

"ARTICLE XIII C

"Royalties for the right to use copyrights of in respect of the right to produce or reproduce any literary, dramatic, musical, or artistic work (but not inclusive of rents or royalties in respect of motion picture films) derived from sources within one of the contracting States by a resident or corporation or other entity of the other contracting State not engaged in trade or business in the former State through a permanent establishment shall be exempt from tax imposed by such former State."

(l) Article XV is amended as follows:

(A) By striking out of the first paragraph thereof, effective January 1, 1949, the following:

"In accordance with the provisions of Section 8 of the Income War Tax Act as in effect on the day of the entry into force of this Convention,"

and inserting in lieu thereof the following:

"1. As far as may be in accordance with the provisions of The Income Tax Act,"

(B) By striking out of the second paragraph thereof the following:

"In accordance with the provisions of Section 131 of the United States Internal Revenue Code as in effect on the day of the entry into force of this Convention,"

and inserting in lieu thereof the following:

"2. As far as may be in accordance with the provisions of the United States Internal Revenue Code,"

(m) Article XVII is amended by inserting immediately after the words "items of income" the following: "(other than income within the scope of paragraph 1 (b) of Article VI)".

(n) There is inserted immediately after Article XVIII the following new Article:

"ARTICLE XVIII A

"To avoid withholding of both United States tax and Canadian tax with respect to compensation for personal services performed by a resident of one of the contracting States while temporarily present in the other State—

(a) The Commissioner may, with the approval of the Secretary of the Treasury, by regulations specify the circumstances under which such compensation of a resident of the United States of America temporarily performing personal services in Canada may be exempted from deduction and withholding of United States tax, and

(b) The appropriate Canadian authority may by regulations specify the circumstances under which such compensation of a resident of Canada temporarily performing personal services in the United States may be exempted from deduction and withholding of Canadian tax."

(o) Paragraph 3 (f) of the Protocol is amended by inserting at the end of the first sentence thereof the following sentence:

"The use of substantial equipment or machinery within one of the contracting States at any time in any taxable year by an enterprise of the other contracting State shall constitute a permanent establishment of such enterprise in the former State for such taxable year."