

Agreement between  
the Republic of Korea and the Kingdom of the Nepal  
for the Avoidance of Double Taxation and the Prevention  
of Fiscal Evasion with Respect to Taxes on Income

Signed at Seoul October 5, 2001  
Entered into force May 29, 2003

The Government of the Republic of Korea and His Majesty's government of Nepal, desiring to conclude an Agreement for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income,

Have agreed as follows:

-----  
Article 1. **【PERSONS COVERED】** [2003.05.29]

This Agreement shall apply to persons who are residents of one or both of the Contracting States.

-----  
Article 2. **【TAXES COVERED】** [2003.05.29]

1. The existing taxes to which this Agreement shall apply are:

a) in Korea:

- ( ) the income tax;
- ( ) the corporation tax;
- ( ) the inhabitant tax, and
- ( ) the special tax for rural development

(hereinafter referred to as "Korean tax");

b) in Nepal:

- ( ) income tax imposed under the Income Tax Act, and
- ( ) any other taxes on income imposed by local bodies

(hereinafter referred to as "Nepal Tax").

2. The Agreement shall apply also to any identical or substantially similar taxes which are imposed after the date of signature of the Agreement 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.

-----

Article 3. **【GENERAL DEFINITIONS】** [2003.05.29]

1. For the purposes of this Agreement, unless the context otherwise requires:

a) the term "Korea" means the Republic of Korea, and when used in a geographical sense, means the territory of the Republic of Korea, including its territorial sea, and any other area adjacent to the territorial sea of the Republic of Korea which, in accordance with international law, has been or may hereafter be designated under the laws of the Republic of Korea as an area within which the sovereign rights or jurisdiction of the Republic of Korea with respect to the waters, the sea-bed and subsoil, and their natural resources may be exercised;

b) the term "Nepal" means the Kingdom of Nepal;

c) the terms "a Contracting State" and "the other Contracting State" mean Korea or Nepal, as the context requires;

d) the term "tax" means Korean tax or Nepal tax, as the context requires;

e) the term "person" includes an individual, a company and any other body of persons;

f) the term "company" means any body corporate or any entity which is treated as a body corporate for tax purposes;

g) 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;

h) the term "national" means:

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

( ) any legal person, partnership and association deriving its status as such from the laws in force in a Contracting State;

i) the term "international traffic" means any transport by a ship 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;

j) the term "competent authority" means:

( ) in Korea, the Minister of Finance and Economy or his authorized representative;

( ) in Nepal, the Minister of Finance or his authorized representative.

2. As regards the application of the Agreement at any time by a Contracting State, any term not defined therein shall, unless the context otherwise requires, have the meaning which it has at that time under the law of that State for the purpose of the taxes to which the Agreement 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】** [2003.05.29]

1. For the purposes of this Agreement, 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 head or main office, 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.

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 only of the State with which his personal and economic relations are closer (center of vital interests);

b) if the State in which he has his center 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;

c) if he has an habitual abode in both States or in neither of them, he shall be deemed to be a resident only 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.

3. 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 only of the State in which its place of effective management is situated. In case of doubts the competent authorities of the Contracting States shall settle the question by mutual agreement.

-----  
Article 5. **【PERMANENT ESTABLISHMENT】** [2003.05.29]

1. For the purposes of this Agreement, 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" 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.

3. A building site or a construction, assembly or installation project, or supervisory or consultancy activities in connection therewith constitute a permanent establishment only if such site, project or activities continue for a period or periods aggregating more than 183 days within any twelve month period.

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 purposes of processing by another enterprise;
- d) the maintenance of a fixed place of business 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 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 solely for any combination of activities mentioned in sub-paragraphs a) to e), provided that the overall activity of the fixed place of business resulting from this 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 7 applies - is acting on behalf 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, would not make this fixed place of business a permanent establishment under the provisions of that paragraph.

6. Notwithstanding the preceding provisions of this Article, an insurance enterprise of a Contracting State shall, except in regard to reinsurance, be deemed to have a permanent establishment in the other State if it collects premiums in the territory of that other State or insures risks situated therein through an employee or through a representative who is not an agent of an independent status within the meaning of paragraph 7.

