

**TAX TREATY BETWEEN  
THE REPUBLIC OF ITALY AND  
THE PEOPLE'S REPUBLIC OF BULGARIA  
FOR THE AVOIDANCE OF DOUBLE TAXATION WITH RESPECT TO TAXES ON  
INCOME AND ON CAPITAL AND FOR THE PREVENTION OF FISCAL EVASION  
SOFIA, 21 SEPTEMBER 1981.**

The Republic of Italy and the People's Republic of Bulgaria,

desiring to promote and deepen the economic cooperation between each other, have agreed to conclude a Convention for the avoidance of double taxation with respect to taxes on income and on capital and for the prevention of fiscal evasion

have agreed as follows:

Article 1 - Personal scope

1. This Convention shall apply to persons who are residents of one or both of the Contracting States.
2. For the purposes of this Convention, the term "resident of a Contracting State" means:
  - (a) in the case of Italy, any person who, under the Italian laws, is liable to tax therein by reason of his domicile, residence, place of management or any other criterion of a similar nature;
  - (b) in the case of Bulgaria, any individual who is a Bulgarian national, and any legal person who has in Bulgaria its legal seat or is therein registered.
3. Where by reason of the provisions of paragraph 2 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 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, the competent authorities of the contracting Contracting States shall settle the question by mutual agreement.
4. Where by reason of the provisions of paragraph 2 a person other than an individual is a resident of both Contracting States, then it shall be deemed to be a resident of the State in which its place of effective management is situated.

Article 2 - Taxes covered

1. This Convention shall apply to taxes on income and on capital imposed on behalf of a Contracting State or of its political or administrative subdivisions 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 Convention shall apply are in particular:

(a) in the case of the Italian Republic:

- the individual income tax (l'imposta sul reddito delle persone fisiche);
  - the corporate income tax (l'imposta sul reddito delle persone giuridiche);
  - the local income tax (l'imposta locale sui redditi);
- even if these taxes are levied by withholding at source  
(hereinafter referred to as "Italian tax");

(b) in the case of the People's Republic of Bulgaria:

- the tax on total income;
  - the tax on income of single males and females, widows and widowers, divorced persons and couples without children;
  - the tax on profits;
  - the tax on buildings
- (hereinafter referred to as "Bulgarian tax").

4. The Convention shall apply also to any identical or substantially similar taxes which are imposed after the date of signature of the Convention in addition to, or in place of, the existing taxes. The competent authorities of the Contracting Contracting States shall notify each other of substantial 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 "Italy" means the Republic of Italy and includes any area beyond the territorial waters of Italy which, in accordance with customary international law and the laws of Italy concerning the exploration for and exploitation of natural resources, may be designated as an area within which the sovereign rights of Italy with respect to such area, the seabed and its subsoil as well as their natural resources may be exercised;

(b) the term "Bulgaria" means the People's Republic of Bulgaria; and when used in a geographical sense means the territory over which Bulgaria exercises its sovereign rights as well as the Continental shelf and the exclusive economic zone on which it exercises sovereign rights according to international law;

(c) the terms "a Contracting State" and "the other Contracting State" mean the Republic of Italy or the People's Republic of Bulgaria, as the context requires;

(d) the term "person" includes an individual, a legal person (including 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 "international traffic" means any transport by a ship, aircraft or road vehicle operated by an enterprise which has its place of effective management in one of the Contracting States, except when the ship, aircraft or road vehicle is operated solely between places in the other Contracting State;

(h) the term "competent authority" means:

(i) in Italy: the Ministry of Finance;

(ii) in Bulgaria: the Ministry of Finance.

2. As regards the application of the Convention by each 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 - Permanent establishment

1. For the purposes of this Convention, 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" shall include especially:

(a) a place of management;

(b) a branch;

(c) an office;

(d) a factory;

(e) a workshop;

(f) a mine, quarry or any other place of extraction of natural resources;

(g) a building site or construction or assembly project which exists for more than twelve 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. The participation of a resident of Italy in a joint venture incorporated in Bulgaria according to Decree No. 535 of the Contracting State Council of the People's Republic of Bulgaria of 25 May 1980 is considered a permanent establishment for the purposes of this Convention.

5. 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 paragraph 6 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.

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, 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:

(a) holds an interest in a company which is a resident of the other Contracting State (or that last-mentioned company holds an interest in the first one),

(b) or carries on business in that other Contracting State (whether through a permanent establishment or otherwise), shall not of itself constitute either company a permanent establishment of the other.

#### Article 5 - 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 Contracting 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.

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 6 - 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 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 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 7 - International transport

1. Profits from the operation of ships, aircraft and road vehicles in international traffic shall be taxable only in the Contracting State in which the place of effective management of the enterprise is situated.

