehicles operated in international traffic and movable property pertaining to the operation of such ships, aircraft or road vehicles, shall be taxable only in that State.

3. Gains from the alienation of any property other than that referred to in paragraphs 1 and 2 shall be taxable in the Contracting State of which the alienator is a resident.

However, the capital gains mentioned in the foregoing sentence and derived from the other Contracting State, shall be taxable in the other Contracting State if the time period does not exceed one year between acquisition and alienation.

Article 14

INDEPENDENT PERSONAL SERVICES

1. Income derived by a resident of a Contracting State in respect of professional services or other activities of an independent character shall be taxable only in that State. However, such income may also be taxed in the other Contracting State if such services or activities are performed in that other State and if:

- a) he has a fixed base regularly available to him in that other State for the purpose of performing those services or activities; or
- b) he is present in that other State for the purpose of performing those services or activities for a period or periods amounting in the aggregate to 183 days or more in any continuous period of 12 months.

In such circumstances, only so much of the income as is attributable to that fixed base or is derived from the services or activities performed during his presence in that other State, as the case may be, 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, and other activities requiring specific professional skill.

Article 15

DEPENDENT PERSONAL SERVICES

1. Subject to the provisions of Articles 16, 18, 19, 20 and 21 salaries, wages and other similar remuneration derived by a resident of a Contracting State in respect of an employment shall be taxable only in that State unless the employment is exercised in the other Contracting State. If the employment is so exercised, such remuneration as is derived therefrom may be taxed in that other State.

2. Notwithstanding the provisions of paragraph 1, remuneration derived by a resident of a Contracting State in respect of an employment 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 in respect of an employment exercised aboard a ship, aircraft or road vehicle operated in international traffic, shall be taxed only in the Contracting State of which the enterprise is a resident.

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 ATHLETES

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 an athlete, from his personal activities as such exercised in the other Contracting State, may be taxed in that other State.

2. Where income in respect of personal activities exercised by an entertainer or an athlete in his capacity as such accrues not to the entertainer or athlete 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 athlete are exercised.

3. However, income derived by a resident of a Contracting State from activities as such exercised in the other Contracting State shall be exempt from tax in the other State if the activities are performed under a cultural agreement or any other arrangement between the Contracting States.

Article 18

PENSIONS

Subject to the provisions of paragraph 1 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.

This provision shall also apply to life annuities paid to a resident of a Contracting State.

Article 19

GOVERNMENT SERVICE

1. Remuneration, including pensions, paid by, or out of funds created by, a Contracting State ~~or~~ administrative territorial unit or a local authority thereof to any individual in respect of services rendered to that State or unit or authority thereof in the discharge of functions of a governmental nature shall be taxable in that State.

2. The provisions of Articles 15, 16 and 18 shall apply to remuneration and pensions in respect of services rendered in connection with a business carried on by a Contracting State or an administrative territorial unit or a local authority thereof.

Article 20

STUDENTS

1. Payments which a student or business apprentice who is a national of a Contracting State and who is present in the other Contracting State solely for the purpose of his education or training receives for the purpose of his maintenance, education or training shall not be taxed in that other State for a period not exceeding six years, provided that such payments arise from sources outside that other State.

2. Remuneration which a student or a trainee who is a national of a Contracting State derives from an employment which he exercises in the other Contracting State for a period or periods not exceeding 183 days in a calendar year, in order to obtain practical experience related to his education or formation shall not be taxed in that other State.

Article 21

TEACHERS

1. Remuneration received by a teacher or by an instructor who is a national of a Contracting State and who is present in the other Contracting State for the primary purpose of teaching or engaging in scientific research for a period or periods not exceeding two years shall be exempt from tax in that other State on his remunerations from personal services for teaching or research, provided that such payments arise from sources outside that other State.

2. The provisions of paragraph 1 shall not apply to income from research, if such research is undertaken not in the public interest but primarily for the private benefit of a specific person or persons.

ARTICLE 22

OTHER INCOME

Items of income arising from a Contracting State, which are not expressly mentioned in the foregoing Articles of this Agreement may be taxed in that State.

Article 23

CAPITAL

1. Capital represented by immovable property referred to in Article 6, owned by a resident of a Contracting State and situated in the other Contracting State, may be taxed in that other State.

2. Capital represented by 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 by 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, may be taxed in that other State.

3. Capital represented by ships, aircraft or road vehicles operated in international traffic and by movable property pertaining to the operation of such ships, aircraft or road vehicles shall be taxable only in the Contracting State of which the enterprise is a resident.

4. All other elements of capital of a resident of a Contracting State shall be taxable only in that State.

Article 24

ELIMINATION OF DOUBLE TAXATION

Double taxation shall be avoided as follows:

1. In the case of Romania, taxes paid in Turkey by Romanian residents on income derived or capital owned which in accordance with the provisions of this Agreement, may be taxed in Turkey, shall be deducted from taxes owed to the Romanian State.

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

Profits paid by the Romanian state enterprises to the shall be deemed as a tax of Romania.

2. In the case of Turkey, where a resident of Turkey derives income which, in accordance with the provisions of this Agreement, may be taxed in Romania, Turkey shall, subject to the provisions of Turkish taxation laws regarding credit for foreign taxes (which shall not affect the general principles of this Agreement) allow as a deduction from the tax on income of that person, an amount equal to the tax on income paid in Romania.

Such deduction shall not, however, exceed that part of the income tax computed in Turkey before the deduction is given, which is appropriate to the income which may be taxed in Romania.

Article 25

NON-DISCRIMINATION

1. Nationals of a Contracting State shall not be subjected in the other Contracting State to any taxation or any requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which nationals of that other State in the same circumstances are or may be subjected.

2. Subject to the provisions of paragraph 6 of Article 7 the taxation on a permanent establishment which an enterprise of a Contracting State has in the other Contracting State shall not be less favourably levied in that other State than the taxation levied on enterprises of that other State carrying on the same activities.

3. 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.

4. These provisions shall not be construed as:

- a) 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;
- b) a discrimination if a Contracting State limits the application of some reliefs, allowances and exemptions conceived for the purposes of encouragement of investments for persons of the other Contracting State.

Article 26

EXCHANGE OF INFORMATION

1. The competent authorities of the Contracting States shall exchange such information as is necessary for the 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 involved in the assessment or collection of, the enforcement or prosecution in respect of, or the determination of appeals in relation to, the taxes covered by the Agreement. Such persons or authorities shall use the information only for such purposes.

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

Article 27

ADMINISTRATIVE ASSISTANCE

1. The Contracting States engage to provide aid and assistance mutually for the purpose of notification and collection in principle, increment additions, interests, expenses and fines without penal character, taxes covered by the Article 2.

2. On the request of the competent authority of a Contracting State, the competent authority of the other Contracting State will ensure, according to the provisions of laws and regulations applied to notification and collection of the above-mentioned taxes in the last State, notification and collection of fiscal claims covered by the first paragraph, which are recoverable in the first State. These claims shall not enjoy any privilege in the requestee State and the latter is not obliged to apply means of execution which are not authorized by the provisions of laws and regulations of the requesting State.

3. Requests covered by paragraph 2, shall be supported by an official copy of executory documents, accompanied, when needed, by an official copy of judgments passed as res judicate.

4. With respect to fiscal claims susceptible to appeal, the competent authority of a Contracting State could, for the safeguard of its rights, request the competent authority of the other Contracting State, to take measures of conservation as prescribed in the legislation of the latter State; provisions of paragraphs 1 to 3 could be applied, mutatis, to these measures.

5. The provisions of Article 26, paragraph 1, shall apply equally to all information brought, for the application of preceding paragraphs of the present Article, to the knowledge of the competent authority of the requestee State.

6. The nationals of a Contracting State exercising dependent activities in the other Contracting State, may seek the assistance of the envoys sent by an authorized agency of their State of origin to the other Contracting State in solving tax disputes. The authorities and responsibilities of these agencies and envoys are determined in accordance with the provisions which govern the authorities and responsibilities of similar agencies and envoys of the other Contracting State.

Article 28

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 Agreement, he may, irrespective of 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 a satisfactory solution, to resolve the case by mutual agreement with the competent authority of the other Contracting State, with a view to the avoidance of taxation not in accordance with the Agreement.

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. When it seems advisable in order to reach agreement to have an oral exchange of opinions, such exchange may take place through a Commission consisting of representatives of the competent authorities of the Contracting States.

Article 29

DIPLOMATIC AGENTS AND CONSULAR OFFICERS

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

Article 30

ENTRY INTO FORCE

1. This Agreement shall be ratified and the instruments of ratification shall be exchanged as soon as possible.

2. The Agreement shall enter into force upon the exchange of instruments of ratification and its provisions shall have effect in Turkey and in Romania for taxes with respect to every taxable year beginning on or after the first day of January of the year following that of entry into force of the Agreement.

Article 31

TERMINATION

This Agreement shall remain in force until terminated by a Contracting State. After January 1st of the fifth year of the entry into force of this Agreement, either Contracting State may denounce the Agreement through diplomatic channels, by giving notice of termination at least six months before the end of any calendar year. In such event the Agreement shall cease to have effect in Turkey and in Romania for taxes with respect to every taxable year beginning on or after the first day of January of the year following that in which the notice of termination is given.

IN WITNESS WHEREOF, the undersigned plenipotentiaries have signed the present Agreement.

Done in duplicate at Bucharest on 1st July 1986 in two original copies each in the Turkish, Romanian and English languages, the three texts being equally authentic. In the case there is any divergence of interpretation of the provisions of this Agreement, the English text shall prevail.

**FOR THE GOVERNMENT OF
THE REPUBLIC OF TURKEY**

**Abdullah Tenekeci
Ministre of State**

**FOR THE GOVERNMENT OF
THE SOCIALIST REPUBLIC
OF ROMANIA**

**Petre Gigea
Minister of Finance**