		5.3.2[a]	Overview	5-47	
		5.3.2[b]	Provisions of the Canada-U.S. Tax		
			Treaty Currently in Force	5-50	
		5.3.2[c]	The PE List and the Exempt List	5-50.1	
		5.3.2[d]	Agency PEs	5-53	
		5.3.2[e]	Miscellaneous Rules	5-55	
		5.3.2[f]	Services Permanent Establishment	5-56	
		5.3.2[g]	E-commerce	5-58.7	
		5.3.2[h]	Home Office	5-58.7	
5.4	Treasury	Department	Technical Explanations	5-59	
Chapt	ter 6: Articl	e VI — Inco	me from Real Property		
6.0	Treaty A	Article		6-1	
6.1	Introduc	tion		6-2	
	6.1.1	Tax Cuts	and Jobs Act 2017	6-2	
		6.1.1[a]	U.S. International Taxation of the		
			Sale or Exchange of a Partnership		
			Interest	6-2	
		6.1.1[b]	Deduction for Qualified		
			Business Income	6-2.4	
		6.1.1[c]	Opportunity Zones	6-2.5	
6.2	Explana	tion & Interp	retation of Article VI under Canadian		
	Law				
	6.2.1	Taxation of	of Income from Real Property under		
		Canadian	Domestic Law	6-3	
		6.2.1[a]	Income from Real Property —		
			Income from Property versus		
			Income from Business	6-3	
		6.2.1[b]	Non-Resident's Rental and Royalty		
			Income from Real Property	6-5	
		6.2.1[c]	Income from Business	6-6	
		6.2.1[d]	Section 216 Election	6-7	
		6.2.1[e]	Meaning of the Term "Real		
			Property"	6-10	
		6.2.1[f]	Withholding and Compliance	6-12	
	6.2.2	Explanation	on and Interpretation of the Treaty		
		under Car	nadian Law	6-14	
		6.2.2[a]	Article VI(1) — Source Based		
			Taxation of Income from		
			Real Property	6-14	
		6.2.2[b]	Article VI(2) — Definition of Real		
			Property	6-18	

		6.2.2[c]	Article VI(3) — The Scope of			
			Article VI(1)	6-20		
6.3	Explana	Explanation & Interpretation of Article VI under U.S.				
	Law	Law				
	6.3.1	6.3.1 Taxation of Investments in U.S. Real Property				
		by Canad	ian Investor	6-21		
		6.3.1[a]	General Overview—Introduction	6-21		
		6.3.1[b]	Taxation of Rental Income from			
			Real Property Investments	6-22		
		6.3.1[c]	Partnership Taxation Issues and			
			Real Property Investments	6-25		
		6.3.1[d]	Taxation Issues and the Finance			
			of Real Property Investments	6-26		
		6.3.1[e]	Taxation Issues and the Sale of			
			Real Property Investments	6-27		
	6.3.2	Explanati	on of Treaty under U.S. Law	6-30		
		6.3.2[a]	Taxation of Real Property Income	6-30		
		6.3.2[b]	The Term Real Property	6-31		
		6.3.2[c]	Capital Gains from Real Property			
			and Article XIII Considerations	6-32		
6.4	Treasury	/ Department	Technical Explanations	6-35		
Chapte	er 7: Articl	e VII — Bu	siness Profits			
7.0	Treaty A	Article		7-1		
7.1		Introduction to Article VII — Business Profits				
	7.1.1		and Jobs Act 2017	7-3 7-4		
		7.1.1[a]	New International and Business			
		[]	Tax Rules Impacting Cross Border			
			Investment	7-4		
	7.1.2	BEPS		7-4.4		
	7.1.3		erce Taxation	7-4.6		
	7.1.4	New U.S.	Ownership Reporting Rules,			
			e Transsparency Act	7-4.8		
	7.1.5		ases under U.S. Law	7-4.9		
7.2			pretation of Article VII under Canadian			
				7-5		
	7.2.1	Canadian	Domestic Law	7-5		
		7.2.1[a]	Income from Sources in Canada	7-5		
		7.2.1[b]	Carrying on Business in Canada	7-7		
		7.2.1[c]	Management Fees	7-8		
		7.2.1[d]	Reporting Requirements	7-8		
	7.2.2	Canadian	Interpretation of the Treaty	7-10		

		7.2.2[a]	Article VII(1) — Taxation of Profits Attributable to a Permanent	
			Establishment	7-10
		7.2.2[b]	Article VII(2) — Methodology of the	
		7.2.2[0]	Attribution of Business Profits	7-12
		7.2.2[c]	Article VII(3) — Business Profits	/ 12
		7.2.2[0]	— Allowable Deductions and	
			Expenses	7-15
		7 2 2[4]	Article VII(4) — Business Profits	7-13
		7.2.2[d]	— Exclusions for Certain	
			Purchasing and Management	7 10
		7.2.25.1	Functions	7-18
		7.2.2[e]	Article VII(5) — Business Profits	
			— Consistency of	7.10
			Determination	7-18
		7.2.2[f]	Article VII(6) — Allocation to other	
			Income to Permanent	
			Establishment	7-19
		7.2.2[g]	Article VII(7) — Business Profits	
			 Attribution Limited to Assets 	
			and Activities of a Permanent	
			Establishment	7-20
		7.2.2[h]	Additional Considerations	7-21
		7.2.2[i]	Management Fees Paid to a U.S.	
			Resident	7-22
7.3	Explana	tion & Interp	retation of Article VII under U.S.	
	_	_		7-24
	7.3.1	U.S. Taxa	ation of Foreign Persons Doing	
			in the U.S	7-24
		7.3.1[a]	U.S. Taxation of Income of	
		[]	Foreign Persons	7-24
		7.3.1[b]	U.S. Sourcing Rules	7-25
		7.3.1[c]	Effectively Connected Income	7-27
		7.3.1[d]	General Reporting Requirements	, 2,
		7.5.1[0]	of Foreign Corporations	7-29
		7.3.1[e]	Corporate Transsparency Act	7-32
	7.3.2		pretation of the Treaty	7-32.10
	1.3.2	7.3.2[a]	Taxation of the Business Profits of	7-32.10
		7.5.2[a]	a Canadian Resident —	
			Paragraphs (1), (2), and (7) under	7 22 10
		7.2.201-1	Allowable Deductions under	7-32.10
		7.3.2[b]	Allowable Deductions under	7 20
			Paragraph (3) of Article VII	7-39