2. If the place of effective management of a shipping enterprise is aboard a ship, then it shall be deemed to be situated in the Contracting State in which the home harbour of the ship is situated, or, if there is no such home harbour, in the Contracting State of which the operator of the ship is a resident.

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

#### Article 8 - 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 Contracting 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 recipient is the beneficial owner of the dividends the tax so charged shall not exceed 10% of the gross amount of the dividends. The competent authorities of the Contracting States shall by mutual agreement settle the mode of application of this limitation. This paragraph shall not affect the taxation of the company in respect of the profits out of which the dividends are paid.

3. 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 Contracting State of which the company making the distribution is a resident.

4. 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 Contracting 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 a case, the dividends may be taxed in that other Contracting State in accordance with its domestic laws.

5. Where a company which is a resident of a Contracting State derives profits or income from the other Contracting State, that other Contracting 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 Contracting 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 Contracting State, nor subject the company's undistributed profits to a tax on the company's undistributed profits, even if the dividends paid or the undistributed profits consist wholly or partly of profits or income arising in such other Contracting State.

#### Article 9 - Interest

1. Interest arising in a Contracting State and paid to a resident of the other Contracting State shall be taxed only in that other State, if such resident is the beneficial owner of the interest.

2. 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 the right to participate in profits, and debt-claims of every kind as well as all other income assimilated to income from money lent by the taxation law of the Contracting State in which the income arises.

3. The provisions of paragraph 1 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 a case, the interest may be taxed in that other State in accordance with its domestic laws.

#### Article 10 - 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 of the royalties is the beneficial owner thereof, the tax so charged shall not exceed 5% of the gross amount of the royalties. The competent authorities of the Contracting States 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 recordings for radio and television broadcasting, any patent, trade mark, design or model, plan, secret formula or process, computer programs, or for the use of, or the 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 base situated therein, and the right or property in respect of which the royalties are paid is effectively connected with such permanent establishment or fixed base. In such a case, the royalties may be taxed in that other Contracting State in accordance with its domestic laws.

5. Royalties shall be deemed to arise in one of the Contracting States when the payer is that Contracting State itself, a political or administrative subdivision, a local authority or a resident of that State. Where, however, the person paying the royalties, whether he is a resident of one of the Contracting States or not, has in one of the Contracting States a permanent establishment or a fixed base 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 State in which the permanent establishment or fixed base is situated.

#### Article 11 - Capital gains

1. Gains derived by a resident of a Contracting State from the alienation of immovable property referred to in Article 5 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 one of the Contracting States 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 State.
3. Gains from the alienation of ships, aircraft or road vehicles operated in international traffic, as well as movable property pertaining to the operation of such ships, aircraft or vehicles, shall be taxable only in the Contracting State in which the place of effective management of the enterprise is situated.
4. Gains from the alienation of any property other than that referred to in paragraphs 1, 2 and 3, shall be taxable only in the Contracting State of which the alienator is a resident.

#### Article 12 - 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 unless he has a fixed base regularly available to him in the other Contracting State for the purpose of performing his activities. If he has such a fixed base, the income may be taxed in the other State but only so much of it as is attributable to that fixed base.
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 13 - Salaries, wages and other similar remuneration

1. Subject to the provisions of Articles 14, 16, 17, 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 fiscal 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, aircraft or road vehicle operated in international traffic shall be taxable only in the Contracting State in which the place of effective management of the enterprise is situated.

#### Article 14 - Members of boards of directors and supervisory boards

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

#### Article 15 - Artistes and sportsmen

1. Notwithstanding the provisions of Articles 12 and 13, 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 personal activities exercised by an entertainer or a sportsman in his capacity as such accrues not to the entertainer or sportsman himself but to another person, that income may, notwithstanding the provisions of Articles 6, 12 and 13, be taxed in the Contracting State in which the activities of the entertainer or sportsman are exercised.

3. Notwithstanding the provisions of preceding paragraphs 1 and 2, income derived by an entertainer who is a resident of a Contracting State from his personal activities exercised in the other Contracting State may be taxed only in the first State if such activities are mainly financed out of public funds of the first State, or if such activities are exercised in the other State within an official program of cultural exchanges between the two Contracting States.

#### Article 16 - Pensions

Subject to the provisions of paragraph 2 of Article 17, 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.



## Article 17 - Government service

1. (a) Remuneration, other than a pension, paid by a Contracting State or a political or administrative subdivision or a local authority thereof to an individual in respect of services rendered to that State or subdivision or authority shall be taxable only in that Contracting State.

(b) However, such remuneration shall be taxable only in the other Contracting State when the services are rendered in that State and the recipient of the remuneration is a resident of that last-mentioned State who:

(i) is a national of that Contracting State; or

(ii) did not become a resident of the other Contracting State only for the purposes of rendering his services there.

