

CONVENTION BETWEEN CANADA AND THE UNITED STATES OF AMERICA  
 MODIFYING AND SUPPLEMENTING THE CONVENTION AND ACCOMPANYING  
 PROTOCOL OF MARCH 4, 1942 FOR THE AVOIDANCE OF  
 DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION IN THE  
 CASE OF INCOME TAXES \*

The Government of Canada and the Government of the United States of America, being desirous of modifying and supplementing in certain respects the Convention and accompanying Protocol for the avoidance of double taxation and the prevention of fiscal evasion in the case of income taxes, signed at Washington on March 4, 1942, have decided to conclude a supplementary Convention for that purpose and have appointed as their respective Plenipotentiaries:

The Government of Canada:

Douglas Charles Abbott, Minister of Finance in the Government of Canada,  
 and

The Government of the United States of America:

Julian F. Harrington, Chargé d'Affaires ad interim of the United States  
 of America at Ottawa,

who, having communicated to one another their respective full powers, found in good and due form, have agreed as follows:

ARTICLE I

The provisions of the Convention and Protocol between Canada and the United States of America, signed at Washington on March 4, 1942, are hereby modified and supplemented as follows:

(a) By adding at the end of paragraph 1 of Article III the following new sentence:

"In the determination of the net industrial and commercial profits of the permanent establishment there shall be allowed as deductions all expenses, wherever incurred, reasonably allocable to the permanent establishment, including executive and general administrative expenses so allocable."

(b) By amending Article VI to read as follows:

"1. (a) Remuneration, wages or salary (other than pensions) paid to an individual by the United States of America, or by any agency, instrumentality or political subdivision thereof, in respect of services rendered in the discharge of governmental functions, shall be exempt from Canadian tax if the individual is either a citizen of the United States of America, or is not ordinarily resident in Canada or is ordinarily resident in Canada solely for the purpose of rendering those services.

(b) Remuneration, wages or salary (other than pensions) paid to an individual, other than a citizen of the United States of America, by Canada, or by any agency, instrumentality or political subdivision thereof, in respect of services rendered in the discharge of governmental functions, shall be exempt from United States tax.

\* For the text of the Convention and the Protocol of March 4, 1942, see Treaty Series 1942, No. 2.