

No. 158000-67

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Department of Justice
RECORDS

JUNE 14, 1950

Title ACT
CANADA - UNITED STATES. TAX CONVENTION AMENDMENT.

SUBJECT: _____

From FINANCE MR. DRIEDGER.

Agent _____

Cross Reference _____

BRING FORWARD

[illegible]

DATE Aug 11/70 SIGNATURE [Signature]

FILE CLOSED

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No. 1580000-67

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No. Sp. 2779A



Second Session, Twenty-First Parliament, 14 George VI, 1950.

THE SENATE OF CANADA

BILL K¹⁰. H.C.314

An Act to amend The Canada-United States of America
Tax Convention Act, 1943, and The Canada-United
States of America Tax Convention Act, 1944.

AS PASSED BY THE SENATE, 20th JUNE, 1950.

and by the House of Commons, 23rd June, 1950.

Royal Assent - 30th June, 1950.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY

64715

1950

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2nd Session, 21st Parliament, 14 George VI, 1950.

THE SENATE OF CANADA

BILL K¹⁰.

An Act to amend The Canada-United States of America Tax Convention Act, 1943, and The Canada-United States of America Tax Convention Act, 1944.

1943-44, c. 21.
1944-45, c. 31.

HIS Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows:

Convention
approved.

1. The Convention entered into between Canada and the United States of America, set out in Schedule A, is approved and declared to have the force of law in Canada, and shall be deemed to be included in and to form part of the Convention and Protocol set out in the Schedule to *The Canada-United States of America Tax Convention Act, 1943*. 5

1943-44, c. 21.

Convention
approved.

2. The Convention entered into between Canada and the United States of America, set out in Schedule B, is approved and declared to have the force of law in Canada, and shall be deemed to be included in and to form part of the Convention and Protocol set out in the Schedule to *The Canada-United States of America Tax Convention Act, 1944*. 10

1944-45, c. 31.

Coming
into force..

3. This Act shall come into force on a day to be fixed by proclamation of the Governor in Council. 15

EXPLANATORY NOTE.

The purpose of this Bill is to ratify and confirm certain Tax Agreements entered into between Canada and the United States of America.

SCHEDULE A.

CONVENTION

BETWEEN CANADA AND THE UNITED STATES OF AMERICA
MODIFYING AND SUPPLEMENTING THE CONVENTION
AND ACCOMPANYING PROTOCOL OF MARCH 4, 1942
FOR THE AVOIDANCE OF DOUBLE TAXATION AND
THE PREVENTION OF FISCAL EVASION IN THE CASE
OF INCOME TAXES.

The Government of Canada and the Government of the United States of America, being desirous of modifying and supplementing in certain respects the Convention and accompanying Protocol for the avoidance of double taxation and the prevention of fiscal evasion in the case of income taxes, signed at Washington on March 4, 1942, have decided to conclude a supplementary Convention for that purpose and have appointed as their respective Plenipotentiaries:

The Government of Canada:

Douglas Charles Abbott, Minister of Finance in the Government of Canada, and

The Government of the United States of America:

Julian F. Harrington, Charge d'Affaires *ad interim* of the United States of America at Ottawa.

who, having communicated to one another their respective full powers, found in good and due form, have agreed as follows:

ARTICLE I.

The provisions of the Convention and Protocol between Canada and the United States of America, signed at Washington on March 4, 1942, are hereby modified and supplemented as follows:

(a) By adding at the end of paragraph 1 of Article III the following new sentence:

"In the determination of the net industrial and Commercial profits of the permanent establishment there shall be allowed as deductions all expenses, wherever incurred, reasonably allocable to the permanent establishment, including executive and general administrative expenses so allocable."

(b) By amending Article VI to read as follows:

"1. (a) Remuneration, wages or salary (other than pensions) paid to an individual by the United States of America, or by any agency, instrumentality or political subdivision thereof, in respect of services rendered in the discharge of governmental functions, shall be exempt from Canadian tax if the individual is either a

citizen of the United States of America, or is not ordinarily resident in Canada or is ordinarily resident in Canada solely for the purpose of rendering those services.

(b) Remuneration, wages or salary (other than pensions) paid to an individual, other than a citizen of the United States of America, by Canada, or by any agency, instrumentality or political subdivision thereof, in respect of services rendered in the discharge of governmental functions, shall be exempt from United States tax.

"2. The provisions of paragraph 1 of this Article shall not apply to payments in respect of services rendered in connection with any trade or business carried on for purposes of profit by either of the contracting States or by any agency, instrumentality or political subdivision thereof.

"3. (a) The United States of America agrees to exempt from its income tax income derived from sources outside the United States of America by a member of the Canadian forces or by a citizen of Canada serving or employed by the Government of Canada at defense establishments in the United States of America, or by the wife or minor children of such member or citizen.

(b) The same principle shall apply, *mutatis mutandis*, to income derived from sources outside Canada by a member of the United States forces or by a citizen of the United States of America serving or employed by the Government of the United States of America at defense establishments in Canada, or by the wife or minor children of such member or citizen."

(c) There is inserted immediately after Article VI the following new Article:

"ARTICLE VI A.

"Pensions (including Government pensions) and life annuities derived from within one of the contracting States by a resident of the other contracting State shall be exempt from taxation in the former State."

(d) By amending Article VII to read as follows:

"1. A resident of Canada shall be exempt from United States tax upon compensation for personal (including professional) services performed during the taxable year within the United States of America if he is present therein for a period or periods not exceeding a total of 183 days during the taxable year and either of the following conditions is met—

(a) his compensation is received for such personal services performed as an officer or employee of a resident or corporation or other entity of Canada, or

(b) his compensation received for such personal services does not exceed \$5,000.

"2. The provisions of paragraph 1 (a) of this Article shall have no application to the professional earnings of such individuals as actors, artists, musicians and professional athletes.

"3. The provisions of paragraphs 1 and 2 of this Article shall apply, *mutatis mutandis*, to a resident of the United States of America with respect to compensation for such personal services performed in Canada."

(e) There is inserted immediately after Article VIII the following new Article:

"ARTICLE VIII A.

"A professor or teacher who is a resident of one of the contracting States and who temporarily visits the other contracting State for the purpose of teaching, for a period not exceeding two years, at a university, college, school or other educational institution in such other State, shall be exempted by such other State from tax on his remuneration for such teaching for such period."

(f) Paragraph 1 of Article XI is amended by striking out "engaged in trade or business in the former State and having no office or place of business therein" and inserting in lieu thereof "having a permanent establishment in the former State."

(g) Article XII is amended to read as follows:

"1. Dividends and interest paid by a corporation organized under the laws of Canada to a recipient, other than a citizen or resident of the United States of America or a corporation organized under the laws of the United States of America, shall be exempt from all income taxes imposed by the United States of America.

"2. Dividends and interest paid by a corporation organized under the laws of the United States of America whose business is not managed and controlled in Canada to a recipient, other than a resident of Canada or a corporation whose business is managed and controlled in Canada, shall be exempt from all taxes imposed by Canada".

(h) Article XIII is amended to read as follows:

"1. Corporations organized under the laws of Canada, more than 50 percent of the outstanding voting stock of which is owned, directly or indirectly, throughout the last half of the taxable year by individual residents of Canada, other than citizens of the United States of America, shall be exempt from any taxes imposed by the United States of America with respect to accumulated or undistributed earnings, profits, income, or surplus of such corporations."

"2. Corporations organized under the laws of the United States of America, more than 50 percent of the outstanding voting stock of which is owned, directly or indirectly, throughout the last half of the taxable year by individual residents of the United States of America shall be exempt from any taxes imposed by Canada in the nature of undistributed profits tax on undistributed profits of the corporation with respect to accumulated or undistributed earnings, profits, income, or surplus of such corporations."

(i) There is inserted immediately after Article XIII the following new Article:

"ARTICLE XIII A.

"1. A resident or corporation organized under the laws of Canada deriving from sources within the United States of America rentals from real property may elect for any taxable year to be subject to the tax imposed by the United States of America on a net basis as if such resident or corporation were engaged in trade or business within the United States of America through a permanent establishment therein during such taxable year.

"2. Rentals from real property derived from sources within Canada by an individual or corporation resident in the United States of America shall receive tax treatment by Canada not less favorable than that accorded under Section 99, The Income Tax Act, as in effect on the date on which this Article goes into effect."

(j) There is inserted immediately after Article XIII A, as inserted by subparagraph (i) of this Article, the following new Article:

"ARTICLE XIII B.

"Director's fees paid by a corporation to an individual residing in one of the contracting States for services at Directors' meetings held in that State shall be exempt from tax by the other State."

(k) There is inserted immediately after Article XIII B, as inserted by subparagraph (j) of this Article, the following new Article:

"ARTICLE XIII C.

"Royalties for the right to use copyrights or in respect of the right to produce or reproduce any literary, dramatic, musical, or artistic work (but not inclusive of rents or royalties in respect of motion picture films) derived from sources within one of the contracting States by a resident or corporation or other entity of the other contracting State not engaged in trade or business in the former State through a permanent establishment shall be exempt from tax imposed by such former State."

(l) Article XV is amended as follows:

(A) By striking out of the first paragraph thereof, effective January 1, 1949, the following:

"In accordance with the provisions of Section 8 of the Income War Tax Act as in effect on the day of the entry into force of this Convention,"

and inserting in lieu thereof the following:

"1. As far as may be in accordance with the provisions of The Income Tax Act,"

(B) By striking out of the second paragraph thereof the following:

"In accordance with the provisions of Section 131 of the United States Internal Revenue Code as in effect on the day of the entry into force of this Convention,"

and inserting in lieu thereof the following:

"2. As far as may be in accordance with the provisions of the United States Internal Revenue Code,"

(m) Article XVII is amended by inserting immediately after the words "items of income" the following: "(other than income within the scope of paragraph 1 (b) of Article VI)".

