

N° 2305.

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**HONGRIE  
ET ROYAUME DES SERBES,  
CROATES ET SLOVÈNES**

Convention pour éviter la double  
imposition en matière de contribu-  
tions directes. Signée à Belgrade,  
le 22 février 1928.

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**HUNGARY AND  
KINGDOM OF THE SERBS,  
CROATS AND SLOVENES**

Convention for the Prevention of  
Double Taxation as regards  
direct Taxes. Signed at Belgrade,  
February 22, 1928.

<sup>1</sup> TRADUCTION. — TRANSLATION.

No. 2305. — CONVENTION <sup>2</sup> BETWEEN THE KINGDOM OF HUNGARY AND THE KINGDOM OF THE SERBS, CROATS AND SLOVENES, FOR THE PREVENTION OF DOUBLE TAXATION AS REGARDS DIRECT TAXES. SIGNED AT BELGRADE, FEBRUARY 22, 1928.

*French official text communicated by the Permanent Delegate of the Kingdom of Yugoslavia accredited to the League of Nations and the Chargé d'Affaires a. i. of the Hungarian Delegation accredited to the League of Nations. The registration of this Convention took place March 29, 1930.*

HIS MAJESTY THE KING OF THE SERBS, CROATS AND SLOVENES and HIS MOST SERENE HIGHNESS THE REGENT OF THE KINGDOM OF HUNGARY, being desirous of preventing double taxation and of settling other questions connected with direct taxes, have decided to conclude a convention for this purpose, and have appointed as their Plenipotentiaries :

HIS MAJESTY THE KING OF THE SERBS, CROATS AND SLOVENES :

Dr. Voislav MARINKOVITCH, His Minister for Foreign Affairs ;

HIS MOST SERENE HIGHNESS THE REGENT OF THE KINGDOM OF HUNGARY :

Baron Paul FORSTER, His Envoy Extraordinary and Minister Plenipotentiary at Belgrade, and

M. Alfred DE NICKL, Councillor of Legation, Director of the Economic Section at the Royal Hungarian Ministry of Foreign Affairs ;

Who, having exchanged their full powers, found in good and due form, have agreed on the following provisions :

*Article 1.*

The present Convention contains regulations applicable to direct taxes.

For the purposes of the present Convention, direct taxes shall be taken to mean taxes which, on the basis of the legislation of each of the Contracting Parties, are levied direct on income (gross or net) or on total estate, either on account of the two Contracting States or on account of public autonomous corporations (comitats, communes, etc.), even when they are levied in the form of additional taxes or imposts. The present Convention shall not apply therefore to the indirect taxes on turnover and on consumption.

The provisions of the present Convention refer in part to direct impersonal taxes on income, and in part to direct personal taxes.

<sup>1</sup> Traduit par le Secrétariat de la Société des Nations, à titre d'information.

<sup>1</sup> Translated by the Secretariat of the League of Nations, for information.

<sup>2</sup> The exchange of ratifications took place at Budapest, February 25, 1930.

For the purposes of this Convention, impersonal taxes shall be taken to mean direct taxes levied on taxable objects in virtue of their economic connection with the territory of a State. Personal taxes shall be taken to mean direct taxes levied on the whole of the taxable objects (income and property) of the taxpayer to whom they belong in virtue of the nationality, domicile or residence of such person.

With a view to the application of the present Convention, the Ministries of Finance of the two States shall inform each other at the end of each calendar year of the taxes which are to be regarded as direct taxes, and the taxes in that group which are to be regarded as impersonal or personal taxes.

*Article 2.*

The tax on income derived from immovable property shall be levied only by the State in the territory of which such immovable property (landed estate, mines, buildings) is situated.

*Article 3.*

The impersonal tax on income derived from any kind of industrial or commercial activity whatever shall be levied only in the State in whose territory the establishment of the undertaking is situated, even when the undertaking carries on business in the territory of the other Contracting State without possessing an establishment in that State.

For the purposes of the present Convention an establishment shall be taken to mean a permanent productive organisation in which the business of the undertaking is wholly or partly carried on.

Should the undertaking possess establishments in both Contracting States, each State may levy the impersonal tax only on such portion of the income as is derived from the establishment situated in its own territory.

*Article 4.*

Earned income, including income derived from the exercise of the liberal professions, may be taxed only in the State in whose territory the personal activities producing the revenue have been carried on.

