

## **CONVENTION**

*between the Hellenic Republic and Georgia  
for the avoidance of double taxation with respect to taxes on income and on capital.*

*The Government of the Hellenic Republic  
and  
the Executive Authority of Georgia*

*Desiring to conclude a Convention for the avoidance of double taxation with respect to  
taxes on income and on capital:*

*Have agreed as follows:*

### **CHAPTER 1**

#### **SCOPE OF THE CONVENTION**

##### **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 a Contracting State or of its political 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 Hellenic Republic:*
    - i) *the income and capital tax on natural persons;*
    - ii) *the income and capital tax on legal persons;*  
*(hereinafter referred to as «Hellenic tax»).*
  - b) *In the case of Georgia:*
    - i) *the companies profits (income) tax;*
    - ii) *the companies property tax;*
    - iii) *the personal income tax;*
    - iiii) *the personal property 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 States shall notify each other of any substantial changes which have been made in their respective taxation laws.*

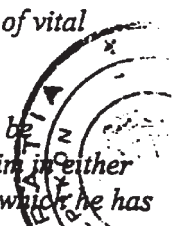
**CHAPTER II****DEFINITIONS****Article 3****GENERAL DEFINITIONS**

1. *For the purposes of this Convention, unless the context otherwise requires:*
  - a) *the terms: a «Contracting State» and «the other Contracting State» mean the Hellenic Republic or Georgia as the context requires.*
  - b) *the term «Hellenic Republic» comprises the territory of the Hellenic Republic and the part of the sea, the sea-bed and its subsoil under the Mediterranean Sea, over which the Hellenic Republic, in accordance with international law, has sovereign rights for the purpose of exploration, extraction or exploitation of the natural resources of such areas.*
  - c) *“the term «Georgia» means the territory recognized by the international community within the state borders of Georgia, including the internal waters, territorial sea, the air space above them, the exclusive economic zone and continental shelf adjacent to its sea coast, with respect of which Georgia, in accordance with the international law may exercise sovereign rights”.*
  - 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 «national» means*
    - a) *any individual possessing the nationality of a Contracting State;*
    - b) *any legal person, partnership or association deriving its status as such from the laws in force in a Contracting State;*

- h) *the term «international traffic» means any transport by a ship registered in a Contracting State or aircraft operated by an enterprise of a Contracting State, except when the ship or aircraft is operated solely between places in the other Contracting State;*
- i) *the term «competent authority» means*
- i) *in the Hellenic Republic, the Minister of Finance or his authorised representative,*
  - ii) *in Georgia the Ministry of Finance or its duly authorized representative.*
2. *As regards the application of the Convention at any time by a Contracting State, any term not defined therein shall, unless the context otherwise requires, have the meaning that it has at that time under the law of that State for the purposes of the taxes to which the Convention applies, any meaning under the applicable tax laws of that State prevailing over a meaning given to the term under other laws of that State.*

#### Article 4

#### RESIDENT

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, and also includes that State and any political subdivision or local authority thereof. This term, however, does not include any person who is liable to tax in that State in respect only of income from sources in that State or capital situated therein.*
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 only 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 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, or if he has not a permanent home available to him in either State, he shall be deemed to be a resident only of the State in which he has an habitual abode;*
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- 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.*

*Where by reason of the provisions of paragraph 1 a person other than an individual is a resident of both Contracting States, then 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 or of economic activity through which the business or the economic activity of an enterprise is wholly or partly carried on.*
2. *The term «permanent establishment» includes especially:*
  - a) *a place of management;*
  - b) *a branch;*
  - c) *an office;*
  - d) *a factory;*
  - e) *a workshop, and*
  - f) *a mine, an oil or gas well, a quarry or any other place of extraction of natural resources.*
  - g) *an installation or structure used for the exploration of natural resources.*
3. *A building site or construction or installation project constitutes a permanent establishment only if it lasts more than 9 months.*
4. *Notwithstanding the preceding provisions of this Article, the term «permanent establishment» shall be deemed not 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 or of economic activity solely for the purpose of purchasing goods or merchandise, or of collecting information, for the enterprise;*
  - e) the maintenance of a fixed place of business or of economic activity solely for the purpose of carrying on, for the enterprise, any other activity of a preparatory or auxiliary character;*
  - f) the maintenance of a fixed place of business or of economic activity solely for any combination of activities mentioned in subparagraphs a) to e), provided that the overall activity of the fixed place of business or of economic activity resulting from the combination is of a preparatory or auxiliary character.*
- 5. Notwithstanding the provisions of paragraphs 1 and 2 where a person - other than an agent of an independent status to whom paragraph 6 applies - is acting in the name of an enterprise and has, and habitually exercises, in a Contracting State an authority to conclude contracts in the name of the enterprise, that enterprise shall be deemed to have a permanent establishment in that State in respect of any activities which that person undertakes for the enterprise, unless the activities of such person are limited to those mentioned in paragraph 4 which, if exercised through a fixed place of business or of economic activity, would not make this fixed place of business or of economic activity a permanent establishment under the provisions of that paragraph.*
- 6. An enterprise shall not be deemed to have a permanent establishment in a Contracting State merely because it carries on business in that State through a broker, general commission agent or any other agent of an independent status provided that 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 controls or is controlled by a company which is a resident of the other Contracting State, or which carries on business or of economic activity in that other State (whether through a permanent establishment or otherwise), shall not of itself constitute either company a permanent establishment of the other.*