7. 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.

8. 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.

-----

Article 6. **【INCOME FROM IMMOVABLE PROPERTY】** [2003.05.29]

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 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. **【BUSINESS PROFITS】** [2003.05.29]

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 under the provisions of domestic law which are incurred for the purposes of the business 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. For the purposes of the preceding paragraphs of this Article, 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 Agreement, then the provisions of those Articles shall not be affected by the provisions of this Article.

-----  
Article 8. **【SHIPPING AND AIR TRANSPORT】** [2003.05.29]

1. Profits of an enterprise of a Contracting State from the operation of ships or aircraft in international traffic shall be taxable only in that State.

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

-----  
Article 9. **【ASSOCIATED ENTERPRISES】** [2003.05.29]

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 enterprise and taxed accordingly.

2. Where a Contracting State includes 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 Agreement and the competent authorities of the Contracting States shall consult each other.

Article 10. **【DIVIDENDS】** [2003.05.29]

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:

a) 5 percent of the gross amount of the dividends if the beneficial owner is a company which holds directly at least 25 percent of the shares of the company paying the dividends;

b) 10 percent of the gross amount of the dividends if the beneficial owner is a company which holds directly at least 10 percent of the shares of the company paying the dividends;

c) 15 percent of the gross amount of the dividends in all other cases.

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 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 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 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 State.

-----  
Article 11. **【INTEREST】** [2003.05.29]

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 beneficial owner of the interest is a resident of the other Contracting State, the tax so charged shall not exceed 10 percent of the gross amount of the interest.

3. Notwithstanding the provisions of paragraph 2, interest arising in a Contracting State and derived by the Government of the other Contracting State including political subdivisions and local authorities thereof, the Central Bank of that other State or any financial institution performing functions of a governmental nature or by any resident of the other Contracting State with respect to debt-claim guaranteed or indirectly-financed by the Government of that other State including political subdivisions and local authorities thereof, the Central Bank of that other State or any financial institution performing functions of a governmental nature shall be exempt from tax in the first-mentioned Contracting State.

4. For the purposes of paragraph 3, the terms "the Central Bank and financial institution performing functions of a governmental nature" mean:

a) in Korea:

(i) the Bank of Korea;

( ) the Korea Export-Import Bank;

( ) the Korea Development Bank, and

( ) such other financial institution performing functions of a governmental nature as may be specified and agreed upon in letters exchanged between the competent authorities of the Contracting States;

b) in Nepal:

(i) Nepal Rastra Bank(Central Bank of Nepal);

( ) Nepal Industrial Development Corporation;

( ) Agriculture Development Bank, and

( ) such other financial institution performing functions of a governmental nature as may be specified and agreed upon in letters exchanged between the competent authorities of the Contracting States.

5. 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, bond or debentures.

6. 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 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.

7. Interest shall be deemed to arise in a Contracting State when the payer is that State itself, a political subdivision, a local authority or 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 a 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.

8. 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 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 Agreement.

-----  
Article 12. **【ROYALTIES】** [2003.05.29]

1. Royalties arising in a Contracting State and beneficially owned by 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 15 percent of the gross amount of the royalties.

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 or tapes for radio or television broadcasting, any patent, trade mark, design or model, plan, secret formula or process, 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 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 when the payer is that State itself, a political subdivision, a local authority or 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 a fixed base in connection 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.

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 Agreement.

-----  
Article 13. **【CAPITAL GAINS】** [2003.05.29]

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 of which the enterprise is a resident.

4. Gains from the alienation of shares of the capital stock of a company the property of which consists directly or indirectly principally of immovable property situated in a Contracting State may be taxed in that State.

5. Gains from the alienation of any property other than that referred to in paragraphs 1, 2, 3 and 4 shall be taxable only in the Contracting State of which the alienator is a resident.

-----  
Article 14. **【INDEPENDENT PERSONAL SERVICES】** [2003.05.29]

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 shall be taxable only in that State unless:

a) he has a fixed base regularly available to him in the other Contracting State for the purpose of performing his activities; or

b) he is present in that other Contracting State for a period or periods amounting to or exceeding in the aggregate 183 days in any twelve month period commencing or ending in the fiscal year concerned.