*Article 5.*

Allowances or grants paid by public Funds by reason of past or present official or professional services (salaries, pensions, retiring allowances and other similar income), shall be liable to direct taxation only in the State from which the income in question is derived.

*Article 6.*

Income derived from the employment of floating capital shall be liable to direct taxation in the State in which the "debtor" is domiciled.

Corporate bodies shall be regarded as domiciled at the place at which they have their seat, or, failing this, at the place at which their centre of management is situated.

The tax on interest (accessories) due in respect of mortgage debts shall be levied in the State in whose territory the immovable property in question is situated. Should the mortgage debt be registered in respect of immovable property of which a part or parts are situated in the territory of the other Contracting Party, the interest (accessories) due in respect of the mortgage debts in such a case shall be divided, for the purpose of taxation, in equal proportions between the two Contracting Parties.

Interest on bonds issued by the State or by public autonomous corporations or by joint stock companies, banks or other financial institutions, shall be taxed by the State paying such interest or by the State in whose territory the corporation paying the interest is situated, as the case may be.

The provisions of the preceding paragraph shall also apply to the taxation of interest on capital deposited in banks and other financial institutions in the form of savings deposits or on current account. Should the seat of the institution be situated in the territory of one of the Contracting States and one or more branch establishments be situated in the territory of the other, the interest on capital deposited in the branch establishments shall be taxed by the State in whose territory they are.

*Article 7.*

The tax on directors' fees shall only be levied by the State in whose territory the legal seat or the centre of management of the undertaking paying the said directors' fees is situated. Allowances in the nature of directors' fees paid in respect of certain functions exercised in a branch establishment shall be liable to the tax on directors' fees : this tax shall be levied by the State in whose territory the branch establishment in question is situated.

Should the legal seat of the undertaking be situated in one of the Contracting States and the centre of management in the other, the central financial authorities of the two States shall come to an agreement in each case as to the equitable allocation of the basis of the tax.

*Article 8.*

Impersonal taxes on life annuities shall be levied by the State in which the person receiving the income in question is domiciled.

*Article 9.*

Personal taxes on the taxpayer's total income in each of the Contracting States shall be levied in accordance with the following rules :

(1) Personal income derived :

- (a) From immovable property
- (b) From mortgage debts
- (c) From industry or trade
- (d) From work — including remuneration paid by public corporations — shall be subject to the rules laid down in the preceding Articles for impersonal income derived from these taxable sources.

(2) Every other kind of income, in particular, dividends on shares, directors' fees, interest on bonds issued by public corporate bodies and companies and interest on deposits in banks or other credit institutions shall be taxed in the State in which the taxpayer has his domicile.

For the purposes of the present Convention domicile shall be taken to mean the place in which the taxpayer habitually resides in circumstances which warrant the presumption that he intends to continue to reside there, or the place in which the taxpayer resides in circumstances such as to warrant the supposition that his stay is not merely temporary.

Should the taxpayer possess a domicile in each of the two States, each State shall levy the tax in proportion to the length of stay in its territory during the year to which the tax relates.

For the purposes of the present Article, the domicile of corporate bodies — when the latter are subject to a personal tax on total income — shall be taken to be the place in which the corporate body has its legal seat and, failing such, the place in which its centre of management is situated.

*Article 10.*

Any tax on total estate, whether of a permanent character or levied on a single occasion only, which has already been or may in future be imposed in the Contracting States, shall be levied in each State on the taxpayer's property situated in the territory of that State.

When the estate consists of :

- (1) Immovable property
- (2) Mortgage debts
- (3) Industrial or commercial undertakings

its existence in the territory of one or other of the Contracting States shall, so far as the levying of the tax on total estate is concerned, be determined according to the principles laid down in the preceding Articles for impersonal taxes on income derived from such property.

In the case of any other kind of property, including company shares, bonds issued by public corporate bodies or companies and deposits in banks or other credit institutions, the rules laid down for the personal taxation of total income shall apply.

*Article 11.*

The rules laid down in Article 10 of the present Convention with regard to the tax on total estate shall also apply to any tax on the increment of total estate which is already in force or may in future be introduced in either Contracting State.

*Article 12.*

Shipping undertakings on the Danube shall be liable to taxes on profits arising out of their shipping business only in the State in which the seat of the undertaking is situated.

