

- b) Subject to the existing provisions of the law of Canada regarding the determination of the exempt surplus of a foreign affiliate and to any subsequent modification of those provisions -- which shall not affect the general principle hereof -- for the purpose of computing Canadian tax, a company which is a resident of Canada shall be allowed to deduct in computing its taxable income any dividend received by it out of the exempt surplus of a foreign affiliate resident in Mexico.
2. In the case of Mexico, double taxation shall be avoided as follows:

- a) residents of Mexico may credit against the Mexican tax on income arising in Canada the income tax paid in Canada in any amount not exceeding the tax payable in Mexico on such income; and
- b) subject to the provision of Mexican law, companies which are residents of Mexico may also credit against Mexican tax on dividends paid by companies that are residents of Canada the income tax paid in Canada on the profits out of which the dividends are paid.

3. For the purpose of subparagraph a) of paragraph 1, tax of 15 per cent shall be deemed to have been paid on a dividend paid by a company which is a resident of Mexico, the earnings of which are primarily from businesses carried on in Mexico.

4. For the purposes of this Article, profits, income or gains of a resident of a Contracting State which are taxed in the other Contracting State in accordance with this Convention shall be deemed to arise from sources in that other State.

V. SPECIAL PROVISIONS

Article 23

Non-Discrimination

1. The nationals of a Contracting State shall not be subjected in the other Contracting State to any taxation or any requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which nationals of that other State in the same circumstances are or may be subjected.

2. The taxation on a permanent establishment which a resident of a Contracting State has in the other Contracting State shall not be less favourably levied in that other State than the taxation levied on residents of that other State carrying on the same activities.

3. Nothing in this Article shall be construed as obliging a Contracting State to grant to residents of the other Contracting State any personal allowances, reliefs and reductions for taxation purposes on account of civil status or family responsibilities which it grants to its own residents.