

**PROTOCOL
AMENDING THE CONVENTION BETWEEN CANADA AND THE UNITED
STATES OF AMERICA WITH RESPECT TO TAXES ON INCOME AND
ON CAPITAL SIGNED AT WASHINGTON ON SEPTEMBER 26, 1980**

Canada and the United States of America,

DESIRING to conclude a Protocol to amend the Convention with respect to Taxes on Income and on Capital signed at Washington on September 26, 1980 (hereinafter referred to as "the Convention"),

Have agreed as follows:

ARTICLE I

Subparagraph 1(h) of Article III (General Definitions) of the Convention shall be deleted and replaced by the following:

- (h) The term "international traffic" with reference to a resident of a Contracting State means any voyage of a ship or aircraft to transport passengers or property (whether or not operated or used by that resident) except where the principal purpose of the voyage is to transport passengers or property between places within the other Contracting State;

ARTICLE II

Paragraph 4 of Article V (Permanent Establishment) shall be deleted and replaced by the following:

4. The use of an installation or drilling rig or ship in a Contracting State to explore for or exploit natural resources constitutes a permanent establishment if, but only if, such use is for more than three months in any twelve-month period.

ARTICLE III

Article VI (Income from Real Property) shall be deleted and replaced by the following:

1. Income derived by a resident of a Contracting State from real property (including income from agriculture, forestry or other natural resources) situated in the other Contracting State may be taxed in that other State.
2. For the purposes of this Convention, the term "real property" shall have the meaning which it has under the taxation laws of the Contracting State in which the property in question is situated and shall include any option or similar right in respect thereof. The term shall in any case include usufruct of real property, rights to explore for or to exploit mineral deposits, sources and other natural resources and rights to amounts computed by reference to the amount or value of production from such resources; ships and aircraft shall not be regarded as real property.