(n) There is inserted immediately after Article XVIII the following new Article:

"ARTICLE XVIII A.

"To avoid withholding of both United States tax and Canadian tax with respect to compensation for personal services performed by a resident of one of the contracting States while temporarily present in the other State—

(a) The Commissioner may, with the approval of the Secretary of the Treasury, by regulations specify the circumstances under which such compensation of a resident of the United States of America temporarily performing personal services in Canada may be exempted from deduction and withholding of United States tax, and

(b) The appropriate Canadian authority may by regulations specify the circumstances under which such compensation of a resident of Canada temporarily performing personal services in the United States may be exempted from deduction and withholding of Canadian tax."

(c) Paragraph 3 (f) of the Protocol is amended by inserting at the end of the first sentence thereof the following sentence:

"The use of substantial equipment or machinery within one of the contracting States at any time in any taxable year by an enterprise of the other contracting State shall constitute a permanent establishment of such enterprise in the former State for such taxable year."

(p) By striking out paragraph 6 of the Protocol and inserting in lieu thereof the following:

"6. The term 'subsidiary corporation' as used in Article XI of this Convention means a corporation 95 per cent of whose shares (other than Directors' qualifying shares) having full voting rights are beneficially owned by another corporation, provided that (except in the case of a corporation the chief business of which is the making of loans) ordinarily not more than one-quarter of the gross income of such subsidiary corporation is derived from interest and dividends other than interest and dividends received from its subsidiary corporations."

(q) By changing "Article VI" in paragraphs 8 and 9 of the Protocol to read "Article VI A".

(r) Paragraph 10 of the Protocol is amended to read as follows:

"10. The term 'permanent establishment' as used in Article XI of this Convention, shall not be deemed to include an office used solely for the purchase of merchandise."

ARTICLE II.

1. The present supplementary Convention shall be ratified and the instruments of ratification shall be exchanged at Washington as soon as possible.

2. The present supplementary Convention shall, except as provided in Article I(1)(A), become effective with respect only to taxable years beginning on or after the first day of January of the calendar year in which occurs the exchange of the instruments of ratification. It shall continue effective indefinitely as though it were an integral part of the Convention of March 4, 1942, subject to the provisions of Article XXII of that Convention with respect to termination.

IN WITNESS WHEREOF the above-named Plenipotentiaries have signed the present Convention and have affixed thereto their respective seals.

DONE, in duplicate, at Ottawa this 12th day of June 1950.

FOR THE GOVERNMENT OF CANADA:

(Signed) D. C. Abbott.

FOR THE GOVERNMENT OF THE UNITED STATES OF AMERICA:

(Signed) Julian F. Harrington.

SCHEDULE B.

CONVENTION

BETWEEN CANADA AND THE UNITED STATES OF AMERICA MODIFYING AND SUPPLEMENTING THE CONVENTION OF JUNE 8, 1944 FOR THE AVOIDANCE OF DOUBLE TAX- ATION AND THE PREVENTION OF FISCAL EVASION IN THE CASE OF ESTATE TAXES AND SUCCESSION DUTIES.

The Government of Canada and the Government of the United States of America, being desirous of modifying and supplementing in certain respects the Convention for the avoidance of double taxation and the prevention of fiscal evasion in the case of estate taxes and succession duties, signed at Ottawa on June 8, 1944, have decided to conclude a supplementary Convention for that purpose and have appointed as their respective Plenipotentiaries:

The Government of Canada:

Douglas Charles Abbott, Minister of Finance in the
Government of Canada, and

The Government of the United States of America:

Julian F. Harrington, Chargé d'Affaires *ad interim* of the
United States of America at Ottawa

who, having communicated to one another their respective full powers, found in good and due form, have agreed as follows:

ARTICLE I.

The provisions of Articles II to VI, inclusive, of the Convention of June 8, 1944, between Canada and the United States of America, are hereby abrogated with respect to estates of decedents dying on or after the day of the entry into force of the present Convention, and are replaced by the provisions of Articles II to VI, inclusive, of the present Convention.

ARTICLE II.

Where a person dies a citizen of the United States of America or domiciled in the United States of America or Canada, the situs of any rights or interests, legal or equitable, in or over any of the following classes of property, which for the purposes of tax form or are deemed to form part of the estate of such person or pass or are deemed to pass on his death, shall, for the purposes of the imposition of tax and for the purposes of the credit to be allowed under Article V, be determined exclusively in accordance with the following rules, but in cases not

within such rules the situs of such rights or interests shall be determined for these purposes in accordance with the laws in force in the other contracting State:

- (a) Immovable property (otherwise than by way of security) shall be deemed to be situated at the place where such property is located;
- (b) Tangible movable property (otherwise than by way of security and other than such property for which specific provision is hereinafter made), bank or currency notes and other forms of currency recognized as legal tender in the place of issue, shall be deemed to be situated at the place where located at the time of death, or, if in transitu, at the place of destination;
- (c) Debts (including bills of exchange and promissory notes, whether negotiable or not), secured or unsecured and whether under seal or not, excluding the forms of indebtedness for which specific provision is hereinbefore or hereinafter made, shall be deemed to be situated at the place where the debtor was resident at the time of death, or, if the debtor is a company, at the place where the company is incorporated;
- (d) Bank accounts shall be deemed to be situated at the place where the bank or branch thereof, at which the account was kept, is located;
- (e) Securities issued by any government, municipality or public authority shall be deemed, if in bearer form, to be situated at the place where located at the time of death and, if inscribed or registered, to be situated at the place where inscribed or registered as provided by the issuing authority;
- (f) Shares, stock, bonds, debentures or debenture stock in a company (including any such property held by a nominee, whether the beneficial ownership is evidenced by scrip certificates or otherwise) shall be deemed to be situated at the place where the company is incorporated;
- (g) Moneys, payable under a policy of assurance or insurance, or under an annuity contract, whether under seal or not, shall be deemed to be situated where the policy or annuity contract provides that the moneys shall be payable, or, in the absence of any such provision, at the place of residence of the issuer, or, if a company, at the place where the company is incorporated;
- (h) Shares in a partnership shall be deemed to be situated at the place where its business is principally carried on;
- (i) Ships and aircraft and shares thereof shall be deemed to be situated at the place of registration of the ship or aircraft;
- (j) Goodwill as a trade, business or professional asset shall be deemed to be situated at the place where the trade, business or profession to which it pertains is carried on;
- (k) Patents, trade-marks and designs shall be deemed to be situated at the place where they are registered;
- (l) Copyright, franchises, and rights or licenses to use any copyrighted material, patent, trade-mark or design shall be deemed to be situated at the place where the rights arising therefrom are exercisable;

(m) Rights or causes of action *ex delicto* surviving for the benefit of an estate of a deceased person shall be deemed to be situated at the place where such rights or causes of action arose;

(n) Judgment debts shall be deemed to be situated at the place where the judgment is recorded;

provided that this Article shall not be construed as increasing the liability of the estate of any person under the estate tax laws of the United States of America.

ARTICLE III.

1. Allowance for debts shall be determined in accordance with the laws of the contracting State imposing the tax.

2. Domicile shall be determined in accordance with the laws in the contracting State imposing the tax on the basis of domicile.

ARTICLE IV.

Where one of the contracting States imposes taxes by reason of the property's being situated therein such State shall, if the decedent was domiciled in the other contracting State:

(a) for the purpose of determining the tax rate or rates, take into account only property situated in such State, and

(b) allow as an exemption an amount not less than an amount which bears the same ratio to the specific exemption that would be allowed if such State were imposing the tax by reason of the decedent's being domiciled therein, as the value of the property situated in such State bears to the entire value of the property wherever situated.

ARTICLE V.

1. Where either contracting State imposes taxes by reason of a decedent's being domiciled therein or being a citizen thereof, that contracting State shall allow against so much of its taxes (as otherwise computed) as is attributable to property situated in the other contracting State a credit (not exceeding the amount of the taxes so attributable) equal to so much of the taxes imposed by the other contracting State as is attributable to such property.

2. Where each contracting State imposes taxes on any property situated outside both contracting States, each contracting State shall allow against so much of its taxes (as otherwise computed) as is attributable to such property a credit which bears the same proportion to the amount of its taxes so attributable or to the amount of the other contracting State's taxes attributable to the same property, whichever is the less, as the former amount bears to the sum of both amounts.

3. For the purposes of this Article, the amount of the taxes of a contracting State attributable to any property shall be ascertained after taking into account any credit, allowance or relief, or any remission or reduction of taxes, other than the credit authorized by this Article.

ARTICLE VI.

1. Any claim for a credit or for a refund of taxes founded on the provisions of the Convention signed on June 8, 1944, or of the present supplementary Convention, shall be made within six years from the date of death of the decedent in respect of whose estate the claim is made, or, in the case of a reversionary interest where payment of taxes is deferred until the date on which the interest falls into possession; within six years from that date.

2. Any such refund shall be made without payment of interest on the amount so refunded.

ARTICLE VII.

1. The present supplementary Convention shall be ratified and the instruments of ratification shall be exchanged at Washington as soon as possible.

2. The present supplementary Convention shall enter into force on the day of the exchange of the instruments of ratification and shall be applicable to estates or successions in the case of persons who die on or after that date, except as otherwise provided in Article VI. It shall continue effective indefinitely as though it were an integral part of the Convention of June 8, 1944, subject to the provisions of Article XIV of that Convention with respect to termination.

IN WITNESS WHEREOF the above-named Plenipotentiaries have signed the present Convention and have affixed thereto their respective seals.

DONE in duplicate, at Ottawa this 12th day of June 1950.

FOR THE GOVERNMENT OF CANADA:

(Signed) D. C. Abbott.