If he has such a fixed base or is present in that other Contracting State for aforesaid period or periods, the income may be taxed in the other Contracting State but only so much of the income as is attributable to that fixed base or is derived in that other Contracting State during the aforesaid period or periods.

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】** [2003.05.29]

1. Subject to the provisions of Articles 16, 18, 19, 20 and 21, salaries, wages and other similar remuneration derived by an individual who is 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 an individual who is 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 any twelve month period commencing or ending 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 derived in respect of an employment exercised aboard a ship or aircraft operated in international traffic by an enterprise of

a Contracting State shall be taxable only in that State.

-----  
Article 16. **【DIRECTORS' FEES】** [2003.05.29]

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

-----  
Article 17. **【ARTISTES AND SPORTSMEN】** [2003.05.29]

1. Notwithstanding the provisions of Articles 14 and 15, income derived by an individual who is 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 7, 14 and 15, be taxed in the Contracting State in which the activities of the entertainer or sportsman are exercised.

3. Notwithstanding the provisions of paragraphs 1 and 2 of this Article, income derived by entertainers or sportsmen who are residents of a Contracting State from the activities exercised in the other Contracting State under a special program of cultural exchange agreed upon between the Governments of both Contracting States, shall be exempt from tax in that other State.

-----  
Article 18. **【PENSIONS, ANNUITIES & SOCIAL SECURITY PAYMENTS】** [2003.05.29]

1. Subject to the provisions of paragraph 2 of Article 19, pensions, annuities or other similar remuneration paid to an individual who is a resident of the Contracting State in consideration of past employment shall be taxable only in that State.

2. The term "annuities" means a stated sum payable periodically at stated times during life or during a specified or ascertainable period of time under an obligation to make the payments in return for adequate and full consideration in money or money's worth.

3. Notwithstanding the provisions of paragraph 1, pensions paid and other payments made under a public scheme which is part of the social security systems of a Contracting State shall be taxable only in that State.

-----  
Article 19. **【GOVERNMENT SERVICE】** [2003.05.29]

1. a) Remuneration, other than a pension, paid by a Contracting State or a political 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 remuneration shall be taxable only in the other Contracting State if the services are rendered in that State and the individual is a resident of that State who:

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

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

2. a) Any pension paid by, or out of funds created by, a Contracting State or a political 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 individual is a resident of, and a national of, that State.

3. The provisions of Articles 15, 16, 17 and 18 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 subdivision or local authority thereof.

4. The provisions of paragraphs 1 and 2 shall likewise apply in respect of remuneration or pensions paid by:

a) in Korea:

(i) the Bank of Korea;

( ) the Korea Export-Import Bank;

( ) the Korea Development Bank;

( ) the Korea Trade-Investment Promotion Agency, and

( ) other institution performing functions of a governmental nature as may be specified and agreed upon in letters exchanged between the competent authorities of the Contracting States;

b) in Nepal:

(i) Nepal Rastra Bank (Central Bank of Nepal);

( ) Nepal Industrial Development Corporation;

( ) Agriculture Development Bank, and

( ) such other financial institution performing functions of a governmental nature as may be specified and agreed upon in letters exchanged between the competent authorities of the Contracting States.

-----  
Article 20. 【STUDENTS】 [2003.05.29]

1. A student or business apprentice who is or was a resident of a Contracting State immediately before visiting the other Contracting State and who is present in that other State solely for the purpose of his education or training, shall be exempt from tax in that other State on:

a) payments made to him by persons residing outside that other State for the purposes of his maintenance, education or training; and

b) remuneration from employment in that other State, in an amount not exceeding 10,000 United States dollars or its equivalent in Korean currency or in Nepalese currency during any calendar year provided that such employment is directly related to his studies or is undertaken for the purpose of his maintenance.

2. The benefits of this Article shall extend only for such period of time as may be reasonably or customarily required to complete the education or training undertaken, but in no event shall any individual have the benefits of this Article for more than five consecutive years from the date of his first arrival in that other Contracting State.