2. (a) Any pension paid by, or out of funds created by a Contracting State or a political or administrative subdivision or a local authority thereof to an individual in respect of services rendered to that State or subdivision or authority shall be taxable only in that State.

(b) However, such pension shall be taxable only in the other Contracting State if the recipient is a resident and a national of that State.

3. The provisions of Articles 13, 14 and 16 shall apply to remuneration and pensions in respect of services rendered in connection with a business carried on by a Contracting State or a political or administrative subdivision or a local authority thereof.

## Article 18 - Professors

Remuneration derived by a professor or any other member of the teaching staff who is, or was immediately before his visit to a Contracting State, a resident of the other Contracting State, and who is present in the first-mentioned State solely for the purpose of teaching or scientific research at a university or any other educated institution or non-profit research institution, for a period of time not exceeding two years, in respect of those activities, may not be taxed in the first-mentioned State.

## Article 19 - Students

Payments which a student or business apprentice who is, or was before, a resident of a Contracting State and 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, provided that such payments arise from sources outside that other State, or are derived as remuneration for an activity exercised in that other State to the extent of an income commensurate to support his study or his training.

## Article 20 - Other income

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

## Article 21 - Capital

1. Capital represented by immovable property referred to in Article 5, 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 and road vehicles operated in international traffic, and by movable property pertaining to the operation of such ships, aircraft or vehicles, shall be taxable only in the Contracting State in which the place of effective management of the enterprise is situated.
4. All other elements of capital of a resident of a Contracting State shall be taxable only in that State.

## Article 22 - Methods for elimination of double taxation

1. It is agreed that double taxation shall be avoided in accordance with the following paragraphs of this Article.
2. In the case of Bulgaria:
  - (a) Where a resident of Bulgaria owns income or capital which, in accordance with the provisions of this Convention, may be taxed in Italy, Bulgaria shall exempt such income or capital from tax.
  - (b) Where a resident of Bulgaria derives dividends or royalties which, in accordance with the provisions of Articles 8 and 10 may be taxed in Italy, Bulgaria shall allow, on the amount of the tax levied on the income of such resident, a deduction of an amount equal to the tax paid in Italy on such dividends or royalties. However, such deduction shall not exceed that part of the tax, as computed before the deduction is given, which is attributable to such dividends or royalties deriving from Italy.
  - (c) Where in accordance with any provision of this Convention income or capital owned by a resident of Bulgaria are exempt from tax in Bulgaria, Bulgaria may, nevertheless, in calculating the amount of tax on the remaining income or capital of such resident, take into account the exempted income or capital.

### 3. In the case of Italy:

Where a resident of Italy derives items of income which may be taxed in Bulgaria, Italy may, when imposing tax on income as referred to in Article 2 of this Convention, include these items of income in the taxable base upon which aforementioned taxes are imposed, unless specific provisions of this Convention provide otherwise.

In that case Italy shall deduct from the taxes so calculated the income tax paid in Bulgaria, but the amount of such deduction may not exceed that part of the Italian tax which is attributable to that income in the ratio that such income bears to total income.

Nevertheless, no deduction shall be granted if the item of income is subjected in Italy, according to Italian law and upon request of the recipient, to taxation by way of withholding at source.

4. Where a company resident of Italy derives income from its interest in a "joint venture" incorporated in accordance with Decree No. 535/80 of the State Council of the People's Republic of Bulgaria, it is considered, for the purposes of the application of paragraph 3, that the tax paid in Bulgaria on such income is equal to 36%.

#### 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 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. For the purposes of this Article the term "nationals" means:

(a) individuals possessing the nationality of a Contracting State;

(b) legal persons, partnerships and associations deriving their status as such from the law in force in a Contracting State.

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. Interest, royalties and other disbursements paid by an enterprise of one of the Contracting States 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 Contracting 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.

5. Enterprises of a Contracting State, the capital of which is partly or wholly owned 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. The provisions of this Article shall, notwithstanding the provisions of Article 2, apply to taxes of every kind and description.

#### 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 Convention, 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 two years from the first notification of the action resulting in taxation not in accordance with the provisions of the Convention.
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 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.
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 agreements 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 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 Convention or of the domestic laws of the Contracting States concerning taxes covered by the Convention insofar as the taxation thereunder is not contrary to the Convention, as well as for the prevention of fiscal evasion. The exchange of information is not restricted by Article 1.

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 Contracting 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 Convention. 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 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.

## Article 26 - Diplomatic agents and consular officers

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

## Article 27 - Refunds

1. Taxes withheld at source in one of the Contracting States shall be refunded on request of the taxpayer or of the State of which he is a resident if the right to collect the aforementioned taxes is limited by the provision of this Convention.