FOR THE GOVERNMENT OF THE UNITED STATES OF AMERICA:

(Signed) Julian F. Harrington.

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Second Session, Twenty-First Parliament, 14 George VI, 1950.

THE SENATE OF CANADA

BILL K¹⁰.

An Act to amend The Canada-United States of America
Tax Convention Act, 1943, and The Canada-United
States of America Tax Convention Act, 1944.

Read a first time, Thursday, 15th June, 1950.

Honourable Senator ROBERTSON.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY,
CONTROLLER OF STATIONERY

64713

1950

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2nd Session, 21st Parliament, 14 George VI, 1950.

THE SENATE OF CANADA

BILL K¹⁰.

An Act to amend The Canada-United States of America Tax Convention Act, 1943, and The Canada-United States of America Tax Convention Act, 1944.

1943-44, c. 21.
1944-45, c. 31. HIS Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows:

Convention
approved.

1. The Convention entered into between Canada and the United States of America, set out in Schedule A, is approved and declared to have the force of law in Canada, and shall be deemed to be included in and to form part of the Convention and Protocol set out in the Schedule to *The Canada-United States of America Tax Convention Act, 1943*. 5

1943-44, c. 21.

Convention
approved.

2. The Convention entered into between Canada and the United States of America, set out in Schedule B, is approved and declared to have the force of law in Canada, and shall be deemed to be included in and to form part of the Convention and Protocol set out in the Schedule to *The Canada-United States of America Tax Convention Act, 1944*. 10

1944-45, c. 31.

Coming
into force.

3. This Act shall come into force on a day to be fixed by proclamation of the Governor in Council.

EXPLANATORY NOTE.

The purpose of this Bill is to ratify and confirm certain Tax Agreements entered into between Canada and the United States of America.

SCHEDULE A.

CONVENTION

BETWEEN CANADA AND THE UNITED STATES OF AMERICA
MODIFYING AND SUPPLEMENTING THE CONVENTION
AND ACCOMPANYING PROTOCOL OF MARCH 4, 1942
FOR THE AVOIDANCE OF DOUBLE TAXATION AND
THE PREVENTION OF FISCAL EVASION IN THE CASE
OF INCOME TAXES.

The Government of Canada and the Government of the United States of America, being desirous of modifying and supplementing in certain respects the Convention and accompanying Protocol for the avoidance of double taxation and the prevention of fiscal evasion in the case of income taxes, signed at Washington on March 4, 1942, have decided to conclude a supplementary Convention for that purpose and have appointed as their respective Plenipotentiaries:

The Government of Canada:

Douglas Charles Abbott, Minister of Finance in the Government of Canada, and

The Government of the United States of America:

Julian F. Harrington, Charge d'Affaires *ad interim* of the United States of America at Ottawa.

who, having communicated to one another their respective full powers, found in good and due form, have agreed as follows:

ARTICLE I.

The provisions of the Convention and Protocol between Canada and the United States of America, signed at Washington on March 4, 1942, are hereby modified and supplemented as follows:

(a) By adding at the end of paragraph 1 of Article III the following new sentence:

"In the determination of the net industrial and Commercial profits of the permanent establishment there shall be allowed as deductions all expenses, wherever incurred, reasonably allocable to the permanent establishment, including executive and general administrative expenses so allocable."

(b) By amending Article VI to read as follows:

"1. (a) Remuneration, wages or salary (other than pensions) paid to an individual by the United States of America, or by any agency, instrumentality or political subdivision thereof, in respect of services rendered in the discharge of governmental functions, shall be exempt from Canadian tax if the individual is either a

citizen of the United States of America, or is not ordinarily resident in Canada or is ordinarily resident in Canada solely for the purpose of rendering those services.

(b) Remuneration, wages or salary (other than pensions) paid to an individual, other than a citizen of the United States of America, by Canada, or by any agency, instrumentality or political subdivision thereof, in respect of services rendered in the discharge of governmental functions, shall be exempt from United States tax.

"2. The provisions of paragraph 1 of this Article shall not apply to payments in respect of services rendered in connection with any trade or business carried on for purposes of profit by either of the contracting States or by any agency, instrumentality or political subdivision thereof.

"3. (a) The United States of America agrees to exempt from its income tax income derived from sources outside the United States of America by a member of the Canadian forces or by a citizen of Canada serving or employed by the Government of Canada at defense establishments in the United States of America, or by the wife or minor children of such member or citizen.

(b) The same principle shall apply, *mutatis mutandis*, to income derived from sources outside Canada by a member of the United States forces or by a citizen of the United States of America serving or employed by the Government of the United States of America at defense establishments in Canada, or by the wife or minor children of such member or citizen."

(c) There is inserted immediately after Article VI the following new Article:

"ARTICLE VI A.

"Pensions (including Government pensions) and life annuities derived from within one of the contracting States by a resident of the other contracting State shall be exempt from taxation in the former State."

(d) By amending Article VII to read as follows:

"1. A resident of Canada shall be exempt from United States tax upon compensation for personal (including professional) services performed during the taxable year within the United States of America if he is present therein for a period or periods not exceeding a total of 183 days during the taxable year and either of the following conditions is met—

(a) his compensation is received for such personal services performed as an officer or employee of a resident or corporation or other entity of Canada, or

(b) his compensation received for such personal services does not exceed \$5,000.

"2. The provisions of paragraph 1 (a) of this Article shall have no application to the professional earnings of such individuals as actors, artists, musicians and professional athletes.

"3. The provisions of paragraphs 1 and 2 of this Article shall apply, *mutatis mutandis*, to a resident of the United States of America with respect to compensation for such personal services performed in Canada."

(e) There is inserted immediately after Article VIII the following new Article:

"ARTICLE VIII A.

"A professor or teacher who is a resident of one of the contracting States and who temporarily visits the other contracting State for the purpose of teaching, for a period not exceeding two years, at a university, college, school or other educational institution in such other State, shall be exempted by such other State from tax on his remuneration for such teaching for such period."

(f) Paragraph 1 of Article XI is amended by striking out "engaged in trade or business in the former State and having no office or place of business therein" and inserting in lieu thereof "having a permanent establishment in the former State."

(g) Article XII is amended to read as follows:

"1. Dividends and interest paid by a corporation organized under the laws of Canada to a recipient, other than a citizen or resident of the United States of America or a corporation organized under the laws of the United States of America, shall be exempt from all income taxes imposed by the United States of America.

"2. Dividends and interest paid by a corporation organized under the laws of the United States of America whose business is not managed and controlled in Canada to a recipient, other than a resident of Canada or a corporation whose business is managed and controlled in Canada, shall be exempt from all taxes imposed by Canada."

(h) Article XIII is amended to read as follows:

"1. Corporations organized under the laws of Canada, more than 50 percent of the outstanding voting stock of which is owned, directly or indirectly, throughout the last half of the taxable year by individual residents of Canada, other than citizens of the United States of America, shall be exempt from any taxes imposed by the United States of America with respect to accumulated or undistributed earnings, profits, income, or surplus of such corporations."

"2. Corporations organized under the laws of the United States of America, more than 50 percent of the outstanding voting stock of which is owned, directly or indirectly, throughout the last half of the taxable year by individual residents of the United States of America shall be exempt from any taxes imposed by Canada in the nature of undistributed profits tax on undistributed profits of the corporation with respect to accumulated or undistributed earnings, profits, income, or surplus of such corporations."

(i) There is inserted immediately after Article XIII the following new Article:

"ARTICLE XIII A.

"1. A resident or corporation organized under the laws of Canada deriving from sources within the United States of America rentals from real property may elect for any taxable year to be subject to the tax imposed by the United States of America on a net basis as if such resident or corporation were engaged in trade or business within the United States of America through a permanent establishment therein during such taxable year.

"2. Rentals from real property derived from sources within Canada by an individual or corporation resident in the United States of America shall receive tax treatment by Canada not less favorable than that accorded under Section 99, The Income Tax Act, as in effect on the date on which this Article goes into effect."

(j) There is inserted immediately after Article XIII A, as inserted by subparagraph (i) of this Article, the following new Article:

"ARTICLE XIII B.

"Director's fees paid by a corporation to an individual residing in one of the contracting States for services at Directors' meetings held in that State shall be exempt from tax by the other State."

(k) There is inserted immediately after Article XIII B, as inserted by subparagraph (j) of this Article, the following new Article:

"ARTICLE XIII C.

"Royalties for the right to use copyrights or in respect of the right to produce or reproduce any literary, dramatic, musical, or artistic work (but not inclusive of rents or royalties in respect of motion picture films) derived from sources within one of the contracting States by a resident or corporation or other entity of the other contracting State not engaged in trade or business in the former State through a permanent establishment shall be exempt from tax imposed by such former State."

(1) Article XV is amended as follows:

(A) By striking out of the first paragraph thereof, effective January 1, 1949, the following:

"In accordance with the provisions of Section 8 of the Income War Tax Act as in effect on the day of the entry into force of this Convention,"

and inserting in lieu thereof the following:

"1. As far as may be in accordance with the provisions of The Income Tax Act,"

(B) By striking out of the second paragraph thereof the following:

"In accordance with the provisions of Section 131 of the United States Internal Revenue Code as in effect on the day of the entry into force of this Convention,"

and inserting in lieu thereof the following:

"2. As far as may be in accordance with the provisions of the United States Internal Revenue Code,"

(m) Article XVII is amended by inserting immediately after the words "items of income" the following: "(other than income within the scope of paragraph 1 (b) of Article VI)".

(n) There is inserted immediately after Article XVIII the following new Article:

"ARTICLE XVIII A.

