

No. 29610

**ISRAEL
and
HUNGARY**

Convention for the avoidance of double taxation and for the prevention of fiscal evasion with respect to taxes on income. Signed at Jerusalem on 14 May 1991

Authentic text: English.

Registered by Israel on 22 February 1993.

**ISRAËL
et
HONGRIE**

Convention visant à éviter la double imposition et à prévenir l'évasion fiscale en matière d'impôts sur le revenu. Signée à Jérusalem le 14 mai 1991

Texte authentique : anglais.

Enregistré par Israël le 22 février 1993.

CONVENTION¹ BETWEEN THE GOVERNMENT OF THE STATE OF ISRAEL AND THE GOVERNMENT OF THE REPUBLIC OF HUNGARY FOR THE AVOIDANCE OF DOUBLE TAXATION AND FOR THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME

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

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

and further develop and facilitate their economic relationship,

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 a Contracting State, irrespective of the manner in which they are levied.
2. There shall be regarded as taxes on income all taxes imposed on total income, or on elements of income, including taxes on gains from the alienation of movable or immovable property, taxes on the total amounts of wages or salaries paid by enterprises as well as taxes on capital appreciation.

¹ Came into force on 13 November 1992, i.e., 60 days after the date of the last of the notifications by which the Contracting Parties had informed each other of the completion of the constitutional requirements, in accordance with article 29 (2).

3. The existing taxes to which the Convention shall apply are in particular:
- a in the Republic of Hungary:
 - (i) the income tax on individuals
 - (ii) the profit taxes
 - (hereinafter referred to as "Hungarian tax");
 - b) in the State of Israel:
 - (i) income tax
 - (ii) company tax
 - (iii) capital gains tax
 - (iv) land appreciation tax
 - (v) employers' tax
 - (vi) profit tax paid by banks and insurance companies
 - (hereinafter referred to as "Israeli tax").
4. The Convention shall apply also to any identical or substantially similar taxes which are imposed after the date of signature of this Convention in addition to, or in place of, the existing taxes.

The competent authorities of the Contracting States shall notify each other of any significant changes which have been made in their respective taxation laws.

Article 3

GENERAL DEFINITIONS

1. For the purposes of this Convention, unless the context otherwise requires:
- a) the term "Hungary" when used in a geographical sense means the territory of the Republic of Hungary;
 - b) the term "Israel" when used in a geographical sense includes the territory in which the Government of the State of Israel may enforce the collection of taxes according to international law and the laws of the State of Israel;

- c) the terms "a Contracting State" and "the other Contracting State" mean the Republic of Hungary or the State of Israel as the context requires;
- d) the term "person" includes an individual, a company and any other body of persons;
- e) the term "company" means any body corporate or any entity which is treated as a body corporate for tax purposes;
- f) the terms "enterprise of a Contracting State" and "enterprise of the other Contracting State" mean respectively an enterprise carried on by a resident of a Contracting State and an enterprise carried on by a resident of the other Contracting State;
- g) the term "nationals" means:
(i) all individuals possessing the nationality of a Contracting State;

(ii) all legal persons, partnerships and associations deriving their status as such from the laws in force in a Contracting State;
- h) the term "international traffic" means any transport by a ship, aircraft or road-transport vehicle operated by an enterprise which has its place of effective management and policy making in a Contracting State, except when the ship, aircraft or road-transport vehicle is operated solely between places in the other Contracting State;
- i) the term "competent authority" means:

(i) in the case of the Republic of Hungary the Minister of Finance, or his authorized representative

(ii) in the case of the State of Israel the Minister of Finance, or his authorized representative.

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

Article 4

FISCAL DOMICILE

1. For the purposes of this Convention, 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. However, a person will not be deemed to be a resident of a Contracting State by virtue only of having received income from sources within that State.
2. Where by reason of the provisions of paragraph 1 an individual is a resident of both Contracting States, then his status shall be determined as follows:
 - a) He shall be deemed to be a resident of the 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 in which he has his 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 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 of the State of which he is a national;
 - d) If he is a national of both States or of neither of them the competent authorities of the Contracting States shall settle the question by mutual agreement.