

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

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

(c) By amending Article XI as follows:

(A) By inserting in paragraph 1 immediately after "in respect of income" the words and symbols "(other than earned income)".

(B) By adding the following new paragraph:

5. To ensure that the benefit of the reduced rate of income tax provided for by this article is limited to persons entitled thereto each contracting State may make regulations requiring the withholding in such State of an additional amount from income derived from sources in the other contracting State.

(d) By striking out paragraph 2 of Article XI, and paragraph 6 of the Protocol as added by the Convention of June 12, 1950, redesignating paragraphs 7, 8, 9, 10, 11 and 12 thereof as paragraphs 6, 7, 8, 9, 10, and 11 respectively, and inserting in lieu of paragraph 2 of Article XI the following:

"2. Notwithstanding the provisions of paragraph 1 of this article, income tax in excess of 5 percent shall not be imposed by one of the contracting States in respect of dividends paid by a corporation organized under the laws of such State, or of a political subdivision thereof, to a corporation organized under the laws of the other contracting State, or of a political subdivision thereof; if,

(a) during the whole of the taxable year of the payor corporation at least 51 percent of the voting stock of such corporation was beneficially owned by the recipient corporation either alone or in association with not more than three other corporations of such other State, but each such recipient corporation must own at least 10 percent of the voting stock of the payor corporation; and

(b) not more than one-fourth of the gross income of the payor corporation (other than a corporation the chief business of which is the making of loans) is derived from interest and dividends other than interest and dividends received from its subsidiary corporations.

This paragraph shall not apply if the competent authority in the State imposing the tax is satisfied that the corporate relationship between the corporations has been arranged or is maintained primarily with the intention of taking advantage of this paragraph.

(e) By adding immediately after Article XIII C the following new article:

#### ARTICLE XIII D

1. In the computation of taxable income for any taxable year under the revenue laws of the United States, there shall be allowed as a deduction contributions to any organization created or organized under the laws of Canada (and constituting a charitable organization for the purpose of the income tax laws of Canada) if and to the extent such contributions would have been deductible as a charitable contribution had such organization been created or organized under the laws of the United States: Provided, however,