"To avoid withholding of both United States tax and Canadian tax with respect to compensation for personal services performed by a resident of one of the contracting States while temporarily present in the other State—

(a) The Commissioner may, with the approval of the Secretary of the Treasury, by regulations specify the circumstances under which such compensation of a resident of the United States of America temporarily performing personal services in Canada may be exempted from deduction and withholding of United States tax, and

(b) The appropriate Canadian authority may by regulations specify the circumstances under which such compensation of a resident of Canada temporarily performing personal services in the United States may be exempted from deduction and withholding of Canadian tax."

(o) Paragraph 3 (f) of the Protocol is amended by inserting at the end of the first sentence thereof the following sentence:

"The use of substantial equipment or machinery within one of the contracting States at any time in any taxable year by an enterprise of the other contracting State shall constitute a permanent establishment of such enterprise in the former State for such taxable year."

(p) By striking out paragraph 6 of the Protocol and inserting in lieu thereof the following:

"6. The term 'subsidiary corporation' as used in Article XI of this Convention means a corporation 95 per cent of whose shares (other than Directors' qualifying shares) having full voting rights are beneficially owned by another corporation, provided that (except in the case of a corporation the chief business of which is the making of loans) ordinarily not more than one-quarter of the gross income of such subsidiary corporation is derived from interest and dividends other than interest and dividends received from its subsidiary corporations."

(q) By changing "Article VI" in paragraphs 8 and 9 of the Protocol to read "Article VI A".

(r) Paragraph 10 of the Protocol is amended to read as follows:

"10. The term 'permanent establishment' as used in Article XI of this Convention, shall not be deemed to include an office used solely for the purchase of merchandise."

ARTICLE II.

1. The present supplementary Convention shall be ratified and the instruments of ratification shall be exchanged at Washington as soon as possible.

2. The present supplementary Convention shall, except as provided in Article I(1)(A), become effective with respect only to taxable years beginning on or after the first day of January of the calendar year in which occurs the exchange of the instruments of ratification. It shall continue effective indefinitely as though it were an integral part of the Convention of March 4, 1942, subject to the provisions of Article XXII of that Convention with respect to termination.

IN WITNESS WHEREOF the above-named Plenipotentiaries have signed the present Convention and have affixed thereto their respective seals.

DONE, in duplicate, at Ottawa this 12th day of June 1950.

FOR THE GOVERNMENT OF CANADA:

(Signed) D. C. Abbott.

FOR THE GOVERNMENT OF THE UNITED STATES OF AMERICA:

(Signed) Julian F. Harrington.

SCHEDULE B.

CONVENTION

BETWEEN CANADA AND THE UNITED STATES OF AMERICA
MODIFYING AND SUPPLEMENTING THE CONVENTION
OF JUNE 8, 1944 FOR THE AVOIDANCE OF DOUBLE TAX-
ATION AND THE PREVENTION OF FISCAL EVASION
IN THE CASE OF ESTATE TAXES AND SUCCESSION
DUTIES.

The Government of Canada and the Government of the United States of America, being desirous of modifying and supplementing in certain respects the Convention for the avoidance of double taxation and the prevention of fiscal evasion in the case of estate taxes and succession duties, signed at Ottawa on June 8, 1944, have decided to conclude a supplementary Convention for that purpose and have appointed as their respective Plenipotentiaries:

The Government of Canada:

Douglas Charles Abbott, Minister of Finance in the
Government of Canada, and

The Government of the United States of America:

Julian F. Harrington, Chargé d'Affaires *ad interim* of the
United States of America at Ottawa

who, having communicated to one another their respective full powers, found in good and due form, have agreed as follows:

ARTICLE I.

The provisions of Articles II to VI, inclusive, of the Convention of June 8, 1944, between Canada and the United States of America, are hereby abrogated with respect to estates of decedents dying on or after the day of the entry into force of the present Convention, and are replaced by the provisions of Articles II to VI, inclusive, of the present Convention.

ARTICLE II.

Where a person dies a citizen of the United States of America or domiciled in the United States of America or Canada, the situs of any rights or interests, legal or equitable, in or over any of the following classes of property, which for the purposes of tax form or are deemed to form part of the estate of such person or pass or are deemed to pass on his death, shall, for the purposes of the imposition of tax and for the purposes of the credit to be allowed under Article V, be determined exclusively in accordance with the following rules, but in cases not

within such rules the situs of such rights or interests shall be determined for these purposes in accordance with the laws in force in the other contracting State:

- (a) Immovable property (otherwise than by way of security) shall be deemed to be situated at the place where such property is located;
- (b) Tangible movable property (otherwise than by way of security and other than such property for which specific provision is hereinafter made), bank or currency notes and other forms of currency recognized as legal tender in the place of issue, shall be deemed to be situated at the place where located at the time of death, or, if in transitu, at the place of destination;
- (c) Debts (including bills of exchange and promissory notes, whether negotiable or not), secured or unsecured and whether under seal or not, excluding the forms of indebtedness for which specific provision is hereinbefore or hereinafter made, shall be deemed to be situated at the place where the debtor was resident at the time of death, or, if the debtor is a company, at the place where the company is incorporated;
- (d) Bank accounts shall be deemed to be situated at the place where the bank or branch thereof, at which the account was kept, is located;
- (e) Securities issued by any government, municipality or public authority shall be deemed, if in bearer form, to be situated at the place where located at the time of death and, if inscribed or registered, to be situated at the place where inscribed or registered as provided by the issuing authority;
- (f) Shares, stock, bonds, debentures or debenture stock in a company (including any such property held by a nominee, whether the beneficial ownership is evidenced by scrip certificates or otherwise) shall be deemed to be situated at the place where the company is incorporated;
- (g) Moneys, payable under a policy of assurance or insurance, or under an annuity contract, whether under seal or not, shall be deemed to be situated where the policy or annuity contract provides that the moneys shall be payable, or, in the absence of any such provision, at the place of residence of the issuer; or, if a company, at the place where the company is incorporated;
- (h) Shares in a partnership shall be deemed to be situated at the place where its business is principally carried on;
- (i) Ships and aircraft and shares thereof shall be deemed to be situated at the place of registration of the ship or aircraft;
- (j) Goodwill as a trade, business or professional asset shall be deemed to be situated at the place where the trade, business or profession to which it pertains is carried on;
- (k) Patents, trade-marks and designs shall be deemed to be situated at the place where they are registered;
- (l) Copyright, franchises, and rights or licenses to use any copyrighted material, patent, trade-mark or design shall be deemed to be situated at the place where the rights arising therefrom are exercisable;

- (m) Rights or causes of action *ex delicto* surviving for the benefit of an estate of a deceased person shall be deemed to be situated at the place where such rights or causes of action arose;
- (n) Judgment debts shall be deemed to be situated at the place where the judgment is recorded;

provided that this Article shall not be construed as increasing the liability of the estate of any person under the estate tax laws of the United States of America.

ARTICLE III.

1. Allowance for debts shall be determined in accordance with the laws of the contracting State imposing the tax.
2. Domicile shall be determined in accordance with the laws in the contracting State imposing the tax on the basis of domicile.

ARTICLE IV.

Where one of the contracting States imposes taxes by reason of the property's being situated therein such State shall, if the decedent was domiciled in the other contracting State:

- (a) for the purpose of determining the tax rate or rates, take into account only property situated in such State, and
- (b) allow as an exemption an amount not less than an amount which bears the same ratio to the specific exemption that would be allowed if such State were imposing the tax by reason of the decedent's being domiciled therein, as the value of the property situated in such State bears to the entire value of the property wherever situated.

ARTICLE V.

1. Where either contracting State imposes taxes by reason of a decedent's being domiciled therein or being a citizen thereof, that contracting State shall allow against so much of its taxes (as otherwise computed) as is attributable to property situated in the other contracting State a credit (not exceeding the amount of the taxes so attributable) equal to so much of the taxes imposed by the other contracting State as is attributable to such property.

2. Where each contracting State imposes taxes on any property situated outside both contracting States, each contracting State shall allow against so much of its taxes (as otherwise computed) as is attributable to such property a credit which bears the same proportion to the amount of its taxes so attributable or to the amount of the other contracting State's taxes attributable to the same property, whichever is the less, as the former amount bears to the sum of both amounts.

3. For the purposes of this Article, the amount of the taxes of a contracting State attributable to any property shall be ascertained after taking into account any credit, allowance or relief, or any remission or reduction of taxes, other than the credit authorized by this Article.

ARTICLE VI.

1. Any claim for a credit or for a refund of taxes, founded on the provisions of the Convention signed on June 8, 1944, or of the present supplementary Convention, shall be made within six years from the date of death of the decedent in respect of whose estate the claim is made, or, in the case of a reversionary interest where payment of taxes is deferred until the date on which the interest falls into possession, within six years from that date.

2. Any such refund shall be made without payment of interest on the amount so refunded.

ARTICLE VII.

1. The present supplementary Convention shall be ratified and the instruments of ratification shall be exchanged at Washington as soon as possible.

2. The present supplementary Convention shall enter into force on the day of the exchange of the instruments of ratification and shall be applicable to estates or successions in the case of persons who die on or after that date, except as otherwise provided in Article VI. It shall continue effective indefinitely as though it were an integral part of the Convention of June 8, 1944, subject to the provisions of Article XIV of that Convention with respect to termination.

IN WITNESS WHEREOF the above-named Plenipotentiaries have signed the present Convention and have affixed thereto their respective seals.

DONE in duplicate, at Ottawa this 12th day of June 1950.

FOR THE GOVERNMENT OF CANADA:

(Signed) D. C. Abbott.

FOR THE GOVERNMENT OF THE UNITED STATES OF AMERICA:

(Signed) Julian F. Harrington.

JUN 15 1950

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Second Session, Twenty-First Parliament, 14 George VI, 1950.

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THE HOUSE OF COMMONS OF CANADA.

