

(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: