

**April 12, 1966**

**CONVENTION BETWEEN THE REPUBLIC OF THE PHILIPPINES  
AND THE KINGDOM OF SWEDEN FOR THE AVOIDANCE OF  
DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION  
WITH RESPECT TO TAXES ON INCOME AND CAPITAL**

Agreement signed at Manila 12 April 1966; Entered into force 11 September 1969 and became effective with respect to taxable years beginning or after 1 January 1970.

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INCOME AND CAPITAL, SIGNED AT MANILA ON 12 APRIL 1966.**

The Government of the Republic of the Philippines and the Government of the Kingdom of Sweden, desiring to conclude a convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital, have appointed for that purpose their respective Plenipotentiaries:

The Government of the Republic of the Philippines:

Narciso Ramos, Secretary of Foreign Affairs of the Republic of the Philippines, and

Mamerto B. Endriga, Undersecretary of Finance of the Republic of The Philippines;

The Government of the Kingdom of Sweden:

Gustaf Harald Edelstam, Ambassador Extraordinary and Plenipotentiary of Sweden to the Philippines,

who, having communicated to each other their respective full powers, found in good and due form, have agreed upon the following Articles:

**ARTICLE I**

**TAXES COVERED**

(1) The taxes which are the subject of the present Convention are:

(a) In Sweden:

(i) the general Swedish income taxes, including sailors tax, coupon tax and the tax on public entertainers; and

(ii) the State capital tax (hereinafter referred to as "Swedish tax").

(b) In the Philippines:

the Philippine Income Tax (hereinafter referred to as "Philippine tax").

(2) The present Convention shall also apply to any identical or Substantially similar taxes which are subsequently imposed in addition to, or in place of, the existing taxes.

## ARTICLE II

### GENERAL DEFINITIONS

(1) In the present Convention, unless the context otherwise requires:

(a) The terms "one of the Contracting States" and "the other Contracting State" mean Sweden or the Philippines, as the context requires.

(b) The term "tax" means Swedish tax or Philippine tax, as the Context requires.

(c) The term "person" comprises an individual, a corporation and any other body of individuals or persons.

(d) The term "corporation" means any body corporate or any entity which is treated as a body corporate for tax purposes.

(e) The terms "resident of Sweden" and "resident of the Philippines" mean respectively any person who is resident in Sweden for the purposes of Swedish tax and any person who is resident in the Philippines for the purposes of Philippine tax. A corporation shall be regarded as a Swedish corporation if it is created, organized or incorporated under the laws of Sweden, and as a Philippine corporation if it is created, organized or incorporated under the laws of the Philippines.

(f) The terms "enterprise of one of the Contracting States" and "enterprise of the other Contracting State" mean a Swedish enterprise or a Philippine enterprise, as the context requires.

(g) The term "profits" means income derived from the active conduct of a trade or business. It includes, but is not limited to, profits from manufacturing, mercantile, agricultural, fishing and mining activities, and from the furnishing of personal services. It does not include income from the performance of personal services, dividends, interest, royalties income from rentals of motion picture films and tapes, income from the rental of personal property, income from real property, insurance premiums, or gains derived from the sale or exchange of capital assets.

(2) (a) The term "permanent establishment" means a fixed place of business in which the business of the enterprise is wholly or partly carried on. A permanent establishment shall include, but not limited to, a branch; an office; a store or other sales outlets; a warehouse; a factory; a workshop; a mine, quarry or other place of extraction of natural resources; a building site, or construction or installation site or assembly project which exists for more than six months.

(b) The term "permanent establishment" shall not be deemed to include:

(i) the use of facilities solely for the purpose of storage, display or delivery of goods or merchandise belonging to the enterprise;

(ii) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage, display or delivery;

(iii) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise;

(iv) the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise, or for collecting information, for the enterprise;

(v) 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.

(c) A person acting in one of the Contracting States on behalf of an enterprise of the other Contracting State — other than an agent of an independent status to whom subparagraph {d) applies — shall be deemed to be a permanent establishment in the first-mentioned State if he has, and habitually exercises in that State, an authority to conclude contracts in the name of the enterprise, unless his activities are limited to the purchase of goods or merchandise for the enterprise.

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

(e) The fact that a corporation of one of the Contracting States Controls or is controlled by a corporation 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 corporation a permanent establishment of the other.

(3) The term "competent authority" means, in the case of Sweden, the Minister of Finance or his authorized representative and, in the case of the Philippines, the Secretary of Finance or his authorized representative.

(3) In the application of the provisions of the present Convention 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 the present Convention.

### ARTICLE III

#### BUSINESS PROFITS

(1) The profits of an enterprise of one of the Contracting States shall be taxable only in that Contracting 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, tax may be imposed on the other

Contracting State on the profits of the enterprise but only on so much of them as is attributable to that permanent establishment.

(2) Where an enterprise of one of the Contracting States carries on Business in the other Contracting State through a permanent establishment situated therein, there shall 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 in one of the Contracting States, there shall be allowed as deductions ordinary and necessary expenses wherever incurred for the purposes of the permanent establishment and allocable, to the reasonable satisfaction of the competent authority of that Contracting State, to income from sources within that Contracting State.

(4) In so far 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) of this Article shall preclude such 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 laid down 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.

## ARTICLE IV

### RELATED ENTERPRISES

Where

(a) an enterprise of one of the Contracting States 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 one of the Contracting States 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.

## ARTICLE V

### SHIPS AND AIRCRAFT

Income which a resident or corporation of one of the Contracting States derives from the operation in international traffic of ships or aircraft in the other Contracting State may be taxed by both Contracting States in accordance with their respective laws.

## ARTICLE VI

### DIVIDENDS

(1) Dividends paid by a corporation of one of the Contracting States to a resident or corporation of the other Contracting State may be taxed in the first-mentioned State.

(2) The Philippine tax on dividends paid to a corporation of Sweden by a corporation of the Philippines may be reduced by 1/3 of the regular tax due thereon, if:

(a) the paying corporation is engaged in the active conduct of business in areas of investment enumerated hereunder, preferably in a joint venture; and

(b) eighty per cent (80%) of the gross income of the paying corporation during the taxable year was derived from such investment.

#### Preferred Areas of Investment:

(a) Base metal prospecting and mining, and crude petroleum or natural gas well exploration and operation;

(b) Smelting and refining of minerals as well as the manufacture of finished products; provided that the latter is part of the integrated industry;

(c) Cattle farming and the processing of meat and dairy products; provided that the latter is part of the integrated industry;

(d) Cotton farm operation, from preparation of the land to the production of ginned cotton;

(e) The processing of coconut coir;

(f) The manufacture of basic industrial chemicals, except sodium chloride and calcium hydroxide;

(g) The manufacture of synthetic fibers;

(h) The manufacture of pulp from woods, rags, rice straw, bagasse, abaca waste, bamboo and other indigenous materials;

(i) The manufacturing of necessary articles out of Philippine woods;

(j) Deep sea fishing and the canning of fish; provided that the latter is part of the integrated deep sea fishing industry;

(k) Shipbuilding and drydocking;

(l) The manufacture of glass and glass products excluding flat glass;