Shipping business shall be held to include not only transport of persons and goods but also transport of goods from warehouses to the vessel and from the vessel to the warehouses.

The professional income of paid workers employed in the navigation service of the said undertakings shall be liable to taxation in the State in whose territory the seat of the undertaking is situated.

*Article 13.*

From the point of view of taxation, including proceedings before revenue authorities, revenue and administrative tribunals, the nationals of either Contracting Party shall be entitled, in the territory of the other Party, to the same treatment as nationals of the country.

Corporate bodies whose seat is in the territory of one of the Contracting Parties shall be treated in the territory of the other Party in the same manner as taxpayers of that other Party.

*Article 14.*

The Contracting Parties undertake to assist each other with a view to the assessment and recovery of direct taxes.

*Article 15.*

The present Convention shall be applied as from January 1, 1928, for the financial year 1928 and the following years.

*Article 16.*

The present Convention shall be ratified and the instruments of ratification shall be exchanged in Budapest as soon as possible.

The present Convention shall come into force fifteen days after the exchange of the instruments of ratification and shall remain in force until denounced by one of the Contracting Parties. Should the denunciation take place before July 1 of any year, the Convention shall cease to take effect on January 1 of the following year; otherwise it shall cease to take effect on January 1st of the second year following denunciation.

In faith whereof the Plenipotentiaries have signed the present Convention and have affixed their seals thereto.

Done at Belgrade in duplicate on February the twenty-second, one thousand nine hundred and twenty-eight.

(L. S.) (*Signed*) Dr. V. MARINKOVITCH.

(L. S.) (*Signed*) FORSTER.

(L. S.) (*Signed*) NICKL.

## FINAL PROTOCOL.

On proceeding to sign the present Convention concluded this day between the Kingdom of the Serbs, Croats and Slovenes and the Kingdom of Hungary for the prevention of double taxation and the settlement of other questions in the matter of direct taxes, the undersigned Plenipotentiaries have made the following joint declarations, which shall form an integral part of the Convention itself :

*Ad Article 3.*

For the purposes of Article 3 of the Convention, industrial and commercial activities shall be taken to include the activities of insurance, traffic, transport, finance and credit companies.

For the purposes of Article 3 of the Convention, " establishments " shall be taken to mean not only the seat and real business centre of the undertaking, but also the branches, depots, factories, workshops and laboratories, premises where purchases and sales are effected, warehouses, and, in general, any other commercial and industrial installation in the nature of a permanent productive organisation, and lastly, permanent representatives, provided that they are liable to taxation under the law of the State in question.

*Ad Article 4.*

For the purposes of Article 4 of the Convention, liberal professions shall be taken to mean more particularly scientific, artistic or literary occupations, teaching or education, and the professional activities of doctors, barristers, architects and engineers.

The income of foreign commercial travellers derived from their activities in the territory of the other Contracting Party, even if their activities are only temporary, shall also be regarded as earned income.

*Ad Article 6.*

It is agreed that taxes levied on interest on debentures and on interest on savings deposits or current accounts and which, under the legal provisions at present in force in one or both of the Contracting States, are regarded as taxes (*illetékek*) shall, for the purposes of the application of the present Convention, be regarded as impersonal taxes until such taxes are declared to be impersonal taxes.

*Ad Article 9.*

The total income of the taxpayer for the purposes of Article 9 shall be held to be the net revenue derived from sources in the territory of the State in question or from activities carried on therein, without allowing for interest due abroad.

*Ad Article 10.*

The rules laid down in Article 10 shall not be applicable to the single capital levy should such tax have been introduced prior to the present Convention, even should the payment of the tax be still in progress.

With a view to avoiding any doubts that might arise, it is hereby declared that the provisions of the present Convention shall not affect the right to enjoy more extensive privileges or exemptions which, in virtue of the general rules of international law, are now or may hereafter be granted to diplomatic and consular representatives.

The present Protocol shall be held to have been approved by the Contracting Parties, without further special ratification, by the mere fact of their having exchanged the documents of ratification of the Convention to which it refers.

Done at Belgrade in duplicate on February the twenty-second, one thousand nine hundred and twenty-eight.

(L. S.) (*Signed*) DR. V. MARINKOVITCH.

(L. S.) (*Signed*) FORSTER.

(L. S.) (*Signed*) NICKL.