BILL

An Act to amend The Canada-United States of America
Tax Convention Act, 1943, and The Canada-United
States of America Tax Convention Act, 1944.

First reading, June , 1950.

Approved.

Acting D.M.J.

June 15, 1950.

THE MINISTER OF FINANCE.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY

1950

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2nd Session, 21st Parliament, 14 George VI, 1950.

THE HOUSE OF COMMONS OF CANADA.

BILL

An Act to amend The Canada-United States of America Tax Convention Act, 1943, and The Canada-United States of America Tax Convention Act, 1944.

1943-44, c. 21.
1944-45, c. 31. **H**IS Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows:

Convention
approved.

1. The Convention entered into between Canada and the United States of America, set out in Schedule A, is approved and declared to have the force of law in Canada, and shall be deemed to be included in and to form part of the Convention and Protocol set out in the Schedule to *The Canada-United States of America Tax Convention Act, 1943.* 5

1943-44, c. 21.

Convention
approved.

2. The Convention entered into between Canada and the United States of America, set out in Schedule B, is approved and declared to have the force of law in Canada, and shall be deemed to be included in and to form part of the Convention and Protocol set out in the Schedule to *The Canada-United States of America Tax Convention Act, 1944.* 10

1944-45, c. 31.

Coming
into force.

3. This Act shall come into force on a day to be fixed by proclamation of the Governor in Council.

SCHEDULE A.

CONVENTION

BETWEEN CANADA AND THE UNITED STATES OF AMERICA
MODIFYING AND SUPPLEMENTING THE CONVENTION
AND ACCOMPANYING PROTOCOL OF MARCH 4, 1942
FOR THE AVOIDANCE OF DOUBLE TAXATION AND
THE PREVENTION OF FISCAL EVASION IN THE CASE
OF INCOME TAXES.

Signed at Ottawa, June 12, 1950.

The Government of Canada and the Government of the United States of America, being desirous of modifying and supplementing in certain respects the Convention and accompanying Protocol for the avoidance of double taxation and the prevention of fiscal evasion in the case of income taxes, signed at Washington on March 4, 1942, have decided to conclude a supplementary Convention for that purpose and have appointed as their respective Plenipotentiaries:

The Government of Canada:

Douglas Charles Abbott, Minister of Finance in the Government of Canada, and

The Government of the United States of America:

Julian F. Harrington, Charge d'Affaires *ad interim* of the United States of America at Ottawa.

who, having communicated to one another their respective full powers, found in good and due form, have agreed as follows:

ARTICLE I.

The provisions of the Convention and Protocol between Canada and the United States of America, signed at Washington on March 4, 1942, are hereby modified and supplemented as follows:

(a) By adding at the end of paragraph 1 of Article III the following new sentence:

"In the determination of the net industrial and Commercial profits of the permanent establishment there shall be allowed as deductions all expenses, wherever incurred, reasonably allocable to the permanent establishment, including executive and general administrative expenses so allocable."

(b) By amending Article VI to read as follows:

"1. (a) Remuneration, wages or salary (other than pensions) paid to an individual by the United States of America, or by any agency, instrumentality or political subdivision thereof, in respect of services rendered in the discharge of governmental functions, shall be exempt from Canadian tax if the individual is either a

citizen of the United States of America, or is not ordinarily resident in Canada or is ordinarily resident in Canada solely for the purpose of rendering those services.

(b) Remuneration, wages or salary (other than pensions) paid to an individual, other than a citizen of the United States of America, by Canada, or by any agency, instrumentality or political subdivision thereof, in respect of services rendered in the discharge of governmental functions, shall be exempt from United States tax.

"2. The provisions of paragraph 1 of this Article shall not apply to payments in respect of services rendered in connection with any trade or business carried on for purposes of profit by either of the contracting States or by any agency, instrumentality or political subdivision thereof.

"3. (a) The United States of America agrees to exempt from its income tax income derived from sources outside the United States of America by a member of the Canadian forces or by a citizen of Canada serving or employed by the Government of Canada at defense establishments in the United States of America, or by the wife or minor children of such member or citizen.

(b) The same principle shall apply, *mutatis mutandis*, to income derived from sources outside Canada by a member of the United States forces or by a citizen of the United States of America serving or employed by the Government of the United States of America at defense establishments in Canada, or by the wife or minor children of such member or citizen."

(c) There is inserted immediately after Article VI the following new Article:

"ARTICLE VI A.

"Pensions (including Government pensions) and life annuities derived from within one of the contracting States by a resident of the other contracting State shall be exempt from taxation in the former State."

(d) By amending Article VII to read as follows:

"1. A resident of Canada shall be exempt from United States tax upon compensation for personal (including professional) services performed during the taxable year within the United States of America if he is present therein for a period or periods not exceeding a total of 183 days during the taxable year and either of the following conditions is met—

(a) his compensation is received for such personal services performed as an officer or employee of a resident or corporation or other entity of Canada, or

(b) his compensation received for such personal services does not exceed \$5,000.

"2. The provisions of paragraph 1 (a) of this Article shall have no application to the professional earnings of such individuals as actors, artists, musicians and professional athletes.

"3. The provisions of paragraphs 1 and 2 of this Article shall apply, *mutatis mutandis*, to a resident of the United States of America with respect to compensation for such personal services performed in Canada."

(e) There is inserted immediately after Article VIII the following new Article:

"ARTICLE VIII A.

"A professor or teacher who is a resident of one of the contracting States and who temporarily visits the other contracting State for the purpose of teaching, for a period not exceeding two years, at a university, college, school or other educational institution in such other State, shall be exempted by such other State from tax on his remuneration for such teaching for such period."

(f) Paragraph 1 of Article XI is amended by striking out "engaged in trade or business in the former State and having no office or place of business therein" and inserting in lieu thereof "having a permanent establishment in the former State."

(g) Article XII is amended to read as follows:

"1. Dividends and interest paid by a corporation organized under the laws of Canada to a recipient, other than a citizen or resident of the United States of America or a corporation organized under the laws of the United States of America, shall be exempt from all income taxes imposed by the United States of America.

"2. Dividends and interest paid by a corporation organized under the laws of the United States of America whose business is not managed and controlled in Canada to a recipient, other than a resident of Canada or a corporation whose business is managed and controlled in Canada, shall be exempt from all taxes imposed by Canada."

(h) Article XIII is amended to read as follows:

"1. Corporations organized under the laws of Canada, more than 50 percent of the outstanding voting stock of which is owned, directly or indirectly, throughout the last half of the taxable year by individual residents of Canada, other than citizens of the United States of America, shall be exempt from any taxes imposed by the United States of America with respect to accumulated or undistributed earnings, profits, income, or surplus of such corporations."

"2. Corporations organized under the laws of the United States of America, more than 50 percent of the outstanding voting stock of which is owned, directly or indirectly, throughout the last half of the taxable year by individual residents of the United States of America shall be exempt from any taxes imposed by Canada in the nature of undistributed profits tax on undistributed profits of the corporation with respect to accumulated or undistributed earnings, profits, income, or surplus of such corporations."

(i) There is inserted immediately after Article XIII the following new Article:

"ARTICLE XIII A.

"1. A resident or corporation organized under the laws of Canada deriving from sources within the United States of America rentals from real property may elect for any taxable year to be subject to the tax imposed by the United States of America on a net basis as if such resident or corporation were engaged in trade or business within the United States of America through a permanent establishment therein during such taxable year.

"2. Rentals from real property derived from sources within Canada by an individual or corporation resident in the United States of America shall receive tax treatment by Canada not less favorable than that accorded under Section 99, The Income Tax Act, as in effect on the date on which this Article goes into effect."

(j) There is inserted immediately after Article XIII A, as inserted by subparagraph (i) of this Article, the following new Article:

"ARTICLE XIII B.

"Director's fees paid by a corporation to an individual residing in one of the contracting States for services at Directors' meetings held in that State shall be exempt from tax by the other State."

(k) There is inserted immediately after Article XIII B, as inserted by subparagraph (j) of this Article, the following new Article:

"ARTICLE XIII C.

"Royalties for the right to use copyrights or in respect of the right to produce or reproduce any literary, dramatic, musical, or artistic work (but not inclusive of rents or royalties in respect of motion picture films) derived from sources within one of the contracting States by a resident or corporation or other entity of the other contracting State not engaged in trade or business in the former State through a permanent establishment shall be exempt from tax imposed by such former State."

(1) Article XV is amended as follows:

(A) By striking out of the first paragraph thereof, effective January 1, 1949, the following:

"In accordance with the provisions of Section 8 of the Income War Tax Act as in effect on the day of the entry into force of this Convention,"

and inserting in lieu thereof the following:

"1. As far as may be in accordance with the provisions of The Income Tax Act,"

(B) By striking out of the second paragraph thereof the following:

"In accordance with the provisions of Section 131 of the United States Internal Revenue Code as in effect on the day of the entry into force of this Convention,"

and inserting in lieu thereof the following:

"2. As far as may be in accordance with the provisions of the United States Internal Revenue Code,"

(m) Article XVII is amended by inserting immediately after the words "items of income" the following: "(other than income within the scope of paragraph 1 (b) of Article VI)".

(n) There is inserted immediately after Article XVIII the following new Article:

"ARTICLE XVIII A.

"To avoid withholding of both United States tax and Canadian tax with respect to compensation for personal services performed by a resident of one of the contracting States while temporarily present in the other State—

(a) The Commissioner may, with the approval of the Secretary of the Treasury, by regulations specify the circumstances under which such compensation of a resident of the United States of America temporarily performing personal services in Canada may be exempted from deduction and withholding of United States tax, and

(b) The appropriate Canadian authority may by regulations specify the circumstances under which such compensation of a resident of Canada temporarily performing personal services in the United States may be exempted from deduction and withholding of Canadian tax."

