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**PRESS RELEASE**



DEPARTMENT OF EXTERNAL AFFAIRS

CANADA

**COMMUNIQUÉ**

MINISTÈRE DES AFFAIRES EXTÉRIEURES

FOR IMMEDIATE RELEASE  
DECEMBER 20, 1967

RATIFICATION OF CANADA-USA TAXATION CONVENTION

The Secretary of State for External Affairs, the Honourable Paul Martin, and United States Ambassador W. Walton Butterworth today exchanged legal Instruments ratifying and bringing into force a Supplementary Income Tax Convention between Canada and the U.S.A.

The Supplementary Convention; which was signed in Washington October 25, 1966 further modifies and supplements the Income Tax Convention of March 4, 19~~62~~<sup>64</sup> between Canada and the United States for the avoidance of double taxation and the prevention of fiscal evasion in the case of income taxes.

This modification was proposed by the United States and will eliminate the unintended preferential treatment accorded to persons resident outside both the United States and Canada who have received investment income from the U.S.A. at substantially reduced tax rates through companies which are incorporated in Canada but which are not resident in Canada for purposes of Canadian income tax.

Attached is the text of paragraph 1 of Article XI of the Income Tax Convention and the modification agreed to under the Supplementary Convention of December 20, 1967.

Paragraph 1 of Article XI of the Income Tax Convention of 1942 provides that "the rate of income tax imposed by one of the contracting States, in respect of income (other than earned income) derived from sources therein, upon individuals residing in, or corporations organized under the laws of, the other contracting State, shall not exceed 15% for each taxable year".

This paragraph now has been modified by the Supplementary Convention of December 20, 1967 to provide that it shall not apply in respect of income derived from sources in one of the countries and paid to a corporation organized under the laws of the other country if the latter corporation is not subject to income tax in the last-mentioned country because it is not resident there for purpose of its income tax.

#### Explanatory Note

The standard United States rate of withholding tax on investment income paid to non-residents of the United States is 30%, but in accordance with Article XI quoted above, this rate is reduced to 15% when paid to a company incorporated in Canada.