

### ARTICLE VII

Sub-paragraph (b) of Article 28 of the Convention shall be deleted and replaced by the following:

- "(b) in Japan:
- (i) with respect to taxes withheld at source, for amounts taxable on or after the first day of January of the calendar year next following that in which the notice of termination is given; and
  - (ii) with respect to taxes on income which are not withheld at source and the enterprise tax, as regards income for any taxable year beginning on or after the first day of January of the calendar year next following that in which the notice of termination is given."

### ARTICLE VIII

1. The reference in sub-paragraph (c) of paragraph 7 of the Protocol signed at Tokyo on May 7, 1986 (hereinafter referred to as "the Protocol of 1986") to "10 per cent" shall be deleted and replaced by a reference to "5 per cent".

2. The following new paragraphs shall be added immediately after paragraph 7 of the Protocol of 1986:

"8. With reference to Article 8 of the Convention, it is understood that profits from the operation of ships or aircraft in international traffic shall also include:

- (a) profits derived from the rental on a full basis or on a bare boat basis of ships or aircraft;
- (b) profits derived from the use of containers (including trailers and related equipment for the transport of containers) used in international traffic;

if such profits are incidental to profits to which the provisions of paragraph 1 of that Article apply.

9. Notwithstanding the provisions of sub-paragraph (a) of paragraph 2 of Article 10 of the Convention, dividends paid by a company that is a resident of Canada and a non-resident-owned investment corporation to a company that is a resident of Japan, that owns at least 25 per cent of the voting shares of the company paying the dividends throughout the period of six months immediately before the end of the accounting period for which the distribution of profits takes place and that is the beneficial owner of such dividends, may be taxed in Canada at a rate not exceeding 10 per cent of the gross amount of the dividends. For the purposes of this paragraph, the term "non-resident-owned investment corporation" has the meaning it has under the provisions of subsection 8 of section 133 of the Income Tax Act of Canada as they are in force on February , 1999 and any subsequent modification of those provisions which shall not affect the general principle hereof."