(o) Paragraph 3 (f) of the Protocol is amended by inserting at the end of the first sentence thereof the following sentence:

"The use of substantial equipment or machinery within one of the contracting States at any time in any taxable year by an enterprise of the other contracting State shall constitute a permanent establishment of such enterprise in the former State for such taxable year."

(p) By striking out paragraph 6 of the Protocol and inserting in lieu thereof the following:

"6. The term 'subsidiary corporation' as used in Article XI of this Convention means a corporation 95 per cent of whose shares (other than Directors' qualifying shares) having full voting rights are beneficially owned by another corporation, provided that (except in the case of a corporation the chief business of which is the making of loans) ordinarily not more than one-quarter of the gross income of such subsidiary corporation is derived from interest and dividends other than interest and dividends received from its subsidiary corporations."

(q) By changing "Article VI" in paragraphs 8 and 9 of the Protocol to read "Article VI A".

(r) Paragraph 10 of the Protocol is amended to read as follows:

"10. The term 'permanent establishment' as used in Article XI of this Convention, shall not be deemed to include an office used solely for the purchase of merchandise."

ARTICLE II.

1. The present supplementary Convention shall be ratified and the instruments of ratification shall be exchanged at Washington as soon as possible.

2. The present supplementary Convention shall, except as provided in Article I(1)(A), become effective with respect only to taxable years beginning on or after the first day of January of the calendar year in which occurs the exchange of the instruments of ratification. It shall continue effective indefinitely as though it were an integral part of the Convention of March 4, 1942, subject to the provisions of Article XXII of that Convention with respect to termination.

IN WITNESS WHEREOF the above-named Plenipotentiaries have signed the present Convention and have affixed thereto their respective seals.

DONE, in duplicate, at Ottawa this 12th day of June 1950.

FOR THE GOVERNMENT OF CANADA:

(Signed) D. C. Abbott.

FOR THE GOVERNMENT OF THE UNITED STATES OF AMERICA:

(Signed) Julian F. Harrington.

SCHEDULE B.

CONVENTION

BETWEEN CANADA AND THE UNITED STATES OF AMERICA
MODIFYING AND SUPPLEMENTING THE CONVENTION
OF JUNE 8, 1944 FOR THE AVOIDANCE OF DOUBLE TAX-
ATION AND THE PREVENTION OF FISCAL EVASION
IN THE CASE OF ESTATE TAXES AND SUCCESSION
DUTIES.

Signed at Ottawa, June 15, 1950.

The Government of Canada and the Government of the United States of America, being desirous of modifying and supplementing in certain respects the Convention for the avoidance of double taxation and the prevention of fiscal evasion in the case of estate taxes and succession duties, signed at Ottawa on June 8, 1944, have decided to conclude a supplementary Convention for that purpose and have appointed as their respective Plenipotentiaries:

The Government of Canada:

Douglas Charles Abbott, Minister of Finance in the
Government of Canada, and

The Government of the United States of America:.

Julian F. Harrington, Chargé d'Affaires *ad-interim* of the
United States of America at Ottawa

who, having communicated to one another their respective full powers, found in good and due form, have agreed as follows:

ARTICLE I.

The provisions of Articles II to VI, inclusive, of the Convention of June 8, 1944, between Canada and the United States of America, are hereby abrogated with respect to estates of decedents dying on or after the day of the entry into force of the present Convention, and are replaced by the provisions of Articles II to VI, inclusive, of the present Convention.

ARTICLE II.

Where a person dies a citizen of the United States of America or domiciled in the United States of America or Canada, the situs of any rights or interests, legal or equitable, in or over any of the following classes of property which for the purposes of tax form or are deemed to form part of the estate of such person or pass or are deemed to pass on his death, shall, for the purposes of the imposition of tax and for the purposes of the credit to be allowed under Article V, be determined exclusively in accordance with the following rules, but in cases not

within such rules the situs of such rights or interests shall be determined for these purposes in accordance with the laws in force in the other contracting State:

- (a) Immovable property (otherwise than by way of security) shall be deemed to be situated at the place where such property is located;
- (b) Tangible movable property otherwise than by way of security and other than such property for which specific provision is hereinafter made), bank or currency notes and other forms of currency recognized as legal tender in the place of issue, shall be deemed to be situated at the place where located at the time of death, or, if in transitu, at the place of destination;
- (c) Debts (including bills of exchange and promissory notes, whether negotiable or not), secured or unsecured and whether under seal or not, excluding the forms of indebtedness for which specific provision is hereinbefore or hereinafter made, shall be deemed to be situated at the place where the debtor was resident at the time of death, or, if the debtor is a company, at the place where the company is incorporated;
- (d) Bank accounts shall be deemed to be situated at the place where the bank or branch thereof, at which the account was kept, is located;
- (e) Securities issued by any government, municipality or public authority shall be deemed, if in bearer form, to be situated at the place where located at the time of death and, if inscribed or registered, to be situated at the place where inscribed or registered as provided by the issuing authority;
- (f) Shares, stock, bonds, debentures or debenture stock in a company (including any such property held by a nominee, whether the beneficial ownership is evidenced by scrip certificates or otherwise) shall be deemed to be situated at the place where the company is incorporated;
- (g) Moneys, payable under a policy of assurance or insurance, or under an annuity contract, whether under seal or not, shall be deemed to be situated where the policy or annuity contract provides that the moneys shall be payable, or, in the absence of any such provision, at the place of residence of the issuer, or, if a company, at the place where the company is incorporated;
- (h) Shares in a partnership shall be deemed to be situated at the place where its business is principally carried on;
- (i) Ships and aircraft and shares thereof shall be deemed to be situated at the place of registration of the ship or aircraft;
- (j) Goodwill as a trade, business or professional asset shall be deemed to be situated at the place where the trade, business or profession to which it pertains is carried on;
- (k) Patents, trade-marks and designs shall be deemed to be situated at the place where they are registered;
- (l) Copyright, franchises, and rights or licenses to use any copyrighted material, patent, trade-mark or design shall be deemed to be situated at the place where the rights arising therefrom are exercisable;

- (m) Rights or causes of action *ex delicto* surviving for the benefit of an estate of a deceased person shall be deemed to be situated at the place where such rights or causes of action arose;
- (n) Judgment debts shall be deemed to be situated at the place where the judgment is recorded;

provided that this Article shall not be construed as increasing the liability of the estate of any person under the estate tax laws of the United States of America.

ARTICLE III.

1. Allowance for debts shall be determined in accordance with the laws of the contracting State imposing the tax.

2. Domicile shall be determined in accordance with the laws in the contracting State imposing the tax on the basis of domicile.

ARTICLE IV.

Where one of the contracting States imposes taxes by reason of the property's being situated therein such State shall, if the decedent was domiciled in the other contracting State:

- (a) for the purpose of determining the tax rate or rates, take into account only property situated in such State, and
- (b) allow as an exemption an amount not less than an amount which bears the same ratio to the specific exemption that would be allowed if such State were imposing the tax by reason of the decedent's being domiciled therein, as the value of the property situated in such State bears to the entire value of the property wherever situated.

ARTICLE V.

1. Where either contracting State imposes taxes by reason of a decedent's being domiciled therein or being a citizen thereof, that contracting State shall allow against so much of its taxes (as otherwise computed) as is attributable to property situated in the other contracting State a credit (not exceeding the amount of the taxes so attributable) equal to so much of the taxes imposed by the other contracting State as is attributable to such property.

2. Where each contracting State imposes taxes on any property situated outside both contracting States, each contracting State shall allow against so much of its taxes (as otherwise computed) as is attributable to such property a credit which bears the same proportion to the amount of its taxes so attributable or to the amount of the other contracting State's taxes attributable to the same property, whichever is the less, as the former amount bears to the sum of both amounts.

3. For the purposes of this Article, the amount of the taxes of a contracting State attributable to any property shall be ascertained after taking into account any credit, allowance or relief, or any remission or reduction of taxes, other than the credit authorized by this Article.

ARTICLE VI.

1. Any claim for a credit or for a refund of taxes founded on the provisions of the Convention signed on June 8, 1944, or of the present supplementary Convention, shall be made within six years from the date of death of the decedent in respect of whose estate the claim is made, or, in the case of a reversionary interest where payment of taxes is deferred until the date on which the interest falls into possession, within six years from that date.

2. Any such refund shall be made without payment of interest on the amount so refunded.

ARTICLE VII.

1. The present supplementary Convention shall be ratified and the instruments of ratification shall be exchanged at Washington as soon as possible.

2. The present supplementary Convention shall enter into force on the day of the exchange of the instruments of ratification and shall be applicable to estates or successions in the case of persons who die on or after that date, except as otherwise provided in Article VI. It shall continue effective indefinitely as though it were an integral part of the Convention of June 8, 1944, subject to the provisions of Article XIV of that Convention with respect to termination.

IN WITNESS WHEREOF the above-named Plenipotentiaries have signed the present Convention and have affixed thereto their respective seals.

DONE in duplicate, at Ottawa this 12th day of June 1950.

FOR THE GOVERNMENT OF CANADA:

(Signed) D. C. Abbott.

FOR THE GOVERNMENT OF THE UNITED STATES OF AMERICA:

(Signed) Julian F. Harrington.

June 14, 1950.

158700-67

B I L L

An Act to amend The Canada-United States of America Tax Convention Act, 1943, and The Canada-United States of America Tax Convention Act, 1944.

His Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows:

1. The Convention entered into between Canada and the United States of America, set out in Schedule A, is approved and declared to have the force of law in Canada, and shall be deemed to be included in and to form part of the Convention and Protocol set out in the Schedule to The Canada-United States of America Tax Convention Act, 1943.
2. The Convention entered into between Canada and the United States of America, set out in Schedule B, is approved and declared to have the force of law in Canada, and shall be deemed to be included in and to form part of the Convention and Protocol set out in the Schedule to The Canada-United States of America Tax Convention Act, 1944.