-----  
Article 21. **【TEACHERS AND RESEARCHERS】** [2003.05.29]

1. A professor, teacher or researcher who makes a temporary visit to a Contracting State for the purpose of teaching or conducting research at a university, college, school or other recognized educational institution and who is, or immediately before such visit was, a resident of the other Contracting State shall be exempted from tax in the first-mentioned State for a period not exceeding two years in respect of remuneration for such teaching or research.

2. This Article shall not apply to remuneration which a professor or teacher receives for conducting research if the research is undertaken primarily for the private benefit of a specific person or persons.

-----  
Article 22. **【OTHER INCOME】** [2003.05.29]

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

2. The provisions of paragraph 1 shall not apply to income, other than income from immovable property as defined in paragraph 2 of Article 6, if the recipient of such income, being a resident of a Contracting State, carries on business in the other Contracting State 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 income 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.

-----  
Article 23. **【RELIEF FROM DOUBLE TAXATION】** [2003.05.29]

1. Subject to the provisions of Korean tax law regarding the allowance as a credit against Korean tax of tax payable in any country other than Korea:

a) Where a resident of Korea derives income from Nepal, which may be taxed in Nepal in accordance with the provisions of this Agreement, Korea shall allow, subject to its laws, an amount equal to income tax paid or payable in Nepal as a credit from the tax on the income of that<sup>1</sup>. Subject to the provisions of Korean tax law regarding the allowance as a credit against Korean tax of tax payable in any country other than Korea:

a) Where a resident of Korea derives income from Nepal, which may be taxed in Nepal in accordance with the provisions of this Agreement, Korea shall allow, subject to its laws, an amount equal to income tax paid or payable in Nepal as a credit from the tax on the income of that resident. The amount of credit shall not, however, exceed that part of income tax as computed before the credit is given, which is appropriate to that income taxed in Nepal.

b) Notwithstanding the provisions of sub-paragraph a), there shall be deemed to have been paid by the Korean resident the amount which would have been paid as Nepal tax under the laws of Nepal and in accordance with this Agreement if the Nepal tax had not been reduced or exempted in Nepal in accordance with any special incentive measures designed to promote economic development in Nepal, which are effective on the date of signature of this Agreement or which may be introduced in the future in laws relating to Nepal tax in place of, or in addition to, the existing measures, provided that an agreement is made between the competent authorities of the two Contracting States in respect of the scope of the benefit accorded to the taxpayer by the said measures.

c) Where a company which is a resident of Korea owns not less than 20 per cent of the total shares issued by a company which is a resident of Nepal, Korea shall take into account, in determining the tax to be paid in Korea, the tax paid or payable by the second-mentioned company in respect of the profits out of which the dividend is paid.

2. Subject to the provisions of Nepal tax law regarding the allowance as a credit against Nepal tax of tax payable in any country other than Nepal:

a) Where a resident of Nepal derives income from Korea, which may be taxed in Korea in accordance with the provisions of this Agreement, Nepal shall allow, subject to its laws, an amount equal to income tax paid or payable in Korea as a credit from the tax on the income of that resident. The amount of credit shall not, however, exceed that part of income tax as computed before the credit is given, which is appropriate to that income taxed in Korea.

b) Where a company which is a resident of Nepal owns not less than 20 per cent of the total shares issued by a company which is a resident of Korea, Nepal shall take into account, in determining the tax to be paid in Nepal, the tax paid or payable by the second-mentioned company in respect of the profits out of which the dividend is paid. resident. The amount of credit shall not, however, exceed that part of income tax as computed before the credit is given, which is appropriate to that income taxed in Nepal.

b) Notwithstanding the provisions of sub-paragraph a), there shall be deemed to have been paid by the Korean resident the amount which would have been paid as Nepal tax under the laws of Nepal and in accordance with this Agreement if the Nepal tax had not been reduced or exempted in Nepal in accordance with any special incentive measures designed to promote

economic development in Nepal, which are effective on the date of signature of this Agreement or which may be introduced in the future in laws relating to Nepal tax in place of, or in addition to, the existing measures, provided that an agreement is made between the competent authorities of the two Contracting States in respect of the scope of the benefit accorded to the taxpayer by the said measures.

c) Where a company which is a resident of Korea owns not less than 20 per cent of the total shares issued by a company which is a resident of Nepal, Korea shall take into account, in determining the tax to be paid in Korea, the tax paid or payable by the second-mentioned company in respect of the profits out of which the dividend is paid.

