

establishment situated therein. If it is so engaged, New Zealand tax may be imposed on the entire income of such enterprise from sources within New Zealand. Nothing in this paragraph shall affect any provisions of the law of New Zealand regarding the taxation of income from the business of insurance.

(2) The industrial or commercial profits of a New Zealand enterprise shall not be subject to United States tax unless the enterprise is engaged in trade or business in the United States through a permanent establishment situated therein. If it is so engaged, United States tax may be imposed on the entire income of such enterprise from sources within the United States.

(3) Where an enterprise of one of the Contracting Governments is engaged in trade or business in the territory of the other Contracting Government through a permanent establishment situated therein, there shall be attributed to that permanent establishment the industrial or commercial profits which it might be expected to derive if it were an independent enterprise engaged in the same or similar activities and dealing at arm's length with the enterprise of which it is a permanent establishment, and the profits so attributed shall be deemed to be income derived from sources within the territory of such other Contracting Government.

(4) In determining the industrial or commercial profits from sources within the territory of one of the Contracting Governments of an enterprise of the other Contracting Government no profits shall be deemed to arise from the mere purchase of goods or merchandise within the territory of the former Contracting Government by such enterprise.

(5) In the determination of the industrial or commercial profits of the permanent establishment there shall be allowed as deductions all expenses of a type allowed as a deduction by the Contracting Government in whose territory the permanent establishment is situated and which are reasonably applicable to the permanent establishment including executive and general administrative expenses so applicable.

(6) If the information available to the taxation authority concerned is inadequate to determine the profits to be attributed to the permanent establishment, nothing in this paragraph shall affect the application of the law of either territory in relation to the liability of the permanent establishment to pay tax on an amount determined by the exercise of a discretion or the making of an estimate by the taxation authority of that territory: Provided that such discretion shall be exercised or such estimate shall be made, so far as the information available to the taxation authority permits, in accordance with the principle stated in this paragraph.