SCHEDULE A

SCHEDULE B

CONVENTION
BETWEEN CANADA AND THE UNITED STATES OF AMERICA
MODIFYING AND SUPPLEMENTING THE CONVENTION AND
ACCOMPANYING PROTOCOL OF MARCH 4, 1942 FOR THE
AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION
OF FISCAL EVASION IN THE CASE OF INCOME TAXES

The Government of Canada and the Government of the United States of America, being desirous of modifying and supplementing in certain respects the Convention and accompanying Protocol for the avoidance of double taxation and the prevention of fiscal evasion in the case of income taxes, signed at Washington on March 4, 1942, have decided to conclude a supplementary Convention for that purpose and have appointed as their respective Plenipotentiaries:

The Government of Canada:

Douglas Charles Abbott, Minister of Finance in the Government of Canada, and

The Government of the United States of America:

Julian F. Harrington, Charge d'Affaires ad interim of the United States of America at Ottawa.

who, having communicated to one another their respective full powers, found in good and due form, have agreed as follows:

ARTICLE I

The provisions of the Convention and Protocol between Canada and the United States of America, signed at Washington on March 4, 1942, are hereby modified and supplemented as follows:

(a) By adding at the end of paragraph 1 of Article III the following new sentence:

"In the determination of the net industrial and Commercial profits of the permanent establishment there shall be allowed as deductions all expenses, wherever incurred, reasonably allocable to the permanent establishment, including executive and general administrative expenses so allocable."

(b) By amending Article VI to read as follows:

"1. (a) Remuneration, wages or salary (other than pensions) paid to an individual by the United States of America, or by any agency, instrumentality or political subdivision thereof, in respect of services rendered in the discharge of governmental functions, shall be exempt from Canadian tax if the individual is either a citizen of the United States

/(2) of

of America, or is not ordinarily resident in Canada or is ordinarily resident in Canada solely for the purpose of rendering those services.

(b) Remuneration, wages or salary (other than pensions) paid to an individual, other than a citizen of the United States of America, by Canada, or by any agency, instrumentality or political subdivision thereof, in respect of services rendered in the discharge of governmental functions, shall be exempt from United States tax.

"2. The provisions of paragraph 1 of this Article shall not apply to payments in respect of services rendered in connection with any trade or business carried on for purposes of profit by either of the contracting States or by any agency, instrumentality or political subdivision thereof.

"3. (a) The United States of America agrees to exempt from its income tax income derived from sources outside the United States of America by a member of the Canadian forces or by a citizen of Canada serving or employed by the Government of Canada at defense establishments in the United States of America, or by the wife or minor children of such member or citizen.

(b) The same principle shall apply, mutatis mutandis, to income derived from sources outside Canada by a member of the United States forces or by a citizen of the United States of America serving or employed by the Government of the United States of America at defense establishments in Canada, or by the wife or minor children of such member or citizen."

(c) There is inserted immediately after Article VI the following new Article:

"ARTICLE VI A

"Pensions (including Government pensions) and life annuities derived from within one of the contracting States by a resident of the other contracting State shall be exempt from taxation in the former State."

(d) By amending Article VII to read as follows:

"1. A resident of Canada shall be exempt from United States tax upon compensation for personal (including professional) services performed during the taxable year within the United States of America if he is present therein for a period or periods not exceeding a total of 183

/days

days during the taxable year and either of the following conditions is met -

(a) his compensation is received for such personal services performed as an officer or employee of a resident or corporation or other entity of Canada, or

(b) his compensation received for such personal services does not exceed \$5,000.

"2. The provisions of paragraph 1 (a) of this Article shall have no application to the professional earnings of such individuals as actors, artists, musicians and professional athletes.

"3. The provisions of paragraphs 1 and 2 of this Article shall apply, mutatis mutandis, to a resident of the United States of America with respect to compensation for such personal services performed in Canada."

(e) There is inserted immediately after Article VIII the following new Article:

"ARTICLE VIII A

"A professor or teacher who is a resident of one of the contracting States and who temporarily visits the other contracting State for the purpose of teaching, for a period not exceeding two years, at a university, college, school or other educational institution in such other State, shall be exempted by such other State from tax on his remuneration for such teaching for such period."

(f) Paragraph 1 of Article XI is amended by striking out "engaged in trade or business in the former State and having no office or place of business therein" and inserting in lieu thereof "having a permanent establishment in the former State."

(g) Article XII is amended to read as follows:

"1. Dividends and interest paid by a corporation organized under the laws of Canada to a recipient, other than a citizen or resident of the United States of America or a corporation organized under the laws of the United States of America, shall be exempt from all income taxes imposed by the United States of America.

"2. Dividends and interest paid by a corporation organized under the laws of the United States of America whose business is not managed and controlled in Canada to a recipient, other than a resident of Canada or a corporation whose business is managed and controlled in Canada, shall be exempt from all taxes imposed by Canada".

/(h) Article XIII

(h) Article XIII is amended to read as follows:

"1. Corporations organized under the laws of Canada, more than 50 percent of the outstanding voting stock of which is owned, directly or indirectly, throughout the last half of the taxable year by individual residents of Canada, other than citizens of the United States of America, shall be exempt from any taxes imposed by the United States of America with respect to accumulated or undistributed earnings, profits, income, or surplus of such corporations."

"2. Corporations organized under the laws of the United States of America, more than 50 percent of the outstanding voting stock of which is owned, directly or indirectly, throughout the last half of the taxable year by individual residents of the United States of America shall be exempt from any taxes imposed by Canada in the nature of undistributed profits tax on undistributed profits of the corporation with respect to accumulated or undistributed earnings, profits, income, or surplus of such corporations."

(i) There is inserted immediately after Article XIII the following new Article:

"ARTICLE XIII A

"1. A resident or corporation organized under the laws of Canada deriving from sources within the United States of America rentals from real property may elect for any taxable year to be subject to the tax imposed by the United States of America on a net basis as if such resident or corporation were engaged in trade or business within the United States of America through a permanent establishment therein during such taxable year.

"2. Rentals from real property derived from sources within Canada by an individual or corporation resident in the United States of America shall receive tax treatment by Canada not less favorable than that accorded under Section 99, The Income Tax Act, as in effect on the date on which this Article goes into effect."

(j) There is inserted immediately after Article XIII A, as inserted by subparagraph (i) of this Article, the following new Article:

/"Article XIII B

"ARTICLE XIII B

"Director's fees paid by a corporation to an individual residing in one of the contracting States for services at Directors' meetings held in that State shall be exempt from tax by the other State."

(k) There is inserted immediately after Article XIII B, as inserted by subparagraph (j) of this Article, the following new Article:

"ARTICLE XIII C

"Royalties for the right to use copyrights or in respect of the right to produce or reproduce any literary, dramatic, musical, or artistic work (but not inclusive of rents or royalties in respect of motion picture films) derived from sources within one of the contracting States by a resident or corporation or other entity of the other contracting State not engaged in trade or business in the former State through a permanent establishment shall be exempt from tax imposed by such former State."

(1) Article XV is amended as follows:

(A) By striking out of the first paragraph thereof, effective January 1, 1949, the following:

"In accordance with the provisions of Section 8 of the Income War Tax Act as in effect on the day of the entry into force of this Convention,"

and inserting in lieu thereof the following:

"1. As far as may be in accordance with the provisions of The Income Tax Act,"

(B) By striking out of the second paragraph thereof the following:

"In accordance with the provisions of Section 131 of the United States Internal Revenue Code as in effect on the day of the entry into force of this Convention,"

and inserting in lieu thereof the following:

"2. As far as may be in accordance with the provisions of the United States Internal Revenue Code,"

/(m) Article XVII

(m) Article XVII is amended by inserting immediately after the words "items of income" the following: "(other than income within the scope of paragraph 1 (b) of Article VI)".

(n) There is inserted immediately after Article XVIII the following new Article:

"ARTICLE XVIII A

"To avoid withholding of both United States tax and Canadian tax with respect to compensation for personal services performed by a resident of one of the contracting States while temporarily present in the other State -

(a) The Commissioner may, with the approval of the Secretary of the Treasury, by regulations specify the circumstances under which such compensation of a resident of the United States of America temporarily performing personal services in Canada may be exempted from deduction and withholding of United States tax, and

(b) The appropriate Canadian authority may by regulations specify the circumstances under which such compensation of a resident of Canada temporarily performing personal services in the United States may be exempted from deduction and withholding of Canadian tax."

(o) Paragraph 3(f) of the Protocol is amended by inserting at the end of the first sentence thereof the following sentence:

"The use of substantial equipment or machinery within one of the contracting States at any time in any taxable year by an enterprise of the other contracting State shall constitute a permanent establishment of such enterprise in the former State for such taxable year."

(p) By striking out paragraph 6 of the Protocol and inserting in lieu thereof the following:

"6. The term 'subsidiary corporation' as used in Article XI of this Convention means a corporation 95 percent of whose shares (other than Directors' qualifying shares) having full voting rights are beneficially owned by another corporation, provided that (except in the case of a corporation the chief business of which is the making of loans) ordinarily not more than one-quarter of the gross income of such subsidiary corporation is derived from interest and dividends other than interest and dividends received from its subsidiary corporations."

/(q) By changing

(q) By changing "Article VI" in paragraphs 8, and 9 of the Protocol to read "Article VI A".

(r) Paragraph 10 of the Protocol is amended to read as follows:

"10. The term 'permanent establishment' as used in Article XI of this Convention, shall not be deemed to include an office used solely for the purchase of merchandise."

ARTICLE II

1. The present supplementary Convention shall be ratified and the instruments of ratification shall be exchanged at Washington as soon as possible.

