

**CONVENTION BETWEEN  
THE GOVERNMENT OF THE HUNGARIAN PEOPLE'S REPUBLIC AND  
THE GOVERNMENT OF THE ITALIAN REPUBLIC  
FOR THE AVOIDANCE OF DOUBLE TAXATION WITH RESPECT TO TAXES ON  
INCOME AND CAPITAL AND THE PREVENTION OF FISCAL EVASION.<sup>1</sup>**

The Government of the Hungarian People's Republic and the Government of the Italian Republic, desiring to promote and facilitate the economic relations between the two countries, have agreed to conclude a Convention for the avoidance of double taxation with respect to taxes on income and capital and the prevention of fiscal evasion of which the provisions are the following:

*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 and on capital imposed on behalf of each Contracting State or 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 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 this Convention shall apply are the following:

(a) in the case of the Italian Republic:

(1) the individual income tax (imposta sul reddito delle persone fisiche);

(2) the tax on the income of legal entities (imposta sul reddito delle persone giuridiche); and

(3) the local income tax (imposta locale sui redditi), even if withheld at the source (hereinafter referred to as "Italian tax");

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

(1) the income taxes (j"vedelemad"ok);

(2) the profit taxes (nyeres, gad"ok);

(3) the enterprises' special tax (v llalati k l"nad"ok);

(4) the tax on buildings (h zad"ok);

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<sup>1</sup> Date of Conclusion: 16 May 1977. Entry into Force: 1 December 1980. Effective Date: 1 January 1980 (see Article 30).

(5) the tax on the value of buildings (h z,rt,kadç);

(6) the tax on unimproved property (telekadç);

(7) the contribution to community development (a k”zs,gfejleszt,si hozz j rul s);

(8) the levy on dividends and profit distributions of commercial companies (a kereskedelmi t rsas gok osztal,k ,s nyeres,g kifizet,sei ut ni illet, (hereinafter referred to as "Hungarian tax").

4. The Convention shall also apply 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.

### Article 3 - *General definitions*

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

(a) the terms "a Contracting State" and "the other Contracting State" mean the Hungarian People's Republic or the Italian Republic, as the context requires;

(b) the term "person" comprises an individual, a company and any other body of persons;

(c) the term "company" means any legal entity or any other entity which is treated as a legal entity for tax purposes;

(d) 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;

(e) the term "international traffic" shall be understood to mean any transport activity by means of ship or aircraft operated by an enterprise which has its place of effective management in a Contracting State except where the ship or aircraft is operated solely between places in the other Contracting State;

(f) the term "national" means:

(1) any individual possessing the nationality of a Contracting State;

(2) any legal entity, partnership and association constituted under the laws in force in one of the Contracting States;

(g) the term "competent authority" means:

(1) in the Hungarian People's Republic: The Minister of Finance;

(2) in the Italian Republic: The Ministry of Finance.

2. As regards the application of this Convention by a Contracting State, 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 Convention.

#### 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 taxation therein by reason of his domicile, residence, place of management or any other criterion of a similar nature. However, this term shall not include any person who is liable to tax in that State only in respect of income which he derives from sources therein or in respect of capital which he possesses in 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 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 in which his centre of vital interests, including his economic interests, is situated;
  - (b) if the Contracting State in which that person 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 that person 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 that person 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 person other than an individual is deemed to be a resident of both Contracting States, it shall be deemed to be a resident of the Contracting State in which its place of effective management is situated.

#### Article 5 - *Permanent establishment*

1. For the purposes of this Convention, the term "permanent establishment" means a fixed place of business in which the business of the 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 24 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. A person acting in a Contracting State on behalf of an enterprise of the other Contracting State - other than an agent of an independent status to whom paragraph 5 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.

5. 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.

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.

#### *Article 6 - Income from immovable property*

1. Income from immovable property including income from agricultural and forestry activities 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 laws 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 agricultural and forestry, as well as 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 shall also be deemed to be "immovable property". 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, leasing, 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 any enterprise as well as to income from immovable property used for the performance of professional 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 attributable to that permanent establishment.