CON-7 (Cda.-U.S. Tax Treaty) (2024-1)

		7.3.2[c]	Purchasing, Executive, Managerial		
			or Administrative Services under		
			Paragraph (4) of Article VII	7-39	
		7.3.2[d]	Same Method of Attribution under		
			Paragraph (5) of Article VII	7-40	
		7.3.2[e]	Relationship to Other Articles under		
			Paragraph (6) of Article VII	7-40	
		7.3.2[f]	OECD Revised Commentary on		
			Article 7	7-40	
7.4			Explanations	7-43	
7.5	Comme	ntary to the I	Fifth Protocol	7-49	
	7.5.1	Force and Effective Date of the			
		Fifth Protocol		7-49	
	7.5.2	Comment	ary to the Fifth Protocol	7-49	
		7.5.2[a]	Timing of Permanent Establishment		
			for New Article VII(2)	7-49	
		7.5.2[b]	Attribution Principles in Article		
			VII(2)	7-50	
7.6	E-Comn	E-Commerce Taxation			
	7.6.1	Background: OECD Commentary on			
			······································	7-54	
	7.6.2		nd: OECD Commentary on		
		Business	Profits	7-58	
	7.6.3		nd: U.S. Characterization of		
		_	ransactions	7-60	
		7.6.3[a]	The U.S. Approach to the		
			Taxation of E-Commerce	7-60	
		7.6.3[b]	Computer Software Classification		
			Regulations	7-63	
	7.6.4	U.S. Clas	sification of Cloud Transactions and		
			ons Involving Digital Content	7-68	
		7.6.4[a]	General Background to		
		[]	Cloud Transactions	7-68	
		7.6.4[b]	General Classification Consider-	, 00	
		[.]	ations of Cloud Transactions	7-69	
		7.6.4[c]	Scope of Proposed Regulations	, ,,	
		[]	§ 1.861-19	7-70	
		7.6.4[d]	"Cloud Transaction" Defined	7-70	
		7.6.4[e]	Classification of Cloud	0	
		[3]	Transactions	7-71	
		7.6.4[f]	Scope of Proposed Regulations	. , 1	
		, [1]	§ 1.861-18	7-81	
			o 1.001 10	, 01	

	7.6.5	Digital Ta	ax and State Considerations		
		[Reserved	[]	7-86	
	7.6.6	New OEC	CD Proposals for Digital		
		Taxation.		7-86	
		7.6.6[a]	Pillar I	7-86	
	7.6.7	Digital Ta	exation in Canada	7-89	
Chapter	8: Article	e VIII — Tr	ransportation		
8.0	Treaty A	Article		8-1	
8.1	Introduc	tion		8-3	
8.2	Explanat	tion & Interp	retation of Article VIII under Canadian		
	Law				
	8.2.1	Taxation	of Income From Transportation under		
		Canadian	Domestic Law	8-4	
		8.2.1[a]	Taxation of International Shipping		
			Companies under Canadian		
			Law	8-4	
		8.2.1[b]	Rents and Royalties Received in		
			the Course of International		
			Transportation Business	8-8	
		8.2.1[c]	Disposition of Transportation		
			Equipment and Other Assets	8-9	
	8.2.2	Explanation and Interpretation of the Treaty			
			nadian Law	8-10	
		8.2.2[a]	Article VIII(1) — Profits from		
			International Traffic	8-10	
		8.2.2[b]	Article VIII(2) — Definition of		
			Profits From the Operation of		
			Ships or Aircraft	8-12	
		8.2.2[c]	Article VIII(3) — Profits from		
			Domestic Transportation	8-14	
		8.2.2[d]	Article VIII(4) — Profits from		
			Transportation as a Common or		
			Contract Carrier	8-16	
		8.2.2[e]	Article VIII(5) — Pool Transportation		
			Arrangements	8-18	
		8.2.2[f]	Article VIII(6) — Rental Payments		
			Received in the Course of		
			International Transportation	8-18	
8.3	_	_	retation of Article VIII under U.S.		
	Law			8-19	
	8.3.1	-	on and Interpretation of the Treaty		
		under II S	Law	8-19	

CON-9 (Cda.-U.S. Tax Treaty) (2024-1)

		8.3.1[a]	Transportation Profits Taxable By			
			Canada Only	8-19		
		8.3.1[b]	Definition of Transportation Profits			
				8-19		
		8.3.1[c]	U.S. Taxation of Canadian Shipping			
			and Cruise Ships	8-20		
		8.3.1[d]	Certain Motor Vehicle and Railway			
			Profits Taxed by			
			Canada	8-20		
		8.3.1[e]	Joint Pool	8-20		
		8.3.1[f]	Additional Provisions for Land			
			Transportation	8-21		
8.4	Treasury	Department	Technical Explanations	8-22		
Chapt	er 9: Articl	e IX — Rela	ated Persons			
9.0				9-1		
9.1	•			9-3		
	9.1.1		and Jobs Act 2017	9-3		
		9.1.1[a]	Transfers of Intangibles — New			
			Definitions for 367(d) and 482	9-3		
	9.1.2	Proposed	Amendments to Canadian			
		-	Pricing Rules	9-4.2		
9.2	Explana	Explanation & Interpretation of Article IX under				
		Canadian Law				
	9.2.1	9.2.1 Taxation of Transactions between Non-Arm's				
		Length Pa	arties under Canadian Law	9-4.2		
		9.2.1[a]	Related and Non-Arm's Length			
			Persons	9-4.2		
		9.2.1[b]	Transfer Pricing	9-6		
		9.2.1[c]	Secondary Adjustments	9-10		
		9.2.1[d]	Other Provisions	9-12		
		9.2.1[e]	Recent Cases	9-13		
		9.2.1[f]	Proposed Amendments to Canada's			
			Transfer Pricing Rules	9-14.4		
	9.2.2		on & Interpretation of the Treaty			
			nadian Law	9-14.12		
		9.2.2[a]	Article IX(1) — Transfer Pricing			
			Adjustments	9-14.12		
		9.2.2[b]	Article IX(2) — Definition of			
			Related Persons	9-17		
		9.2.2[c]	Article IX(3) — Corresponding			
			Adjustments	9-18		