2. Subject to the provisions of Nepal tax law regarding the allowance as a credit against Nepal tax of tax payable in any country other than Nepal:

a) Where a resident of Nepal derives income from Korea, which may be taxed in Korea in accordance with the provisions of this Agreement, Nepal shall allow, subject to its laws, an amount equal to income tax paid or payable in Korea as a credit from the tax on the income of that resident. The amount of credit shall not, however, exceed that part of income tax as computed before the credit is given, which is appropriate to that income taxed in Korea.

b) Where a company which is a resident of Nepal owns not less than 20 per cent of the total shares issued by a company which is a resident of Korea, Nepal shall take into account, in determining the tax to be paid in Nepal, the tax paid or payable by the second-mentioned company in respect of the profits out of which the dividend is paid.

-----  
Article 24. **【NON-DISCRIMINATION】** [2003.05.29]

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 or 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. The taxation on a permanent establishment or a fixed base which an enterprise of a Contracting State has in the other Contracting State shall not be less favorably 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 reduction for taxation purposes on account of civil status or family responsibilities which it grants to its own residents.

3. Except where the provisions of paragraph 1 of Article 9, paragraph 8 of Article 11, or paragraph 4 of Article 12 apply, interest, royalties and other disbursements paid by an enterprise of a Contracting State 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 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 State to any taxation or any requirements 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.

5. The provisions of this Article shall, notwithstanding the provisions of Article 2, apply to taxes of every kind and description.

-----  
Article 25. **【MUTUAL AGREEMENT PROCEDURE】** [2003.05.29]

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 Agreement, 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 24, to that of the Contracting State of which he is a national. The case must be presented within three years from the first notification of the action resulting in taxation not in accordance with the provisions of the Agreement.

2. The competent authority shall endeavor, 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 Agreement.

3. The competent authorities of the Contracting States shall endeavor to resolve by mutual agreement any difficulties or doubts arising as to the interpretation or application of the Agreement. They may also consult together for the elimination of double taxation in cases not provided for in the Agreement.

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 an 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 26. **【EXCHANGE OF INFORMATION】** [2003.05.29]

1. The competent authorities of the Contracting States shall exchange such information as is necessary for carrying out the provisions of this Agreement or of the domestic laws of the Contracting States concerning taxes covered by the Agreement, insofar as the taxation thereunder

is not contrary to the Agreement. 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 State and shall be disclosed only to persons or authorities (including courts and administrative bodies) concerned with 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 Agreement. Such persons or authorities shall use the information only for such purposes. They may disclose the information in public court proceedings or in judicial decisions.

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 (order public).

-----  
Article 27. **【MEMBERS OF DIPLOMATIC MISSIONS AND CONSULAR POSTS】** [2003.05.29]

Nothing in this Agreement shall affect the fiscal privileges of members of diplomatic missions or consular posts under the general rules of international law or under the provisions of special agreements.

-----  
Article 28. **【ENTRY INTO FORCE】** [2003.05.29]

1. Each Contracting State shall notify the other of the completion of the procedures required by its law for the entering into force of this Agreement. The Agreement shall enter into force on the later of the notifications.

2. The provisions of this Agreement shall have effect:

a) in Korea:

(i) in respect of taxes withheld at source, for amounts payable on or after the first day of January in the first calendar year following that in which this Agreement enters into force;

( ) in respect of other taxes, for the taxable year beginning on or after the first day of January in the first calendar year following that in which this Agreement enters into force;

b) in Nepal:

(i) in respect of taxes withheld at source or advance tax, for amounts payable on or after

the first day of Nepalese fiscal year next following the date of the entry into force of this Agreement;

( ) in respect of taxes on income derived on or after the first day of the Nepalese fiscal year next following the date of the entry into force of this Agreement.

