

that such deduction shall not exceed an amount determined by applying to the taxpayer's taxable income (in the case of a corporation) or adjusted gross income (in the case of an individual) from sources in Canada the same percentage as is applied by Canada to income in determining the limitation of the deduction for gifts or contributions to charitable organizations of Canada.

2. In the computation of taxable income for any taxation year under the income tax laws of Canada, there shall be allowed as a deduction gifts to any organization created or organized under the laws of the United States (and constituting a charitable contribution for the purposes of the income tax laws of the United States) if and to the extent such gifts would have been allowable had such organization been a Canadian charitable organization: Provided, however, that such deduction shall not exceed an amount determined by applying to the taxpayer's income from sources in the United States upon which he is subject to tax in Canada the same percentage as is applied by Canada to income in determining the limitation of the deduction for such gifts.

(f) By adding immediately after Article XIII D, as added by this Supplemental Convention, the following new article:

ARTICLE XIII E

A resident of one of the contracting States who is a beneficiary of an estate or trust of the other contracting State shall be exempt from tax by such other State with respect to that portion of any amount paid, credited, or required to be distributed by such estate or trust to such beneficiary out of income from sources without such other State.

(g) By amending Article XX 2 as follows:

- (A) By striking out clauses (b) and (c) thereof:
- (B) By striking out the designation (d) in clause (d) and inserting in lieu thereof "(b)"; and
- (C) By striking out in clause (b) as so redesignated, "Income War Tax Act" and inserting in lieu thereof "Income Tax Act".

ARTICLE II

1. The present Supplementary Convention shall be ratified and the instruments of ratification shall be exchanged at Washington as soon as possible.

2. The present Supplementary Convention shall become effective with respect to taxable years beginning on and after the first day of January of the calendar year in which occurs the exchange of the instruments of ratification. It shall continue effective indefinitely as though it were an integral part of the Convention of March 4, 1942, as modified and supplemented by the Convention of June 12, 1950.

IN WITNESS WHEREOF the above-named Plenipotentiaries have signed the present Convention and have affixed thereto their respective seals.

Done, in duplicate, at Ottawa this 8th day of August, 1956.

(SEAL) For the Government of Canada:
Walter E. Harris.

(SEAL) For the Government of the United States of America,
Livingston T. Merchant.