

DOUBLE TAXATION: ESTATE TAXES AND SUCCESSION DUTIES

Convention signed at Ottawa June 8, 1944

Senate advice and consent to ratification December 6, 1944

Ratified by the President of the United States December 21, 1944

Ratified by Canada December 28, 1944

Ratifications exchanged at Washington February 6, 1945

Entered into force February 6, 1945; operative from June 14, 1941

Proclaimed by the President of the United States March 6, 1945

Modified and supplemented by convention of June 12, 1950¹

*Superseded January 1, 1959, by convention of February 17, 1961,²
with respect to persons dying on or after January 1, 1959*

59 Stat. 915; Treaty Series 989

The Government of the United States of America and the Government of Canada, being desirous of avoiding double taxation and of preventing fiscal evasion in the case of estate taxes and succession duties, have decided to conclude a Convention and for that purpose have appointed as their Plenipotentiaries:

Ray Atherton, Ambassador Extraordinary and Plenipotentiary of the United States of America at Ottawa, for the United States of America; and

W. L. Mackenzie King, Secretary of State for External Affairs, and Colin W. G. Gibson, Minister of National Revenue, for Canada.

Who, having communicated to one another their full powers found in good and due form, have agreed upon the following Articles:

ARTICLE I

1. The taxes referred to in this Convention are:

(a) for the United States of America; the Federal estate taxes;

(b) for Canada; the taxes imposed under the Dominion Succession Duty

Act.

¹ 2 UST 2247; TIAS 2348.

² 13 UST 382; TIAS 4995.

2. In the event of appreciable changes in the fiscal laws of either contracting State, the competent authorities of the contracting States will consult together.

ARTICLE II ³

1. Real property situated in Canada shall be exempt from the application of the taxes imposed by the United States of America.

2. Real property situated in the United States of America shall be exempt from the application of the taxes imposed by Canada.

3. The question whether rights relating to or secured by real property are to be considered as real property for the purposes of this Convention shall be determined in accordance with the laws of the contracting State imposing the tax.

ARTICLE III ³

1. Shares in a corporation organized in or under the laws of the United States of America, of any of the states or territories of the United States of America, or of the District of Columbia, shall be deemed to be property situated within the United States of America.

2. Shares in a corporation organized in or under the laws of Canada, or of any of the provinces or territories of Canada, shall be deemed to be property situated within Canada.

3. This Article shall not be construed as limiting the liability of the estate of any person not domiciled in Canada or of any citizen of the United States of America, under the estate tax laws of the United States of America.

ARTICLE IV ³

1. The situs of property shall be determined in accordance with the laws of the contracting State imposing the tax, except as otherwise provided in this Convention.

2. Allowances for debts shall be determined in accordance with the laws of the contracting State imposing the tax.

3. Domicile shall be determined in accordance with the laws of the contracting State imposing the tax.

ARTICLE V ³

1. In the case of a decedent who at the time of his death was a citizen of, or domiciled in the United States of America, the United States of America may include in the gross estate any property (other than real property) situated in Canada as though this Convention had not come into effect.

³ Arts. II and VI inclusive, abrogated by convention of June 12, 1950 (2 UST 2247; TIAS 2348) with respect to persons dying on or after Nov. 21, 1951, and provisions replaced by provisions of arts. II to VI, inclusive, of 1950 convention.

2. In the case of a decedent (other than a citizen of the United States of America) who at the time of his death was domiciled in Canada, the United States of America shall, in imposing the taxes to which this Convention relates:

(a) take into account only property situated in the United States of America; and

(b) allow as an exemption an amount which bears the same ratio to the personal exemption allowed in the case of a decedent who was at the time of his death a citizen of, or domiciled in, the United States of America as the value of the property of such decedent situated in the United States of America bears to the value of the property included in the entire gross estate of the decedent.

3. In the case of a decedent who at the time of his death was domiciled in Canada, Canada may include in the gross estate any property (other than real property) situated in the United States of America as though this Convention had not come into effect.

4. In the case of a decedent who at the time of his death was domiciled in the United States of America, Canada shall, in imposing the taxes to which this Convention relates:

(a) take into account only property situated in Canada; and

(b) allow as an exemption an amount which bears the same ratio to the personal exemption allowed in the case of a decedent who was at the time of his death domiciled in Canada as the value of the property of such decedent situated in Canada bears to the entire value of the property, wherever situated.

ARTICLE VI³

1. In the case of a decedent who at the time of his death was a citizen of or domiciled in the United States of America, the United States of America shall impose the estate taxes to which this Convention relates upon the following conditions:

(a) In respect of property situated in Canada which, for the purpose of estate taxes, is included in the gross estate, less such property as is specifically deducted therefrom (either because of transfer for public, charitable, educational, religious or similar uses or because the property has been previously taxed under provisions of law relating to property previously taxed), there shall be allowed against the estate taxes a credit for Canadian succession taxes in respect of the property situated in Canada, the situs of such property being determined in accordance with the laws of Canada, subject to the provisions of this Convention.

(b) The portion of the Canadian succession taxes to be allowed as a credit against United States estate taxes shall be an amount which bears the same ratio to the total Canadian succession taxes as the value of the property situated in Canada and with respect to which estate taxes are imposed by the United States of America bears to the total value of the property with respect to which succession taxes are imposed by Canada.

(c) The credit in any such case shall not exceed an amount which bears the same ratio to such estate taxes, computed without the credit provided for herein, as the value of the property situated in Canada and not excluded or deducted from the gross estate as provided in (a) bears to the value of the entire gross estate.

(d) The values referred to in (c) are the values determined by the United States of America for the purpose of estate taxes.