2. 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, subject to the provisions of paragraph 3, 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 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 solely by reason of the fact that:

- (a) such permanent establishment has merely bought merchandise for the enterprise;
- (b) merchandise has been supplied to the permanent establishment for its own use.

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 8 - Sea and air transport*

1. Profits from the operation of ships or aircraft 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 an international 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 paragraphs 1 and 2 apply even in the case where the enterprise has an agency in the other Contracting State for purposes of transportation of persons or merchandise.

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

## Article 9 - *Associated enterprises*

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.

## 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 be taxed in the Contracting State of which the company paying the dividends is a resident, and according to the law of that State, but the tax so charged shall not exceed 10% of the gross amount of the dividends.

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 and "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 are subject to the same tax treatment as income from shares under the tax law of the State of which the company making the distribution is a resident.
4. The provisions of paragraphs 1 and 2 shall not apply if the recipient of the dividends, being a resident of a Contracting State, carries on commercial or industrial activities through a permanent establishment situated in the other Contracting State of which the company paying the dividends is a resident or performs professional services through a fixed base situated therein and with which the holding by virtue of which the dividends are paid is effectively connected. In that case, the dividends may be taxed in the 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 State may not impose any tax on the dividends paid by the company unless such dividends are paid to a resident of that other State, or if the holding by virtue of which the dividends are paid is effectively connected with a permanent establishment or a fixed base situated in that other State; neither may it subject the undistributed profits of such company to a tax on undistributed profits even where such dividends or undistributed profits consist wholly or partly of profits or income derived from that other State.

## Article 11 - *Interest*

1. Interest arising in a Contracting State and paid to a resident of the other Contracting State may only be taxed in that other State.
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 a right to participate in profits and from debt-claims of every kind as well as all other income assimilated to income from money lent by the taxation laws of the Contracting State in which the income arises.
3. The provisions of paragraph 1 shall not apply if the recipient of the interest, being a resident of a Contracting State, carries on in the other Contracting State in which the interest arises, commercial or industrial activities through a permanent establishment situated therein, or performs professional services through a fixed base situated therein with which the debt-claim from which the interest arises is effectively connected. In that case, the interest may be taxed in that other Contracting State in accordance with its domestic laws.
4. Where, owing to a special relationship between the payer and the recipient or between both of them and some other person, the amount of the interest paid, 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 that case, the excess part of the payment shall remain taxable in accordance with the law of each Contracting State, due regard being had to the other provisions of this Convention.

## Article 12 - *Royalties*

1. Royalties arising in a Contracting State and paid to a resident of the other Contracting State may only be taxed in that other State.
2. The term "royalties" as used in this Article means payments of any kind received as consideration for the use of, or the right to use, copyright of literary, artistic or scientific work including cinematograph films and films for radio or television broadcasting, any patent, trade mark, design or model, plan, secret formula or process, or for the use of, or the right to use, industrial, commercial or scientific equipment and for information concerning industrial, commercial or scientific experience.
3. The provisions of paragraph 1 shall not apply if the recipient of the royalties, being a resident of a Contracting State, carries on in the other Contracting State in which the royalties arise, commercial or industrial activities through a permanent establishment situated therein, or performs professional services through a fixed base situated therein with which the right or property giving rise to the royalties is effectively connected. In that case, the royalties may be taxed in the other Contracting State in accordance with its domestic laws.
4. Where, owing to a special relationship between the payer and the recipient or between both of them and some other person, the amount of the royalties paid, having regard to the reason for which they are 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 that last-mentioned amount. In that case, the excess part of the payments shall remain taxable in accordance with the law of each Contracting State, due regard being had to the other provisions of this Convention.

### Article 13 - *Capital gains*

1. Gains from the alienation of immovable property, as defined in paragraph 2 of Article 6, may be taxed in the Contracting State in which such property is situated.
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 professional services, including such gains from the alienation of such a permanent establishment (alone or together with the whole enterprise) or of such a fixed base, may be taxed in that other State. However, gains from the alienation of movable property of the kind referred to in paragraph 3 of Article 23, shall be taxable only in the Contracting State in which such movable property is taxable according to the said Article.
3. Gains from the alienation of any property, other than that mentioned in paragraphs 1 and 2, shall be taxable only in the Contracting State of which the alienator is a resident.

### Article 14 - *Independent personal services*

1. Income derived by a resident of a Contracting State in respect of professional services or other independent activities of a similar character shall be taxable only in that State, unless such resident 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 Contracting 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 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 fiscal year concerned;
  - (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 or aircraft in international traffic may be taxed only in the Contracting State in which the place of effective management of the enterprise is situated.

#### 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 or the supervisory board of a company which is a resident of the other Contracting State may be taxed in that other State.

#### Article 17 - *Artists and athletes*

1. Notwithstanding the provisions of Articles 14 and 15, income derived by public entertainers, such as theatre, motion picture, radio or television artistes, and musicians, as well as by athletes, from their personal activities as such may be taxed in the Contracting State in which these activities arise.

2. Where income in respect of personal activities as such of an entertainer or athlete accrues not to that entertainer or athlete but to another person, that income may, notwithstanding the provisions of Articles 7, 14 and 15, be taxed in the Contracting State in which such activities are exercised, if such entertainer or athlete shares, directly or indirectly, in the profits of such person.

3. Notwithstanding the provisions of paragraphs 1 and 2 of this Article, income derived from such activities as defined in paragraph 1 performed under a cultural agreement or arrangement between the Contracting States shall be exempt from tax in the Contracting State in which these activities are exercised.

#### Article 18 - *Pensions*

Notwithstanding the provisions of paragraph 2 of Article 20, pensions and other similar remunerations paid to a resident of a Contracting State in consideration of past employment shall be taxable only in that State.

#### Article 19 - *Governmental functions*

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

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

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

(ii) did not become a resident of that said State solely for the purpose of performing the services.

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 local authority thereof, shall be taxable only in that State.

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

3. The provisions of Articles 15, 16 and 18 shall apply to remuneration and pensions in respect of services rendered in connection with any industrial or commercial activities carried on by a Contracting State or a political or administrative subdivision or a local authority thereof.

#### *Article 20 - Professors*

Remuneration derived by a professor or any other member of the teaching profession who is a resident of a Contracting State, and makes a temporary visit to the other Contracting State for the purpose of teaching or research, for a period not exceeding 2 years, at a university or any other non-profit making educational or research institution, shall be taxable only in the first-mentioned State.

#### *Article 21 - Students*

Payments received for the purpose of his maintenance, education or professional training by a student or trainee, who is present in the other Contracting State solely for the purpose of his education or the completion of his professional training, shall not be taxable in the other State provided that the payments are made to him from sources outside that other State.

#### *Article 22 - Other income*

1. Items of income of a resident of a Contracting State, wherever they arise, which are not dealt with in the preceding Articles of this Convention shall be taxable only in that State.

2. The provisions of paragraph 1 shall not apply if the recipient of the income, being a resident of a Contracting State, carries on industrial or commercial activities in the other Contracting State through a permanent establishment situated therein or performs in that other State professional services from a fixed base situated therein, and the right or property in respect of which the income is paid is effectively connected with such permanent establishment or fixed base. In such a case, the items of income shall be taxable in the other Contracting State in accordance with its domestic laws.

#### *Article 23 - Capital*

1. Capital represented by immovable property as defined in paragraph 2 of Article 6, may be taxed in the Contracting State in which such property is situated.

2. Capital represented by movable property forming part of the business property of a permanent establishment of an enterprise, or by movable property pertaining to a fixed base used for the performance of professional services, may be taxed in the Contracting State in which the permanent establishment or fixed base is situated.
3. Ships and aircraft operated in international traffic and movable property pertaining to the operation of such ships and aircraft shall be taxable only in the Contracting State in which the place of effective management of the enterprise is situated.
4. All other items of capital of a resident of a Contracting State shall be taxable only in that State.

