

PROTOCOL

Amending the Convention between the State of Israel and the Kingdom of the Netherlands for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and on capital, with Protocol

The State of Israel and the Kingdom of the Netherlands,

Desiring to amend the Convention between the Kingdom of the Netherlands and the State of Israel for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and on capital, signed in Jerusalem on 2 July 1973, with Protocol (hereinafter referred to as "the Convention")

Have agreed as follows:

Article I

Paragraph 2 of Article 11 of the Convention shall be deleted and replaced by the following:

"2) However, such dividends may be taxed in the 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:

a. with respect to dividends paid by a company which is a resident of one of the States to a company the capital of which is wholly or partly divided into shares and which is a resident of the other State and holds directly at least 25 per cent of the capital of the company paying the dividends:

(i) 10 per cent of the gross amount of the dividends where the dividends are paid out of profits which, by virtue of provisions in Israeli law for the encouragement of investment in Israel, are exempted from tax or subject to tax at a rate that is lower than the standard rate levied on the profits of a company resident in Israel;

(ii) 5 per cent of the gross amount of the dividends in other cases;

b. 15 per cent of the gross amount of the dividends in all other cases."

Article II

The States agree that during the year 2000 discussions will take place between them in order to examine the necessity of amending the provisions of paragraphs 4 and 5 of Article 26, part A, of the Convention, in light of the circumstances then prevailing, including the tax laws of the States and the economic and other conditions then existing in Israel. If after the elapse of two years from the beginning of such discussions, the States have not come to agreement that it is justified, in light of the abovementioned circumstances and the other provisions of the Convention, to continue the application of those first-mentioned provisions in their current or some amended form, then either side may notify the other of the repeal of the first-mentioned provisions and in such case the first-mentioned provisions shall cease to have effect six months after the date of such notification.

Article III

This Protocol shall enter into force on the thirtieth day after the latter of the dates on which the respective Governments have notified each other in writing that the formalities constitutionally required in their respective States have been complied with and its provisions shall take effect from the first day of January 1996. This Protocol shall remain in force as long as the Convention remains in force.

In witness whereof the undersigned, being duly authorised thereto by their respective Governments, have signed this Protocol.

Done in duplicate at Jerusalem on 16 January 1996, corresponding to the 24 Tevet 5756 in the Hebrew, Netherlands, and English languages, all three texts being equally authentic. In case of any divergence of interpretation, the English text shall prevail.

For the State of Israel

For the Kingdom of the Netherlands

E. Barak
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[Signature]
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Treaties Department - Ministry Of Foreign Affairs - Israel