		9.2.2[d]	Article IX(4) — Relief from		
			Double Taxation	9-21	
		9.2.2[e]	Article IX(5) — Fraud or		
			Negligence	9-22	
9.3	Explanati	on & Interp	retation of Article IX under U.S.		
	Law			9-23	
	9.3.1	U.S. Tran	sfer Pricing Principles	9-23	
		9.3.1[a]	Introduction to Arm's Length		
			Standard	9-23	
		9.3.1[b]	Transfer Pricing Considerations on		
			Outbound IP Transfers	9-28	
	9.3.2	U.S. Inter	pretation of the Treaty	9-30	
		9.3.2[a]	Arm's Length Standard	9-30	
		9.3.2[b]	Associated Enterprises	9-30	
		9.3.2[c]	Secondary Adjustments under		
			Article 9 (Paragraphs 3, 4,5)	9-31	
		9.3.2[d]	Recent Cases	9-32	
9.4	Treasury	Department	Technical Explanations	9-32.3	
9.5	Appendix				
	9.5.1		and Jobs Act (Excerpt)	9-35	
	9.5.2		ion on Reforming and Modernizing		
			Transfer Pricing Rules	9-52	
	9.5.3		International Transfer Pricing: Advance		
			rrangements (APAs)	9-123	
	9.5.4				
		Documen	tation	9-166	
Chapter	10: Article	e X — Divi	idends		
10.0	Trooty A	rtiala		10-1	
10.0			le X — Dividends	10-1	
10.1	10.1.1		and Jobs Act 2017	10-0	
	10.1.1	10.1.1[a]	New International and Business	10-7	
		10.1.1[a]	Tax Rules Impacting Coss Border		
			Investment	10-7	
	10.1.2	New II S	Ownership Reporting Rules,	10-7	
	10.1.2		2 Transparency Act	10-8.3	
10.2	Evnlanati		retation of Article X under Canadian	10-6.5	
10.2	_	_	retation of Africe A under Canadian	10-8.4	
	10.2.1		Domestic Law	10-8.4	
	10.2.1	10.2.1[a]	Canadian Taxation of Canadian	10-0.4	
		10.2.1[4]	Source Dividends Paid to U.S.		
			Residents	10-8 4	

CON-11 (Cda.-U.S. Tax Treaty) (2024-1)

		10.2.1[b]	Meaning of the Term "Dividends"	
			under Canadian Domestic	
			Law	10-9
		10.2.1[c]	Entity Classification	10-10
		10.2.1[d]	Dividends from Unlimited Liability	
			Companies	10-12
		10.2.1[e]	Additional Considerations Involving	
			the Use of Flow-Through	
			Entities	10-12
		10.2.1[f]	Withholding Obligations	10-13
		10.2.1[g]	Dividends in the Course of Corporate	
			Reorganizations	10-15
		10.2.1[h]	Shareholder Debt	10-15
		10.2.1[i]	Branch Profits Tax	10-16
		10.2.1[j]	Canadian Taxation of U.S. Source	
			Dividends Paid to Canadian	
			Residents	10-17
	10.2.2	Canadian	Interpretation of the Treaty	10-19
		10.2.2[a]	Article X(1) — Residence — based	
			Jurisdiction to Tax	10-19
		10.2.2[b]	Article $X(2)$ — Source-based	
			Jurisdiction to Tax at Reduced	
			Rates	10-20
		10.2.2[c]	Article $X(3)$ — Definition of	
			Dividend	10-27
		10.2.2[d]	Article $X(4)$ — Exception for	
			Dividends Paid to a Permanent	
			Establishment	10-28
		10.2.2[e]	Article $X(5)$ — Limitation on the	
			Scope of Residence-based	
			Jurisdiction	10-29
		10.2.2[f]	Article $X(6)$ — Limitation on the	
			Branch Profits Tax	10-31
		10.2.2[g]	Article X(7) — Dividends Paid by	
			NROs	10-32
		10.2.2[h]	Article $X(8)$ — Application of U.S.	
			Accumulated Earnings Tax	
			and Personal Holding Company Tax	
			Regimes	10-34
10.3	Explanat	ion & Interp	retation of Article X under U.S.	
	Law			10-35
	10.3.1		tion of U.S. Source Dividends Paid to	
		Canadian	Residents	10-35