*Article 24 - Methods for the avoidance of double taxation*

1. It is understood that double taxation shall be avoided in accordance with the following paragraphs of this Article.
2. In the case of the Italian Republic:

Where a resident of the Italian Republic derives income which may be taxed in the Hungarian People's Republic, the Italian Republic may, in determining its income taxes - that is to say the taxes referred to in Article 2 of this Convention - include such income in the tax base to the extent that this Convention does not expressly otherwise provide. In such a case, the Italian Republic shall credit against its tax so calculated the income tax paid in the Hungarian People's Republic; the amount so credited may not, however, exceed that part of the Italian tax which, calculated in accordance with the ratio which the said income bears to total income, is appropriate to that income. However, no credit will be allowed in respect of income on which, at the request of the recipient of the income and in accordance with Italian law, final withholding taxes in the Italian Republic have been levied.

3. In the case of the Hungarian People's Republic:

(a) Where a resident of the Hungarian People's Republic derives income which, in accordance with the provisions of this Convention, may be taxed in the Italian Republic, the Hungarian People's Republic shall, subject to the provisions of subparagraph (b), exempt such income from tax but may, in calculating tax on the remaining income of that resident, apply the rate of tax which would have been applicable if the exempted income had not been so exempted.

(b) Where a resident of the Hungarian People's Republic derives income which, in accordance with the provisions of Article 10 may be taxed in the Italian Republic, the Hungarian People's Republic shall allow as a deduction from the tax on the income of that resident an amount equal to the tax paid in the Italian Republic. Such deduction shall not, however, exceed that part of the tax, as computed before the deduction is given, which is appropriate to the income derived from the Italian Republic.

#### *Article 25 - Non-discrimination*

1. The nationals of a Contracting State, whether they are residents of one of the Contracting States or not, 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. 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 residents of the other Contracting State any personal allowances, reliefs and reductions for taxation purposes on account of civil status or family charges which it grants to its own residents.
3. With the exception of the cases referred to in Article 9, Article 11, paragraph 4 and Article 12, paragraph 4, interest, royalties and other charges which an enterprise of a Contracting State pays to a resident of the other Contracting State may be deducted in calculating the taxable profits of such an enterprise under the same conditions as payments made to a resident of the first-mentioned State. Correspondingly, debts owed by an enterprise of a Contracting State to a resident of the other Contracting State may be deducted in calculating the taxable capital of such enterprise under the same conditions as debts owed to persons resident in the first-mentioned State.
4. 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 Contracting 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 that first-mentioned State are or may be subjected.
5. In this Article the term "taxation" means taxes of every kind and description.

#### *Article 26 - 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 Convention he may, notwithstanding the remedies provided by the domestic laws of those States, present his case to the competent authorities of the Contracting State of which he is a resident, or, where his case comes under Article 25, paragraph 1, to the competent authorities of the Contracting State of which he is a national. Such case must be submitted within three years from the first notification of the action which results in taxation not in accordance with this Convention.
2. The competent authorities shall endeavour, if the objection appears to them to be justified and if they are not themselves able to arrive at an appropriate solution, to resolve the case by mutual agreement with the competent authorities of the other Contracting state, with a view to the avoidance of taxation not in accordance with the Convention. This mutual agreement procedure shall be applied notwithstanding the time limits laid down by the domestic law of the Contracting States.

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. They may also consult together for the elimination of double taxation in cases not provided for in 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 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 27 - Exchange of information*

1. The competent authorities of the Contracting States may exchange such information as is necessary for the carrying out of the provisions of this Convention or of the domestic laws of the Contracting States relating to the taxes referred to in this Convention, to the extent that the taxation provided under such laws is not contrary to the provisions of the Convention, as well as for the prevention of fiscal evasion. The exchange of information shall not be limited by Article 1. Any information received from a Contracting State shall be treated as secret, in the same way as information obtained under the domestic law of that State and shall only be disclosed to persons and authorities (including judicial and administrative authorities) concerned with the assessment and collection of, or proceedings or prosecutions relating to the taxes which are subject to this Convention. The above-mentioned persons and authorities shall use such information only for those purposes. Such persons or authorities may use such information during hearings in open court and in judgements.

2. In no case shall the provisions of paragraph 1 be construed so as to impose on one of the Contracting States the obligation:

(a) to carry out administrative measures at variance with the laws or the administrative practice of that or of the other Contracting State;

(b) to supply particulars which are 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 or professional secret or trade process or information the disclosure of which would be contrary to public policy.

#### *Article 28 - Diplomatic and consular officials*

The provisions of this Convention shall not affect the fiscal privileges of diplomatic and consular officials under the general rules of international law or of special agreements.

#### *Article 29 - Refund procedure*

1. Taxes withheld at the source in either Contracting State shall, at the request of the taxpayer or the State in which he is resident, be refunded to the extent that the right to levy such taxes is limited by this Convention.

2. Requests for refunds shall be submitted within the time limits laid down in the law of the Contracting State obliged to make such refund and must contain an official certificate issued by the Contracting State in which the taxpayer is resident stating that the conditions for claiming the exemptions or reductions under this Convention have been fulfilled.

3. The competent authorities of the Contracting States shall settle by mutual agreement in accordance with the provisions of Article 26 the manner in which this Article shall be applied.

#### *Article 30 - Entry into force*

This Convention shall be ratified or approved in accordance with the law of each of the Contracting States. The Convention shall enter into force on the 60th day from that on which diplomatic notes are exchanged stating that the ratification or approval has been carried out. Its provisions shall apply:

(a) in respect of tax withheld at the source, to amounts paid or credited on or after January 1 of the year following that in which the diplomatic notes are exchanged;

(b) in respect of other taxes, to taxable periods ending on or after January 1 of the year of such exchange.

#### *Article 31 - Termination*

This Convention shall remain in force until denounced by one of the Contracting States. Either Contracting State may denounce the Convention, through diplomatic channels, beginning after the expiry of five years from the date of its entry into force, by giving notice, six months before the end of any calendar year. In such case, the Convention shall apply for the last time:

(a) in the case of taxes withheld at the source, as respects income paid not later than December 31 of the year in which notice of termination is given;

(b) in the case of other taxes for taxable periods ending not later than December 31 of that year.

Done at Budapest this sixteenth day of May 1977, in duplicate in the Hungarian, Italian and French languages, the French text prevailing in the case of doubt.

## PROTOCOL (1977)

At the moment of signing the Convention, concluded today between the Government of the Hungarian People's Republic and the Government of the Italian Republic for the avoidance of double taxation with respect to taxes on income and capital and the prevention of fiscal evasion, the undersigned plenipotentiaries have agreed on the following additional provisions which shall constitute an integral part of the Convention. It is agreed that:

(a) with respect to the provisions of Article 2, the Convention shall also apply to any tax on capital subsequently introduced and double taxation shall be avoided in accordance with the provisions of Article 24;

(b) with reference to paragraph 1 of Article 26 the term "notwithstanding the remedies provided for by the domestic laws" shall be construed as meaning that, where the mutual agreement procedure has been put in motion, recourse to the judicial procedures under national law shall not be precluded and that, in any case, where a dispute involves taxation not in accordance with the Convention recourse should be in the first place to those national procedures;

(c) the provisions of paragraph 3 of Article 29 may not be interpreted as preventing the competent authorities of the Contracting States from mutually agreeing upon a different procedure for the application of reductions and exemptions of taxes which are available under the Convention.

Done at Budapest, this sixteenth day of May 1977, in duplicate, in the Hungarian, Italian and French languages, the French text prevailing in the case of doubt.

For the Government of the Hungarian People's Republic:  
Faluvegi

For the Government of the Italian Republic:  
Filippo M. Pandolfi