

3. Subparagraph 6(b) of Article XII (Royalties) shall be deleted and replaced by the following:

- (b) Where the royalties are for the use of, or the right to use, intangible property or tangible personal property in a Contracting State, then such royalties shall be deemed to arise in that State and not in the State of which the payer is a resident.

ARTICLE VI

1. Paragraph 3 of Article XIII (Gains) shall be deleted and replaced by the following:

3. For the purposes of this Article the term “real property situated in the other Contracting State”

- (a) In the case of real property situated in the United States, means a United States real property interest and real property referred to in Article VI (Income from Real Property) situated in the United States; and

(b) In the case of real property situated in Canada means:

- (i) Real property referred to in Article VI (Income from Real Property) situated in Canada;
- (ii) A share of the capital stock of a company, the value of whose shares is derived principally from real property situated in Canada; and
- (iii) An interest in a partnership, trust or estate, the value of which is derived principally from real property situated in Canada.

2. Paragraph 5 of Article XIII (Gains) shall be deleted and replaced by the following:

5. The provisions of paragraph 4 shall not affect the right of a Contracting State to levy tax on gains from the alienation of property derived by an individual who is a resident of the other Contracting State if such individual:

- (a) Was a resident of the first-mentioned State for 120 months during any period of 20 consecutive years preceding the alienation of the property; and

- (b) Was a resident of the first-mentioned State at any time during the ten years immediately preceding the alienation of the property;

and if such property (or property for which such property was substituted in an alienation the gain on which was not recognized for the purposes of taxation in the first-mentioned State) was owned by the individual at the time he ceased to be a resident of the first-mentioned State.