-----  
Article 29. 【TERMINATION】 [2003.05.29]

1. This Agreement shall continue in effect indefinitely but either Contracting State may, on or before the thirtieth day of June of any calendar year beginning after the expiration of a period of five years from the date of its entry into force, give to the other Contracting State a notice of termination in writing through diplomatic channels.

2. The provisions of this Agreement shall cease to have effect:

a) in Korea:

(i) in respect of taxes withheld at source, for amounts payable on or after the first day of January in the first calendar year following that in which the notice is given;

( ) in respect of other taxes, for the taxable year beginning on or after the first day of January in the first calendar year following that in which the notice is given;

b) in Nepal:

(i) in respect of taxes withheld at source or advance tax, for amounts payable on or after the first day of Nepalese fiscal year next following the date on which the notice is given;

( ) in respect of taxes on income derived on or after the first day of the Nepalese fiscal year next following the date on which the notice is given.

IN WITNESS WHEREOF, the undersigned, duly authorized thereto by their respective Governments, have signed this Agreement.

Done in duplicate at Seoul this 5th day of October 2001, in the Korean, Nepali, and English languages, all texts being equally authentic. In case of divergence of interpretation, the English text shall prevail.

FOR THE GOVERNMENT OF FOR HIS MAJESTY'S GOVERNMENT  
THE REPUBLIC OF KOREA OF NEPAL

-----  
[2003.05.29]

PROTOCOL

On signing the Agreement between the Republic of Korea and the Kingdom of Nepal for the

Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, the undersigned have agreed that the following provisions shall form an integral part of the Agreement.

With reference to paragraph 2 of Article 5,

The term "permanent establishment" includes a warehouse in relation to a person habitually providing storage facilities for others.

With reference to paragraph 3 of Article 7.

The deduction shall not be allowed in respect of amounts, if any, paid (otherwise than towards reimbursement of actual expenses) by a permanent establishment to the head office of the enterprise or any of its other offices, by way of royalties, fees or other similar payments in return for the use of patents or other rights, or by way of commission for specific services performed or for management, or, except in the case of a banking enterprise, by way of interest on monies lent to the permanent establishment, Likewise on account shall be taken, in the determination of the profits of a permanent establishment, for amounts charged (otherwise than towards reimbursement of actual expenses), by the permanent establishment to the head office of the enterprise or any of its other offices, by way of royalties, fees or other similar payments in return for the use of patents or other rights, or by way of commission for specific services performed or for management, or, except in the case of a banking enterprise, by way of interest on monies lent to the head office of the enterprise of any of its other offices.

With reference to paragraph 2 of article 10 and paragraph 2 of Article 12.

There shall be immediately substituted for the rate of 5, 10, or 15 per cent specified in paragraph 2 of Article 10 and for the rate 15 percent specified in paragraph 2 of Article 12 such lower rates as may be agreed upon between nepal and any other country in any Agreement for the avoidance of double taxation and prevention of fiscal evasion with respect to taxes on income concluded between Nepal and that other country subsequent to this Agreement.

With reference to sub-paragraph 1b) of Article 23.

The special incentive measures designed to promote economic development in Nepal are the measures under the Income Tax Act, the Industrial Enterprise Act, the Foreign Investment and Technology Transfer Act, the Electricity Act and other related laws, it is understood that the provisions of sub-paragraph 1 b) of Article 23 shall not be applied to a resident of Korea whose income is derived from engaging in the business activities in the financial sector or from third states. This Provision shall cease to have effect in respect of income derived by a resident of Korea in any taxable year beginning after December 31, 2003. However, the competent authorities of both Contracting States may consult each other and agree upon extending this period up to any further period.

IN WITNESS WHEREOF, the undersigned, duly authorized thereto by their respective Governments,

have signed this Protocol.

Done in duplicate at Seoul this 5th day of October 2001, in the Korean, Nepali, and English Languages, all texts being equally authentic. In case of divergence of interpretation, the English text shall prevail.

FOR THE GOVERNMENT OF THE REPUBLIC OF KOREA

FOR HIS MAJESTY'S GOVERNMENT OF NEPAL

-----