10.5 Commentary to the Fifth Protocol			10.3.1[a]	Classification of Entities	10-35
10.3.1[c] Definition of Dividend 10-37 10.3.1[d] Sourcing Rules 10-41 10.3.1[e] Withholding Tax 10-41 10.3.1[f] Branch Profits Tax 10-42 10.3.1[g] Additional Considerations Involving the Use of Flow-Through Entities 10-44 10.3.2[a] Article X(1) — Residence-based Jurisdiction to Tax 10-46 10.3.2[b] Article X(2) — Source-based Jurisdiction to Tax at Reduced Rates 10-46 10.3.2[c] Article X(3) — Definition of Dividend Withholding Due to Permanent Establishment 10-48 10.3.2[e] Article X(5) — Limitation on the Imposition of the Branch Profits Tax 10-49 10.3.2[g] Article X(6) — Limitation on the Imposition of the Branch Profits Tax 10-49 10.3.2[g] Article X(6) — Dividends Paid by U.S. RICS & REITS 10-51 10.3.2[h] Article X(8) — Application of U.S. Accumulated Earnings Tax and Personal Holding Company Tax Regimes 10-51 10.5.1 Entry into Force and Effective Date of the Fifth Protocol 10-61 10.5.2 Commentary to the Fifth Protocol 10-61 10.5.2 Treaty Benefits for Inter-Corporate Dividends Paid through Fiscally Transparent Holding Entities 10-61 10-61 10-50 10-61			10.3.1[b]	Classification of Corporate	
10.3.1[d] Sourcing Rules 10-41 10.3.1[e] Withholding Tax 10-41 10.3.1[f] Branch Profits Tax 10-42 10.3.1[g] Additional Considerations Involving the Use of Flow-Through Entities 10-44 10.3.2 U.S. Interpretation of the Treaty 10-46 10.3.2[a] Article X(1) — Residence-based Jurisdiction to Tax 10-46 10.3.2[b] Article X(2) — Source-based Jurisdiction to Tax at Reduced Rates 10-46 10.3.2[c] Article X(3) — Definition of Dividends 10-47 10.3.2[d] Article X(4) — Exception from Dividend Withholding Due to Permanent Establishment 10-48 10.3.2[e] Article X(5) — Limitation on the Scope of Residence-based Jurisdiction 10-49 10.3.2[f] Article X(6) — Limitation on the Imposition of the Branch Profits Tax 10-49 10.3.2[g] Article X(7) — Dividends Paid by U.S. RICS & REITS 10-49 10.3.2[h] Article X(8) — Application of U.S. Accumulated Earnings Tax and Personal Holding Company Tax Regimes 10-51 10-53 10-51 10-51 10-51 10-53 10-51 10-52 10-51 10-51 10-52 10-51 10-51 10-51 10-52 10-51 10-51 10-51 10-52 10-51 10-51 10-52 10-51 10-51 10-52 10-51 10-51 10-52 10-51 10-51 10-51 10-52 10-51 10-51 10-51 10-52 10-51 10-51 10-51 10-52 10-51 10-51 10-51 10-52 10-51 10-51 10-52 10-51 10-52 10-51 10-52 10-51 10-52 10-51 10-54 10-55				Instruments	10-37
10.3.1[e] Withholding Tax			10.3.1[c]	Definition of Dividend	10-37
10.3.1[e] Withholding Tax			10.3.1[d]	Sourcing Rules	10-41
10.3.1[f] Branch Profits Tax 10.42 10.3.1[g] Additional Considerations Involving the Use of Flow-Through Entities 10.44 10.3.2 U.S. Interpretation of the Treaty 10.46 10.3.2[a] Article X(1) — Residence-based Jurisdiction to Tax 10.46 10.3.2[b] Article X(2) — Source-based Jurisdiction to Tax at Reduced Rates 10.46 10.3.2[c] Article X(3) — Definition of Dividends 10.47 10.3.2[d] Article X(4) — Exception from Dividend Withholding Due to Permanent Establishment 10.48 10.3.2[e] Article X(5) — Limitation on the Scope of Residence-based Jurisdiction 10.49 10.3.2[f] Article X(6) — Limitation on the Imposition of the Branch Profits Tax 10.49 10.3.2[g] Article X(7) — Dividends Paid by U.S. RICS & REITS 10.51 10.3.2[h] Article X(8) — Application of U.S. Accumulated Earnings Tax and Personal Holding Company Tax Regimes 10.51 10.5.1 Entry into Force and Effective Date of the Fifth Protocol 10.61 10.5.2 Commentary to the Fifth Protocol 10.61 10.5.2 Treaty Benefits for Inter-Corporate Dividends Paid through Fiscally Transparent Holding Entities 10.61 10.61			10.3.1[e]	Withholding Tax	10-41
the Use of Flow-Through Entities			10.3.1[f]		10-42
Entities			10.3.1[g]	Additional Considerations Involving	
10.3.2 U.S. Interpretation of the Treaty 10.46 10.3.2[a]				the Use of Flow-Through	
10.3.2[a]				Entities	10-44
Jurisdiction to Tax		10.3.2	U.S. Interp	oretation of the Treaty	10-46
10.3.2[b]			10.3.2[a]	Article X(1) — Residence-based	
Jurisdiction to Tax at Reduced Rates 10-46 10-3.2[c] Article X(3) — Definition of Dividends 10-47 10-47 10.3.2[d] Article X(4) — Exception from Dividend Withholding Due to Permanent Establishment 10-48 10.3.2[e] Article X(5) — Limitation on the Scope of Residence-based Jurisdiction 10-49 10.3.2[f] Article X(6) — Limitation on the Imposition of the Branch Profits Tax 10-49 10.3.2[g] Article X(7) — Dividends Paid by U.S. RICS & REITS 10-51 10.3.2[h] Article X(8) — Application of U.S. Accumulated Earnings Tax and Personal Holding Company Tax Regimes 10-51 10-53 10-51 10-51 10-51 10-52 Commentary to the Fifth Protocol 10-61 10-52 Commentary to the Fifth Protocol 10-61 10-52 Treaty Benefits for Inter-Corporate Dividends Paid through Fiscally Transparent Holding Entities 10-61 10-6				Jurisdiction to Tax	10-46
Rates			10.3.2[b]	Article $X(2)$ — Source-based	
10.3.2[c]				Jurisdiction to Tax at Reduced	
10.3.2[c]				Rates	10-46
Dividends			10.3.2[c]		
10.3.2[d] Article X(4) — Exception from Dividend Withholding Due to Permanent Establishment					10-47
Dividend Withholding Due to Permanent Establishment			10.3.2[d]		
10.3.2[e] Article X(5) — Limitation on the Scope of Residence-based Jurisdiction				· · · · · · · · · · · · · · · · · · ·	
Scope of Residence-based Jurisdiction				Permanent Establishment	10-48
Jurisdiction			10.3.2[e]	Article $X(5)$ — Limitation on the	
10.3.2[f] Article X(6) — Limitation on the Imposition of the Branch Profits Tax				Scope of Residence-based	
Imposition of the Branch Profits Tax				Jurisdiction	10-49
Tax			10.3.2[f]	Article $X(6)$ — Limitation on the	
10.3.2[g] Article X(7) — Dividends Paid by U.S. RICS & REITS				Imposition of the Branch Profits	
U.S. RICS & REITS				Tax	10-49
10.3.2[h] Article X(8) — Application of U.S. Accumulated Earnings Tax and Personal Holding Company Tax Regimes			10.3.2[g]	Article $X(7)$ — Dividends Paid by	
Accumulated Earnings Tax and Personal Holding Company Tax Regimes				U.S. RICS & REITS	10-51
Personal Holding Company Tax Regimes			10.3.2[h]	Article $X(8)$ — Application of U.S.	
Regimes				Accumulated Earnings Tax and	
10.4 Treasury Department Explanations				Personal Holding Company Tax	
10.5 Commentary to the Fifth Protocol				Regimes	10-51
10.5.1 Entry into Force and Effective Date of the Fifth Protocol	10.4	Treasury	Department	Explanations	10-53
Fifth Protocol	10.5	Commer	ntary to the F	ifth Protocol	10-61
Fifth Protocol		10.5.1	Entry into	Force and Effective Date of the	
10.5.2[a] Treaty Benefits for Inter-Corporate Dividends Paid through Fiscally Transparent Holding Entities					10-61
Dividends Paid through Fiscally Transparent Holding Entities		10.5.2	Commenta	ary to the Fifth Protocol	10-61
Fiscally Transparent Holding Entities			10.5.2[a]	Treaty Benefits for Inter-Corporate	
Entities 10-61				Dividends Paid through	
				Fiscally Transparent Holding	
				Entities	10-61
10.5.2[b] The Definition of "Dividend" 10-63			10.5.2[b]	The Definition of "Dividend"	10-63

