

to the permanent establishment, such profits may be taxed in that other Contracting State in accordance with the principles contained in Article 7 of the Convention.

5. Notwithstanding the provisions of paragraph 5 of Article 11 of the Convention, in the case of Canada, the term "dividends" as defined in paragraph 3 of Article 10 of the Convention shall include income from bonds or debentures which is treated as a distribution of profits.

6. Notwithstanding the provisions of paragraphs 1 and 2 of Article 15 and of paragraph 2 of Article 25 of the Convention, a professor or teacher who enters a Contracting State before the date of entry into force of the Convention and stays for a period not exceeding two years for the purpose of teaching at a university, college, school or other educational institution in that Contracting State, and who is, or immediately before his entry was, a resident of the other Contracting State shall be exempt from tax in the first-mentioned Contracting State in respect of remuneration for such teaching.

7. (a) Nothing in the Convention shall be construed as preventing Canada from imposing a tax on the earnings (other than those derived from the operation of ships or aircraft in international traffic) of a company, being a resident of Japan, which are attributable to its permanent establishments in Canada, in addition to the tax which would be chargeable on the profits of a company which is a resident of Canada. For the purposes of this paragraph, the term "earnings" means the amount by which the business profits attributable to permanent establishments in Canada (including gains from the alienation of property forming part of the business property of such permanent establishments) in a taxation year and previous taxation years exceeds the sum of:

(i) business losses attributable to such permanent establishments (including losses from the alienation of property forming part of the business property of such permanent establishments) in such taxation year and previous taxation years;

(ii) all taxes, other than the additional tax referred to in this paragraph, imposed on such profits in Canada; and

(iii) the profits reinvested in Canada, provided that such amount shall be determined in accordance with the provisions of paragraph (1)(h) of Section 219 of the Income Tax Act of Canada as they are in force at the date of signature of the Convention regarding the computation of the allowance in respect of investment in property in Canada, and any subsequent modification of those provisions which shall not affect the general principle hereof.

(b) The provisions of sub-paragraph (a) of this paragraph shall apply only to the extent that the total earnings in the taxation year and previous taxation years of the company and of any associated company with respect to the same or a similar business exceed five hundred thousand Canadian dollars (\$500,000), or an amount that may be agreed upon from time to time by the competent authorities of the two Contracting States; for the purposes of this sub-paragraph (b), a company is associated with another company if one company directly or indirectly controls the other, or both companies are directly or indirectly controlled by the same person or persons.