2. Claims for refund, that shall be made within the time limit fixed by the law of the Contracting State which is obliged to carry out such refund, shall be accompanied by an official certificate of the Contracting State of which the taxpayer is a resident certifying that the conditions required for being entitled to the application of the benefits provided by this Convention have been fulfilled.

3. The competent authorities of the Contracting States shall by mutual agreement, in accordance with the provisions of Article 24, settle the mode of application of this Article.

## Article 28 - Entry into force

1. This Convention shall be ratified and the instruments of ratification shall be exchanged at Rome as soon as possible. This Convention shall entry into force on the date of exchange of the instruments of ratification and its provisions shall be applicable:

(a) to taxes withheld at source to income attributed or payable on or after 1 January of the year following the one in which the Convention entered into force;

(b) to other taxes on income and capital of taxable periods beginning on or after 1 January of the year following the one in which the Convention entered into force.

## Article 29 - Termination

This Convention shall remain in force until terminated by one of the Contracting States. Either Contracting State may terminate the Convention, 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 entry into force. In such event, the Convention shall cease to have effect:

(a) to taxes withheld at source on income payable on or after 1 January of the year following the one in which the notice of termination is given;

(b) to the other taxes on income and capital of taxable periods beginning on or after 1 January of the year following the one in which the notice of termination is given.

Done at Sofia on 21 September 1988, in duplicate, in the Italian, Bulgarian and French languages, the latter prevailing in case of dispute.

## PROTOCOL

At the moment of signing the Convention for the avoidance of double taxation on income and capital and the prevention of tax evasion, concluded this day between the Republic of Italy and the People's Republic of Bulgaria, the plenipotentiaries have agreed upon the following supplementary provisions which shall form an integral part of the Convention.

It is understood that:

(a) With reference to Article 2 If a tax on capital will be introduced in Italy in the future, the Convention shall apply to such tax and double taxation will be avoided in accordance with the provisions of Article 22.

(b) With reference to Article 4, paragraph 3 (a) The sale of goods displayed at an exhibition after the termination of the exhibition does not constitute a permanent establishment.

(c) With reference to Article 5, paragraph 2, The term "immovable property" shall in any case include accessory property, livestock and equipment of agricultural and forestry enterprises, as well as the rights to which the provision of private law concerning landed property apply. Usufruct of immovable property and rights to variable or fixed payments as consideration for the exploitation of, or the licence to exploit, mineral deposits, sources and other natural resources are also considered to be immovable property. Ships, aircrafts and road vehicles are not considered immovable property.

(d) With reference to Article 6, paragraph 3 "Expenses incurred for the purposes of that permanent establishment" means expenses directly connected with the activity of the permanent establishment.

(e) With reference to Articles 9 and 10, If the amount of interest or royalties paid exceeds the normal amount of such income under the law of one of the Contracting States, the exceeding part of the aforementioned payments may be taxed in that Contracting State in accordance with its law and keeping into account the other provisions of this Convention.

(f) The provisions of paragraph 3 of Article 13 shall apply also to remuneration derived by employees of an air transport enterprise operated in international traffic of a Contracting State which exercises its activity in the other Contracting State.

(g) The provisions of paragraphs 1 and 2 of Article 17 shall also apply to remuneration and pensions paid by the following Italian services or organizations to their employees:

- the Italian Railway Administration (F.S.);
- the Administration of Postal and Telecommunication Services (PP.TT);
- the Italian National Tourist Office (E.N.I.T.);
- the Institute for Foreign Trade (I.C.E.);
- the Bank of Italy.

As well as to the corresponding Bulgarian services or organisations.

(h) With reference to paragraph 1 of Article 24, The term "irrespective of the remedies provided by domestic law" means that invoking a mutual agreement procedure is not alternative with national contentious proceedings which, in any case, shall be preventively initiated, when the claim is related with an application of taxes not in conformity with the Convention.

(i) The provision of paragraph 3 of Article 27 shall not prevent the competent authorities of the Contracting States from establishing other procedures for the application of the tax reductions of exemptions provided for by the Convention.

(l) Notwithstanding the provisions of paragraph 2 of Article 28, the provisions of paragraph 1 of Article 7 shall apply to income derived on or after 1 January 1981.

Done at Sofia on 21 September 1988, in duplicate, in the Italian, Bulgarian and French languages, the latter prevailing in case of dispute.

1 Ratified in Italy with Law 29 novembre 1990, n. 389 (G.U. 21 December 1990, n. 297, S.O).  
Exchange of ratification instruments: 10 giugno 1991. Entry into force: 10 June 1991 (G.U. 2 September 1991, n. 205).