CON-13 (Cda.-U.S. Tax Treaty) (2024-1)

		10.5.2[c]	Dividends Paid by U.S. Real Estate Investment Trusts ("REIT")	10-65
10.6	Appendi	ix: Tax Cuts a	and Jobs Act (Excerpt)	10-66
Chapte	r 11: Artic	ele XI — Into	erest	
11.0				11-1
11.1	Introduc	tion to Article	e XI — Interest	11-5
	11.1.1	Tax Cuts a	and Jobs Act 2017	11-6
		11.1.1[a]	Limitation on Deduction for	
			Interest	11-6
	11.1.2		Ownership Reporting Rules,	
			Transparency Act	11-6.1
11.2	Taxation		n Canada	11-7
	11.2.1	Canadian	Domestic Law	11-7
		11.2.1[a]	Taxation of Interest Paid to a Non-	
			Resident	11-7
		11.2.1[b]	Participating Interest	11-7
		11.2.1[c]	Fully Exempt Interest	11-8
		11.2.1[d]	Former Paragraph 212(1)(b) and	
			Exemptions to Withholding	11-9
		11.2.1[e]	Definition of Interest	11-11
		11.2.1[f]	Classification of Corporate Instru-	
			ments: Debt vs. Equity	11-13
		11.2.1[g]	Sourcing Rules	11-13
		11.2.1[h]	Withholding Obligations	11-14
		11.2.1[i]	Non-Arm's Length Payments	11-15
		11.2.1[j]	Canadian Taxation of Interest	
			Received from U.S. Residents	11-16
	11.2.2	Canadian	Interpretation of the Treaty	11-16
		11.2.2[a]	Article XI(1) — Residence-based	
			Jurisdiction to Tax	11-16
		11.2.2[b]	Article XI(2) — Source-based	
			Jurisdiction to Tax at the Reduced	
			Rate	11-17
		11.2.2[c]	Article XI(3) — Exemptions to	
			Source-based Jurisdiction	11-19
		11.2.2[d]	Article XI(4) — Definition of	
			Interest	11-24
		11.2.2[e]	Article XI(5) — Interest Income	
			Associated with a Permanent	
			Establishment	11-26
		11.2.2[f]	Article XI(6) — Source Rules for	- 30
		 [*]	Interest	11-26

		11.2.2[g] 11.2.2[h]	Article XI(7) — Excess Interest Article XI(8) — Triangular Interest	11-28
			Payments	11-29
11.3	_	_	retation of Article XI under U.S.	11-31
	Law			
	11.3.1		estic Taxation of Interest Paid to	
			Residents	11-31
		11.3.1[a]	Definition of Interest	11-31
		11.3.1[b]	Classification of Corporate Instru-	
			ments: Debt vs. Equity	11-31
		11.3.1[c]	Sourcing Rules	11-32
		11.3.1[d]	Statutory Rate of Tax under Sections	
			871 & 881	11-33
		11.3.1[e]	Withholding Obligations under	
			Sections 1441 & 1442	11-33
		11.3.1[f]	Earnings Stripping Limitations under	
			Section 163(j)	11-36
		11.3.1[g]	Branch Level Interest Tax	11-36
		11.3.1[h]	Conduit Financing Regulations	11-37
		11.3.1[i]	Related Party Interest	11-39
	11.3.2	U.S. Interp	pretation of the Treaty	11-39
		11.3.2[a]	Article XI(1) — Residence-based	
			Jurisdiction to Tax	11-39
		11.3.2[b]	Article XI(2) — Source-based	
			Jurisdiction to Tax at Reduced	
			Rates	11-39
		11.3.2[c]	Article XI(3) — Exceptions to	
		[.]	Source-based Jurisdiction	11-40
		11.3.2[d]	Article XI(4) — Definition of	
			Interest	11-41
		11.3.2[e]	Article XI(5) — Interest Income	
		11.0.2[0]	Associated with a PE	11-43
		11.3.2[f]	Article XI(6) — Source Rules for	11 15
		11.3.2[1]	Interest	11-43
		11.3.2[g]	Article XI(7) — Excess Interest	11-44
		11.3.2[b]	Article XI(8) — Triangular Interest	11 77
		11.3.2[11]	Payments	11-45
		11.3.2[i]	Article XI(9) — Special Rules for	11-43
		11.3.2[1]	REMICS	11-45
		11.3.2[j]	Base Erosion and Profit Shifting	11-43
		11.J.Z[J]	(BEPS)	11-45
11.4	Transum	Department		11-43
			Technical Explanations	
11.5	Commen	nary to the F	ifth Protocol	11-53

