

## **PROTOCOL**

At the signing of the Agreement between the Government of the People's Republic of China and the Government of the Republic of Iceland for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (hereinafter referred to as "the Agreement"), both sides have agreed upon the following provisions which shall form an integral part of the Agreement:

1. With reference to Article 4

In China: the term "head office" refers to the central organization which is established in China by an enterprise with foreign investment as a legal person pursuant to the laws of China and which is responsible for the management, operations and control over such enterprise.

2. With reference to Article 10

Notwithstanding the provisions of paragraph 2 of Article 10 of this Agreement, as long as according to the laws of Iceland dividends paid by a company which is a resident of Iceland may be deducted from the taxable profits or may be carried forward as an operating loss of such company for income tax purposes, dividends paid by such company to a resident of China may also be taxed in Iceland and according to the laws of Iceland, but if the recipient is the beneficial owner of the dividends, the tax so charged shall not exceed 15 per cent, on such part of the dividends which is deductible from a company's taxable profits or can be carried forward as an operating loss of the company.

3. With reference to Article 12

For the purposes of the application of paragraph 2 of Article 12 of this Agreement, royalties derived from rental of industrial, commercial or scientific equipment shall be taxed on 70 per cent of the gross amount of such royalties.

IN WITNESS WHEREOF the undersigned, duly authorized thereto, have signed this Protocol.

DONE in duplicate at Beijing on this 3 day of June , 1996 in the Chinese, Icelandic and English languages, the three texts being equally authentic. In case there is any divergence of interpretation, the English text shall prevail.

**For the Government  
of the People's Republic of China**

**For the Government  
of the Republic of Iceland**