(e) The credit provided for herein shall apply after the application of section 813 (b) of the Internal Revenue Code, as amended by the Revenue Act of 1942.

2. In the case of a decedent who at the time of his death was domiciled in Canada, Canada shall impose the succession taxes to which this Convention relates upon the following conditions:

(a) In respect of property situated in the United States of America which, for the purpose of succession taxes, is included in the gross estate, less such property as is specifically deducted therefrom (because of transfer for charitable, educational, religious or similar uses), there shall be allowed against the succession taxes a credit for United States estate taxes in respect of the property situated in the United States of America, the situs of such property being determined in accordance with the laws of the United States of America, subject to the provisions of this Convention.

(b) The portion of the United States estate taxes to be allowed as a credit against Canadian succession taxes shall be an amount which bears the same ratio to the total United States estate taxes as the value of the property situated in the United States of America and with respect to which succession taxes are imposed by Canada bears to the total value of the property with respect to which estate taxes are imposed by the United States of America.

(c) The credit in any such case shall not exceed an amount which bears the same ratio to such succession taxes, computed without the credit provided for herein, as the value of the property situated in the United States of America and not excluded or deducted from the gross estate as provided in (a) bears to the entire value of the property, wherever situated.

(d) The values referred to in (c) are the values determined by Canada for the purpose of succession taxes.

3. (a) The credit referred to in this Article may be allowed by the United States of America if claim therefor is filed within the periods provided in section 813(b) of the Internal Revenue Code, as amended.

(b) The credit referred to in this Article may be allowed by Canada if claim therefor is filed within the period provided by subsection 4 of section 35 of the Dominion Succession Duty Act relating to refund of overpayment.

(c) A refund based on the credit may be made if a claim therefor is filed within the respective periods above provided.

(d) Any refund based on the provisions of this Article or any other provisions of this Convention shall be made without interest.

ARTICLE VII

1. With a view to the prevention of fiscal evasion each of the contracting States undertakes to furnish to the other contracting State, as provided in the succeeding Articles of this Convention, the information which its competent authorities have at their disposal or are in a position to obtain under its revenue laws in so far as such information may be of use to the authorities of the other contracting State in the assessment of the taxes to which this Convention relates.

2. The information to be furnished under this Article, whether in the ordinary course or on request, may be exchanged directly between the competent authorities of the two contracting States.

ARTICLE VIII

1. The Commissioner shall notify the Minister as soon as practicable when the Commissioner ascertains that in the case of:

(a) a decedent, any part of whose estate is subject to the Federal estate tax laws, there is property of such decedent situated in Canada;

(b) a decedent domiciled in Canada, any part of whose estate is subject to the Dominion Succession Duty Act, there is property of such decedent situated in the United States of America.

2. The Minister shall notify the Commissioner as soon as practicable when the Minister ascertains that in the case of:

(a) a decedent, any part of whose estate is subject to the Dominion Succession Duty Act, there is property of such decedent situated in the United States of America;

(b) a decedent domiciled in the United States of America, any part of whose estate is subject to the Federal estate tax laws, there is property of such decedent situated in Canada.

ARTICLE IX

1. If the Minister deems it necessary to obtain the cooperation of the Commissioner in determination of the succession tax liability of any person, the Commissioner may, upon request, furnish the Minister such information

bearing upon the matter as the Commissioner is entitled to obtain under the revenue laws of the United States of America.

2. If the Commissioner deems it necessary to obtain the cooperation of the Minister in the determination of the estate tax liability of any person, the Minister may, upon request, furnish the Commissioner such information bearing upon the matter as the Minister is entitled to obtain under the revenue laws of Canada.

ARTICLE X

The competent authorities of the contracting States may:

- (a) prescribe regulations to carry into effect this Convention within the respective States and rules with respect to the exchange of information;
- (b) if doubt arises, settle questions of interpretation or application of this Convention by mutual agreement;
- (c) communicate with each other directly for the purpose of giving effect to the provisions of this Convention.

ARTICLE XI

If any fiduciary or beneficiary can show that double taxation has resulted or may result in respect of the taxes to which this Convention relates, such fiduciary or beneficiary shall be entitled to lodge a claim or protest with the State of citizenship or domicile of such fiduciary or beneficiary, or, if a corporation or other entity, with the State in which created or organized. If the claim or protest should be deemed worthy of consideration, the competent authority of such State may consult with the competent authority of the other State to determine whether the alleged double taxation exists or may occur and if so whether it may be avoided in accordance with the terms of this Convention.

ARTICLE XII

The provisions of this Convention shall not be construed to restrict in any manner any exemption, deduction, credit or other allowance accorded by the laws of one of the contracting States in the determination of the tax imposed by such State.

ARTICLE XIII

1. As used in this Convention:

- (a) The term "Minister" means the Minister of National Revenue of Canada or his duly authorized representative.
- (b) The term "Commissioner" means the Commissioner of Internal Revenue of the United States of America, or his duly authorized representative.
- (c) The term "competent authority" or "competent authorities" means the Commissioner and the Minister and their duly authorized representatives.

2. When used in a geographical sense:

(a) The term "United States of America" includes only the states, the Territory of Alaska, the Territory of Hawaii, and the District of Columbia.

(b) The term "Canada" means the provinces, the territories and Sable Island.

ARTICLE XIV

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

2. This Convention shall be deemed to have come into effect on the fourteenth day of June, 1941. It shall continue in effect for a period of five years from that date and indefinitely after that period, but may be terminated by either of the contracting States at the end of the five year period or at any time thereafter provided that at least six months prior notice of termination has been given.

Done in duplicate, at Ottawa, this eighth day of June, 1944.

RAY ATHERTON
W. L. MACKENZIE KING
COLIN GIBSON