	11.5.1	Entry into	Force and Effective Date of Amended	
				11-53
	11.5.2	Commenta	rry to the Fifth Protocol	11-54
		11.5.2[a]	Zero Rate of Withholding in New	
			Article XI(1)	11-54
		11.5.2[b]	Definition of "Interest" under New	
			Article XI(2)	11-54
		11.5.2[c]	Exceptions from Exclusive Residence	
			State Taxation under New Article	
			XI(6)	11-55
		11.5.2[d]	Guarantee Fees	11-58
		11.5.2[e]	New Articles XI(3), (4), (5), and (7)	
				11-59
		11.5.2[f]	Relationship to Other Articles	11-59
11.6	Appendix	x: Tax Cuts a	and Jobs Act (Excerpt)	11-60
Chapter	12: Articl	le XII — Ro	valties	
-				12.1
12.0	•			12-1
12.1			1 1 1 2 4 4 2017	12-4.1
	12.1.1		and Jobs Act 2017	12-4.4
		12.1.1[a]	Transfer of Intangibles — New	10 4 4
		10 1 10 1	Definition for 367(d) and 482	12-4.4
		12.1.1[b]	Code Section 951A — Global	
			Intangible Low-Taxed Income	10.46
		10 1 15 3	(GILTI)	12-4.6
		12.1.1[c]	Code Section 250 — Deduction	
			for Foreign-Derived Intangible	
			Income (FDII)	12-4.7
		12.1.1[d]	Base Erosion and Anti-Abuse Tax	
	_		(BEAT)	12-4.7
12.2			adian Domestic Taxation of	
	•			12-5
	12.2.1		Royalties Paid to a Non-Resident	12-6
		12.2.1[a]	Definition of Rent and Royalties	12-6
		12.2.1[b]	Similar Payments Treated as Rent	
			and Royalties	12-8
		12.2.1[c]	Payments For the Use of Property	
			Not Subject to the Part XIII	
			Tax	12-11
		12.2.1[d]	Payments under Mixed Contracts	12-13
		12.2.1[e]	Sale of Property	12-14

		12.2.1[f]	Rents and Royalties Received in		
			the Course of Carrying on		
			Business in Canada	12-15	
		12.2.1[g]	Election to Treat Certain Rents as		
		103	Business Income	12-16	
		12.2.1[h]	Options to Acquire Property	12-17	
		12.2.1[i]	Motion Pictures	12-17	
		12.2.1[j]	Withholding Obligations and	12 17	
		12.2.1[]]	Reporting Requirements	12-18	
		12.2.1[k]	Non-arm's Length Payments	12-18	
		12.2.1[1]	Taxation of Royalties, Rents and	12 10	
		12.2.1[1]	Similar Income Received by a		
			Canadian Resident	12-19	
	12.2.2	Canadian	Interpretation of the Treaty	12-19	
	12.2.2	12.2.2[a]	Article XII(1) — Residence-based	12-19	
		12.2.2[a]	Jurisdiction to Tax	12 10	
		12.2.25		12-19	
		12.2.2[b]	Article XII(2) — Source-based		
			Jurisdiction to Tax at Reduced	10.00	
		10.0.05.1	Rates	12-20	
		12.2.2[c]	Article XII(3) — Exceptions to	10.00	
		1000517	Source-based Jurisdiction	12-22	
		12.2.2[d]	Article XII(4) — Definition of		
			Royalties	12-25	
		12.2.2[e]	Article XII(5) — Royalty Income		
			Associated with a Permanent		
			Establishment	12-28	
		12.2.2[f]	Article XII(6) — Source Rules for		
			Royalties	12-28	
		12.2.2[g]	Article XII(7) — Excessive		
			Royalties	12-30	
		12.2.2[h]	Article XII(8) — Triangular Royalty		
			Payments	12-31	
12.3	Explanation & Interpretation of Article XII under U.S.				
	Law			12-33	
	12.3.1	U.S. Taxa	tion of Outbound Royalty Payments	12-33	
		12.3.1[a]	Definition of Royalties	12-33	
		12.3.1[b]	Characterization Issues	12-33	
		12.3.1[c]	Characterization Issues:		
			Royalties vs. Personal Services		
			Income	12-35	
		12.3.1[d]	Source of Royalties	12-38.1	
		12.3.1[e]	Taxation of U.S. Source Royalties	20.1	
		12.3.1[0]	Generally	12-38.2	
			Concrainty	12 30.2	

CON-17 (Cda.-U.S. Tax Treaty) (2024-1)

		12.3.1[f]	Anti-hybrid Provisions	12-38.3
		12.3.1[g]	Non-arm's Length Payments	12-38.4
	12.3.2		pretation of the Treaty	12-39
		12.3.2[a]	Article XII(1) — Residence-based	
			Jurisdiction to Tax	12-39
		12.3.2[b]	Article XII(2) — Jurisdiction to Tax	
			at Reduced Rates	12-39
		12.3.2[c]	Article XII(3) — Exceptions to	
			Source-based Jurisdiction	12-39
		12.3.2[d]	Article XII(4) — Definition of	
			Royalty	12-40
		12.3.2[e]	Article XII(5) — Royalty Income	
			Associated with a PE	12-41
		12.3.2[f]	Article XII(6) — Source Rules for	
			Royalties	12-41
		12.3.2[g]	Article XII(7) — Excess Royalties	12-42
		12.3.2[h]	Article XII(8) — Triangular Royalty	
			Payments	12-42
12.4	E-Comn	E-Commerce Taxation		
	12.4.1		Background: OECD Commentary on	
		Royalties.		12-43
	12.4.2		nd: OECD Commentary on	
			Profits	12-47
	12.4.3		nd: U.S. Characterization of	
		_	ansactions	12-49
		12.4.3[a]	The U.S. Approach to the	
			Taxation of E-Commerce	12-49
		12.4.3[b]	Computer Software Classification	
			Regulations	12-52
	12.4.4		ification of Cloud Transactions and	
			ns Involving Digital Content	12-56
		12.4.4[a]	General Background to	
			Cloud Transactions	12-56
		12.4.4[b]	General Classification Consider-	
			ations of Cloud Transactions	12-58
		12.4.4[c]	Scope of Proposed Regulations	
			§ 1.861-19	12-59
		12.4.4[d]	"Cloud Transaction" Defined	12-59
		12.4.4[e]	Classification of Cloud	
			Transactions	12-59
		12.4.4[f]	Scope of Proposed Regulations	
			8 1.861-18	12-70

	12.4.5	Digital Ta	x and State Considerations		
		_]	12-75	
	12.4.6	New OEC	D Proposals for Digital		
				12-75	
		12.4.6[a]	Pillar I	12-75	
	12.4.7	Digital Ta	xation in Canada	12-78	
12.5	Treasury	-	Technical Explanations	12-85	
12.6			ifth Protocol	12-91	
	12.6.1	•	Force and Effective Date of the Fifth		
				12-91	
	12.6.2		ary to the Fifth Protocol	12-91	
		12.6.2[a]	Amendments to Article XII	12-91	
		12.6.2[b]	Franchise Agreements	12-92	
Chapter	13: Artic	le XIII — G	ains		
13.0	Treaty A	rticle		13-1	
13.1	Introduct	Introduction to Article XIII — Gains			
	13.1.1	Tax Cuts a	and Jobs Act 2017	13-6	
		13.1.1[a]	U.S. International Taxation of the		
			Sale or Exchange of a Partnership		
			Interest	13-6	
		13.1.1[b]	Deduction for Qualified Business		
			Income	13-6.4	
	13.1.2	Proposed 1	New Canadian Capital Gains Rules.	13-6.4	
13.2	Explanat		retation of Article XIII under		
	Canadian Law				
	13.2.1	Canadian '	Taxation of Gains of Non-		
		residents		13-7	
		13.2.1[a]	Taxation of Gains on Non-		
			residents	13-7	
		13.2.1[b]	The Meaning of Disposition	13-9	
		13.2.1[c]	Re-characterization Rules	13-12	
		13.2.1[d]	Taxable Canadian Property	13-13	
		13.2.1[e]	Withholding and Reporting	13-19	
		13.2.1[f]	Emigration from and Immigration		
			to Canada	13-24	
		13.2.1[g]	Special Case — Payments by a		
			Mutual Fund Trust	13-27	
	13.2.2	Canadian 1	Interpretation of the Treaty	13-28	
		13.2.2[a]	Article XIII(1) — Gains from Real		
			Property	13-28	

13.2.2[b]	Article XIII(2) — Gains from	
	Personal Property in PE	
	Context	13-29
13.2.2[c]	Article XIII(3) — Definition of Real	
	Property	13-30
13.2.2[d]	Article XIII(4) — Residual Clause:	
	Gains Exempt from	
	Canadian Taxation	13-33
13.2.2[e]	Article XIII(5) — Gains Realized by	
	Former Canadian Residents	13-34
13.2.2[f]	Article XIII(6) — Preservation of	
	Personal Residence Exemption	13-36

(Continued on page CON-19)

Chapter	29A: Artic	ele XXIXA — Limitation on Benefits			
29A.0	Treaty Ar	ticle	29A-1		
29A.1		on to Article XXIXA — Limitation on			
	Benefits		29A-9		
	29A.1.1	Tax Cuts and Jobs Act	29A-10		
		29A.1.1[a] Limitation on Treaty Benefits for			
		Certain Deductible Payments	29A-10		
	29A.1.2	New U.S. Ownership Reporting Rules,			
		Corporate Transparency Act	29A-10.1		
	29A.1.3	Recent Cases under Canadian Law	29A-10.1		
29A.2	Anti-Avoi	dance in Canadian Tax Law and in the Treaty			
			29A-11		
	29A.2.1	Anti-Avoidance under Canadian Domestic Law	•		
			29A-11		
		29A.2.1[a] Common Law and Statutory Anti-			
		Avoidance Rules	29A-11		
		29A.2.1[b] General Anti-Avoidance Rule and			
		the Treaty	29A-12		
		29A.2.1[c] Treaty Shopping	29A-18		
		29A.2.1[d] Withholding	29A-19		
	29A.2.2	Interpretation of the Treaty under Canadian			
		Law	29A-20		
		29A.2.2[a] Article XXIXA(1) — Entitlement	20.1.21		
		to Treaty Relief	29A-21		
		29A.2.2[b] Article XXIXA(2) — Qualifying	20.4.22		
		Person	29A-22		
		29A.2.2[c] Article XXIXA(3) — Active Trade			
		or Business Exception	29A-22.14		
		29A.2.2[d] Article XXIXA(4) — Derivative	20 4 22 25		
		Benefits Exception	29A-22.25		
		Authority Relief	29A-22.29		
		29A.2.2[f] Article XXIXA(7) — Anti-Abuse	23M-22.23		
		Provision of the Treaty	29A-22.31		
29A.3	Evnlanatio	on & Interpretation of Article XXIXA under U.S			
2)11.3					
	29A.3.1	U.S. Domestic Law	29A-22.34 29A-22.34		
	2711.5.1	29A.3.1[a] Introduction	29A-22.34		
		29A.3.1[b] <i>Aiken Industries, Inc.</i> and Conduit	2711 22.3		
		Financing Regulations	29A-22.35		
		29A.3.1[c] Sham Transaction Doctrine and	2 - 2 - 2 - 2 - 2 - 2 - 2 - 2 - 2 - 2 -		
		Economic Substance	29A-24		
		29A.3.1[d] Section 894(c)	29A-25		
		\ /			

CON-37 (Cda.-U.S. Tax Treaty) (2024-1)

		29A.3.1[e] Branch Profits Tax — Qualified				
		Resident Limitation	29A-26			
		29A.3.1[f] Corporate Transparency Act	29A-27			
	29A.3.2	U.S. Interpretation of the Treaty	29A-28.9			
		29A.3.2[a] Concept of "Qualifying Person"	29A-28.9			
		29A.3.2[b] Active Trade of Business Exception				
			29A-35			
		29A.3.2[c] Derivative Benefits Exception to				
		Qualifying Person	29A-43			
		29A.3.2[d] Article XXIXA(6) — Request for				
		Competent Authority Relief	29A-46			
		29A.3.2[e] Article XXIXA(7) — General Anti-				
		Abuse Provisions	29A-47			
29A.4		Department Technical Explanations	29A-48			
29A.5	Comment	ary to the Fifth Protocol	29A-67			
	29A.5.1	Entry into Force and Effective Date of the Fifth				
		Protocol	29A-67			
	29A.5.2	Commentary to the Fifth Protocol	29A-67			
		29A.5.2[a] Extension of the LOB Provisions to				
		Canada	29A-67			
		29A.5.2[b] Interaction of Article XXIXA with				
		the Hybrid Entity Provisions in				
		Article IV	29A-68			
		29A.5.2[c] Publicly Traded Entities as "Quali-				
		fying Persons"	29A-69			
		29A.5.2[d] Principal Class of Shares	29A-70			
		29A.5.2[e] Disproportionate Class of Shares	29A-70			
		29A.5.2[f] Base Erosion Test in Article				
		XXIXA(2)	29A-71			
		29A.5.2[g] Exempt Organizations	29A-71			
		29A.5.2[h] Active Trade or Business Test	29A-72			
		29A.5.2[i] Competent Authority Process	29A-72 29A-73			
29A.6	Appendix					
	29A.6.1 Guidelines for Taxpayers Requesting Treaty					
		Benefits Pursuant to Paragraph 6 of Article				
		XXIX A of the Canada-U.S. Tax				
	-0	Convention	29A-73 29A-85			
	29A.6.2	Tax Cuts and Jobs Act (Excerpt)				
	29A.6.3	Beneficial Ownership Information Reporting				
	2015	Requirements Final Rule	29A-87			
	29A.6.4	Beneficial Ownership Information Access				
		and Safeguards Final Rule	29A-186			

Chapter	29B: Artic	cle XXIXB –	 Taxes Imposed by Reason of Deat 	h
29B.0	Treaty Ar	ticle		29B-1
29B.1			XXIXB — Taxation Imposed by	
				29B-6
	29B.1.1	Tax Cuta a	nd Jobs Act	29B-8.1
29B.2	Explanati	on & Interpre	etation of Article XXIXB under	
	-	-		29B-9
	29B.2.1	Overview of	of Canadian Taxation of Trusts,	
		Estates, and	1 Their Beneficiaries and Canadian	
		Taxation or	n Death	29B-9
			Introduction	29B-9
		29B.2.1[b]	Canadian Trust and Estate Residency	
			Rules	29B-15
		29B.2.1[c]	Taxation of Trusts and Estates in	
			Canada	29B-19
		29B.2.1[d]	Offshore Trusts: The Non-Resident	
			Trust Rules	29B-29
		29B.2.1[e]	Attribution of Income in Canada	29B-35
		29B.2.1[f]	Canadian Taxation at Death	29B-51
	29B.2.2		& Interpretation of the Treaty under	
		Canadian L	aw	29B-57
		29B.2.2[a]	Introduction	29B-57
		29B.2.2[b]	Paragraph 1 Article XXIXB	29B-58
		29B.2.2[c]	Paragraph 2 Article XXIXB	29B-59
			Paragraph 3 Article XXIXB	29B-59
			Paragraph 4 Article XXIXB	29B-59
		29B.2.2[f]	Paragraph 5 Article XXIXB	29B-59
		29B.2.2[g]	Paragraph 6 Article XXIXB	29B-60
		29B.2.2[h]	Paragraphs 7 & 8 Article XXIXB	
				29B-61
29B.3	Explanati	on & Interpre	etation of Article XXIXB under U.S.	
	Law			29B-62
	29B.3.1	U.S. Transf	fer Tax Taxation Overview	29B-62
		29B.3.1[a]	Introduction	29B-62
		29B.3.1[b]	U.S. Estate Tax for U.S. Citizens	
			and Resident Aliens	29B-65
		29B.3.1[c]	U.S. Estate Tax for Non-resident	
			Aliens	29B-66
		29B.3.1[d]	U.S. Gift Tax for U.S. Citizens and	
			Residents	29B-68
		29B.3.1[e]	U.S. Gift Tax for Non-resident	
			Aliens	29B-68
		29B.3.1[f]	Generation-Skipping Transfer Tax	29B-69

			Transfers to Alien Spouses	29B-70
		29B.3.1[h]	IRC §877-The Expatriation Rules	29B-72
		29B.3.1[i]	The New Exit Tax Regime under I	
		2,2,0,1[1]	§877A	29B-76
		29B.3.1[j]	Income Taxation of Trusts Estates	
		~-	and Their Beneficiaries	29B-85
	29B.3.2	U.S. Interpr	retation of the Treaty	29B-89
		29B.3.2[a]	Charitable Bequests	29B-89
		29B.3.2[b]	Pro Rata Unified Credit	29B-90
		29B.3.2[c]	Marital Credit	29B-91
		29B.3.2[d]	Estate Tax Credit for Canadian Gai	ns
			at Death Tax	29B-93
			Relief for Small Estates	29B-93
29B.4		-		29B-95
29B.5			ntary	29B-107
	29B.5.1	Entry into 1	Force and Effective Date of the Fifth	
				29B-107
	29B.5.2		ry to the Fifth Protocol	29B-107
		29B.5.2[a]	Transfer of Property on Death to	
			Exempt Organizations under New	
			Article XXIXB(1)	29B-107
		29B.5.2[b]	Spousal Rollovers under New	
			Article XXIXB(5)	29B-109
		29B.5.2[c]	Clarification of the Application of	
			Articles XXIXB(6) and (7)	29B-110
29B.6	Appendix:	Tax Cuts as	nd Jobs Act (Excerpt)	29B-113
Chapter 3	30: Article	XXX — Ei	ntry into Force	
30.0	Treaty Art	icle		30-1
			etation of Article XXX under	001
0.2,00.0	Canadian and U.S. Law			30-3
30.4			Fechnical Explanations	30-5
	-	_	Cermination	
Chapter .				
31.0				31-1
31.2/31.3			etation of Article XXXI under	
			w	31-2
31.4	Treasury I	Department 7	Γechnical Explanations	31-3
Appendix	:			
Income To	ax Conventi	ions Interpre	etation Act	ITCIA-1
			Convention of November	
	15, 2006			USMITC-1

United Sates Model Technical Explanation Accompanying U.S.	
Model Income Tax Convention, 2006	TE-1
Index	1-1