2. The present supplementary Convention shall, except as provided in Article I(1)(A), become effective with respect only to taxable years beginning on or after the first day of January of the calendar year in which occurs the exchange of the instruments of ratification. It shall continue effective indefinitely as though it were an integral part of the Convention of March 4, 1942, subject to the provisions of Article XXII of that Convention with respect to termination.

IN WITNESS WHEREOF the above-named Plenipotentiaries have signed the present Convention and have affixed thereto their respective seals.

DONE, in duplicate, at Ottawa this day of 19 .

For the Government of Canada:

.....

For the Government of the United States of America:

.....

CONVENTION
BETWEEN CANADA AND THE UNITED STATES OF AMERICA
MODIFYING AND SUPPLEMENTING THE CONVENTION OF
JUNE 8, 1944 FOR THE AVOIDANCE OF DOUBLE TAXATION
AND THE PREVENTION OF FISCAL EVASION IN THE CASE
OF ESTATE TAXES AND SUCCESSION DUTIES

The Government of Canada and the Government of the United States of America, being desirous of modifying and supplementing in certain respects the Convention for the avoidance of double taxation and the prevention of fiscal evasion in the case of estate taxes and succession duties, signed at Ottawa on June 8, 1944, have decided to conclude a supplementary Convention for that purpose and have appointed as their respective Plenipotentiaries:

The Government of Canada:

Douglas Charles Abbott, Minister of Finance
in the Government of Canada, and

The Government of the United States of America:

Julian F. Harrington, Chargé d'Affaires ad
interim of the United States of America
at Ottawa

who, having communicated to one another their respective full powers, found in good and due form, have agreed as follows:

ARTICLE I

The provisions of Articles II to VI, inclusive, of the Convention of June 8, 1944, between Canada and the United States of America, are hereby abrogated with respect to estates of decedents dying on or after the day of the entry into force of the present Convention, and are replaced by the provisions of Articles II to VI, inclusive, of the present Convention.

ARTICLE II

Where a person dies a citizen of the United States of America or domiciled in the United States of America or Canada, the situs of any rights or interests, legal or

/ equitable

equitable, in or over any of the following classes of property which for the purposes of tax form or are deemed to form part of the estate of such person or pass or are deemed to pass on his death, shall, for the purposes of the imposition of tax and for the purposes of the credit to be allowed under Article V, be determined exclusively in accordance with the following rules, but in cases not within such rules the situs of such rights or interests shall be determined for these purposes in accordance with the laws in force in the other contracting State:

- (a) Immovable property (otherwise than by way of security) shall be deemed to be situated at the place where such property is located;
- (b) Tangible movable property (otherwise than by way of security and other than such property for which specific provision is hereinafter made), bank or currency notes and other forms of currency recognized as legal tender in the place of issue, shall be deemed to be situated at the place where located at the time of death, or, if in transitu, at the place of destination;
- (c) Debts (including bills of exchange and promissory notes, whether negotiable or not), secured or unsecured and whether under seal or not, excluding the forms of indebtedness for which specific provision is hereinbefore or hereinafter made, shall be deemed to be situated at the place where the debtor was resident at the time of death, or, if the debtor is a company, at the place where the company is incorporated;
- (d) Bank accounts shall be deemed to be situated at the place where the bank or branch thereof, at which the account was kept, is located;
- (e) Securities issued by any government, municipality or public authority shall be deemed, if in bearer form, to be situated at the place where located at the time of death and, if inscribed or registered, to be situated at the place where inscribed or registered as provided by the issuing authority;
- (f) Shares, stock, bonds, debentures or debenture stock in a company (including any such property held by a nominee, whether the beneficial ownership is evidenced by scrip certificates or otherwise) shall be deemed to be situated at the place where the company is incorporated;

/ (g) Moneys,

- (g) Moneys, payable under a policy of assurance or insurance, or under an annuity contract, whether under seal or not, shall be deemed to be situated where the policy or annuity contract provides that the moneys shall be payable, or, in the absence of any such provision, at the place of residence of the issuer, or, if a company, at the place where the company is incorporated;
- (h) Shares in a partnership shall be deemed to be situated at the place where its business is principally carried on;
- (i) Ships and aircraft and shares thereof shall be deemed to be situated at the place of registration of the ship or aircraft;
- (j) Goodwill as a trade, business or professional asset shall be deemed to be situated at the place where the trade, business or profession to which it pertains is carried on;
- (k) Patents, trade-marks and designs shall be deemed to be situated at the place where they are registered;
- (l) Copyright, franchises, and rights or licenses to use any copyrighted material, patent, trade-mark or design shall be deemed to be situated at the place where the rights arising therefrom are exercisable;
- (m) Rights or causes of action ex delicto surviving for the benefit of an estate of a deceased person shall be deemed to be situated at the place where such rights or causes of action arose;
- (n) Judgment debts shall be deemed to be situated at the place where the judgment is recorded;

provided that this Article shall not be construed as increasing the liability of the estate of any person under the estate tax laws of the United States of America.

ARTICLE III

1. Allowance for debts shall be determined in accordance with the laws of the contracting State imposing the tax.

2. Domicile shall be determined in accordance with the laws in the contracting State imposing the tax on the basis of domicile.

/ ARTICLE IV

ARTICLE IV

Where one of the contracting States imposes taxes by reason of the property's being situated therein such State shall, if the decedent was domiciled in the other contracting State:

- (a) for the purpose of determining the tax rate or rates, take into account only property situated in such State, and
- (b) allow as an exemption an amount not less than an amount which bears the same ratio to the specific exemption that would be allowed if such State were imposing the tax by reason of the decedent's being domiciled therein, as the value of the property situated in such State bears to the entire value of the property wherever situated.

ARTICLE V

1. Where either contracting State imposes taxes by reason of a decedent's being domiciled therein or being a citizen thereof, that contracting State shall allow against so much of its taxes (as otherwise computed) as is attributable to property situated in the other contracting State a credit (not exceeding the amount of the taxes so attributable) equal to so much of the taxes imposed by the other contracting State as is attributable to such property.

2. Where each contracting State imposes taxes on any property situated outside both contracting States, each contracting State shall allow against so much of its taxes (as otherwise computed) as is attributable to such property a credit which bears the same proportion to the amount of its taxes so attributable or to the amount of the other contracting State's taxes attributable to the same property, whichever is the less, as the former amount bears to the sum of both amounts.

3. For the purposes of this Article, the amount of the taxes of a contracting State attributable to any property shall be ascertained after taking into account any credit, allowance or relief, or any remission or reduction of taxes, other than the credit authorized by this Article.

ARTICLE VI

1. Any claim for a credit or for a refund of taxes founded on the provisions of the Convention signed on June 8, 1944, or of the present supplementary Convention, shall be made within six years from the date of death of the decedent

/ in respect

in respect of whose estate the claim is made, or,
in the case of a reversionary interest where payment of
taxes is deferred until the date on which the interest
falls into possession, within six years from that date.

2. Any such refund shall be made without payment
of interest on the amount so refunded.

ARTICLE VII

1. The present supplementary Convention shall be
ratified and the instruments of ratification shall be
exchanged at Washington as soon as possible.

2. The present supplementary Convention shall enter
into force on the day of the exchange of the instruments of
ratification and shall be applicable to estates or successions
in the case of persons who die on or after that date, except
as otherwise provided in Article VI. It shall continue
effective indefinitely as though it were an integral part of
the Convention of June 8, 1944, subject to the provisions of
Article XIV of that Convention with respect to termination.

IN WITNESS WHEREOF the above-named Plenipotentiaries
have signed the present Convention and have affixed thereto
their respective seals.

DONE in duplicate, at Ottawa this day of
19. .

FOR THE GOVERNMENT OF CANADA:

.....

FOR THE GOVERNMENT OF THE UNITED STATES OF AMERICA:

.....

EAD/CM

June 15,

50.

158000-67



Dear Sir:

I enclose, duly certified, three
copies of the Bill respecting the Canada-
United States Tax Conventions.

Yours truly,

Encl.

D. W. MUNDELL

Acting Deputy Minister.

The Secretary to the Cabinet,
Privy Council Office,
O T T A W A .



House of Commons
Canada
LAW BRANCH

Mr. Driedger

M. OLLIVIER, K.C., LL.D., F.R.S.C.
A. A. FRASER
JOINT LAW CLERKS

Ottawa, June 15th, 1950.

158000-67

Dear Sir:

We enclose twelve copies of Bill, An Act
to amend The Canada-United States of America Tax
Convention Act, 1943, and The Canada-United States
of America Tax Convention Act, 1944.

Yours very truly,

Ollivier & Fraser

Joint Law Clerks.

F. P. Varcoe, Esq.,
Deputy Minister of Justice,
OTTAWA, Ont.

GN.

EAD/CM

BY HAND

June 14,

50.

158000-67

Dear Sir:

Referring to Mr. Henry's letter of June 13, I enclose herewith a revision of your Bill respecting the Canada-United States Tax Agreement.

Yours truly,

Encl.

D. W. MUNDELL

Acting Deputy Minister.

The Deputy Minister,
Department of Finance,
O T T A W A .





June 13, 1950.

Deputy Minister of Justice,
Ottawa, Canada.

Dear Sir:-

In Dr. Clark's absence, I am enclosing, for your consideration and any necessary revisions, a draft bill respecting the supplementary tax conventions between Canada and the United States that were signed on June 12, 1950.

I am enclosing, for your information, a copy of each of the two agreements which will be appended as Schedules A and B to the bill.

A memorandum is to be submitted to cabinet today seeking approval of the principle of the bill.

Yours very truly,

A handwritten signature in dark ink, appearing to read 'D.H.W. Henry', is written over a horizontal line.

D.H.W. Henry
Solicitor to the Treasury.