

"2. The provisions of paragraph 1 of this Article shall not apply to payments in respect of services rendered in connection with any trade or business carried on for purposes of profit by either of the contracting States or by any agency, instrumentality or political subdivision thereof.

"3. (a) The United States of America agrees to exempt from its income tax income derived from sources outside the United States of America by a member of the Canadian forces or by a citizen of Canada serving or employed by the Government of Canada at defense establishments in the United States of America, or by the wife or minor children of such member or citizen.

(b) The same principle shall apply, *mutatis mutandis*, to income derived from sources outside Canada by a member of the United States forces or by a citizen of the United States of America serving or employed by the Government of the United States of America at defense establishments in Canada, or by the wife or minor children of such member or citizen."

(c) There is inserted immediately after Article VI the following new Article:

"ARTICLE VI A

"Pensions (including Government pensions) and life annuities derived from within one of the contracting States by a resident of the other contracting State shall be exempt from taxation in the former State."

(d) By amending Article VII to read as follows:

"1. A resident of Canada shall be exempt from United States tax upon compensation for personal (including professional) services performed during the taxable year within the United States of America if he is present therein for a period or periods not exceeding a total of 183 days during the taxable year and either of the following conditions is met—

(a) his compensation is received for such personal services performed as an officer or employee of a resident or corporation or other entity of Canada, or

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

"2. The provisions of paragraph 1 (a) of this Article shall have no application to the professional earnings of such individuals as actors, artists, musicians and professional athletes.

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

(e) There is inserted immediately after Article VIII the following new Article:

"ARTICLE VIII A

"A professor or teacher who is a resident of one of the contracting States and who temporarily visits the other contracting State for the purpose of teaching, for a period not exceeding two years, at a university, college, school or other educational institution in such other State, shall be exempted by such other State from tax on his remuneration for such teaching for such period."