## CHAPTER III

## TAXATION OF INCOME

## Article 6

## 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 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. The term shall in any case include property accessory to immovable property, livestock and equipment used in agriculture and forestry, 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; 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, 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 7

## PROFITS FROM BUSINESS OR ECONOMIC ACTIVITY

1. *The profits of an enterprise of a Contracting State shall be taxable only in that State unless the enterprise carries on business or economic activity in the other Contracting State through a permanent establishment situated therein. If the enterprise carries on business or economic activity 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 or economic activity 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 the permanent establishment of goods or merchandise for the enterprise.*
5. *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.*
6. *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

#### SHIPPING AND AIR TRANSPORT

1. *The provisions of Article 20 of the Agreement between the Government of the Hellenic Republic and the Government of Georgia on merchant shipping, concerning the tax treatment of income (profits) from the operation of ships in international traffic, signed in Tbilisi on the 10th of April 1997, is not affected by the provisions of this Convention.*
2. *Profits derived from the operation of aircraft in international traffic shall be taxable only in the Contracting State in which the place of effective management of the enterprise is situated.*
3. *The provisions of paragraph 2 shall also apply to profits from the participation in a pool, a joint business or an international operating agency.*



*Article 9***ASSOCIATED ENTERPRISES****1. 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 enterprises and taxed accordingly.*

- 2.** *Where a Contracting State includes, in accordance with the provisions of paragraph 1, in the profits of an enterprise of that State - and taxes accordingly - profits on which an enterprise of the other Contracting State has been charged to tax in that other State and the profits so included are profits which would have accrued to the enterprise of the first - mentioned State if the conditions made between the two enterprises had been those which would have been made between independent enterprises, then that other State shall make an appropriate adjustment to the amount of the tax charged therein on those profits. In determining such adjustment, due regard shall be had to the other provisions of this Convention and the competent authorities of the Contracting States shall if necessary consult each other.*

*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 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 8 per cent 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 effect 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 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 or economic activity 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 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 case the provisions of Article 7 or Article 14, as the case may be, shall apply.*
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, except insofar as such dividends are paid to a resident of that other 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 State, nor subject the company's undistributed profits to a tax on 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 State.*

*Article 11***INTEREST**

1. *Interest 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 interest may also be taxed in the Contracting State in which it arises and according to the laws of that State, but if the recipient is the beneficial owner of the interest the tax so charged shall not exceed 8 per cent of the gross amount of the interest. The competent authorities of the Contracting State shall by mutual agreement settle the mode of application of this limitation.*
3. *The term «interest», as used in this Article, means income from debt-claims of every kind, whether or not secured by mortgage, and whether or not carrying a right to participate in the debtor's profits, and in particular, income from government securities and income from bonds or debentures, including premiums and prizes attaching to such securities, bonds or debentures.*
4. *The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the interest, being a resident of a Contracting State, carries on business or economic activity 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 case the provisions of Article 7 or Article 14, as the case may be, shall apply.*
5. *Interest shall be deemed to arise in a Contracting State when the payer is a resident of that State. Where, however, the person paying the interest, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment or fixed base in connection with which the indebtedness on which the interest is paid was incurred, and such interest is borne by such permanent establishment or fixed base, then such interest shall be deemed to arise in the State in which the permanent establishment or fixed base is situated.*
6. *Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the interest, 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 beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case, the excess part of the payment shall remain taxable according to the laws 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 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 is the beneficial owner of the royalties the tax so charged shall not exceed 5 per cent 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 films or tapes for television or radio 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, 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 or economic activity 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 case the provisions of Article 7 or Article 14, as the case may be, shall apply.*
5. *Royalties shall be deemed to arise in a Contracting State where the payer is a resident of that State. Where, however, the person paying the royalties, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment or fixed base in connection with which the obligation to pay the royalties was incurred and the royalties are borne by that 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.*
6. *Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the royalties, having regard to the use, right or information for which they are paid, exceeds the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case, the excess part of the payments shall remain taxable according to the laws of each Contracting State, due regard being had to the other provisions of this Convention.*

*Article 13***CAPITAL GAINS**

1. *Gains derived by a resident of a Contracting State from the alienation of immovable property referred to in Article 6 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 a Contracting State 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 or aircraft operated in international traffic or movable property pertaining to the operation of such ships or aircraft shall be taxable only in the Contracting State in which the profits of such ships or aircraft are taxable according to the provisions of Article 8.*
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 14***INDEPENDENT PERSONAL SERVICES**

1. *Income derived by an individual who is a resident of a Contracting State in respect of professional services or other activities of an independent character performed in the other Contracting State may be taxed in that other State.*
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.*