

N° 2175.

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**ÉTATS-UNIS D'AMÉRIQUE  
ET CANADA**

Echange de notes comportant un accord relatif à l'exemption réciproque de l'impôt sur le revenu en ce qui concerne les bénéfices réalisés dans les affaires d'armement maritime. Washington, les 2 août et 17 septembre 1928.

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**UNITED STATES OF AMERICA  
AND CANADA**

Exchange of Notes constituting an Agreement for the reciprocal Exemption from Income Tax of Profits accruing from the Business of Shipping. Washington, August 2, and September 17, 1928.

No. 2175. — EXCHANGE OF NOTES BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE CANADIAN GOVERNMENT, CONSTITUTING AN AGREEMENT FOR THE RECIPROCAL EXEMPTION FROM INCOME TAX OF PROFITS ACCRUING FROM THE BUSINESS OF SHIPPING. WASHINGTON, AUGUST 2 AND SEPTEMBER 17, 1928.

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*Texte officiel anglais communiqué par le "Advisory Officer" du Canada près la Société des Nations. L'enregistrement de cet échange de notes a eu lieu le 21 octobre 1929. Cet échange de notes a été transmis au Secrétariat par le "Department of State" du Gouvernement des Etats-Unis d'Amérique, le 1<sup>er</sup> mai 1930.*

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I.

No. 117.

August 2, 1928.

SIR,

I have the honour to refer to your note of July 24, 1928, and to previous correspondence concerning the exemption from taxation in the United States and in Canada of the income of vessels of foreign registry. I am instructed to inform you that His Majesty's Government in Canada is prepared to conclude with the Government of the United States a reciprocal arrangement for relief from double income tax on shipping profits and suggests as a basis the following draft which has been approved by the Minister of National Revenue of Canada and which could be put into effect immediately if it should meet with the approval of the Secretary of the Treasury :

“ Whereas it is provided by Section 4(m) of the Revised Statutes of Canada 1927, chapter 97, as amended, that the income of non-resident persons or corporations arising within Canada from the operation of ships owned and operated by such persons or corporations may be exempt from taxation within Canada if the country where any such person or corporation resides or is organized grants substantially an equivalent exemption in respect of the shipping business carried on therein by Canadian residents or Canadian corporations, and that the Minister may give effect to such exemption from the date on which the exemption granted by the country where the person or corporation resides took effect.

“ And whereas it is provided by Section 213 (B) (8) of the United States Revenue Acts of 1921, 1924, and 1926, and sections 212(B) and 231 (B) of the Revenue Act of 1928, that the income of a non-resident alien or foreign corporation which consists exclusively of earnings derived from the operation of a ship or ships documented under the laws of a foreign country which grants an equivalent exemption to citizens of the United States and to corporations organized in the United States shall be exempt from income tax.

“ And whereas the respective governments of the United States of America and the Dominion of Canada through their accredited representatives have signified that they regard the respective exemptions provided for in the above referred to legislation as being equivalent within the meaning of the said sections,

“ Now therefore be it known that the Secretary of the Treasury of the United States and the Minister of National Revenue of the Dominion of Canada for and on behalf of their respective Governments hereby declare :

(1) That, in respect of the Dominion of Canada, citizens of the United States not residing in Canada and corporations organized in the United States owning or operating ships documented in the United States shall be exempt from Canadian income tax on the earnings from sources within Canada derived exclusively from the operation of such ships ;

(2) That, in respect of the United States, persons resident in Canada who are not citizens of the United States and corporations organized in Canada owning or operating ships documented in Canada shall be exempt from United States income tax on the earnings from sources within the United States derived exclusively from the operation of such ships. The exemption from income tax on the income derived from the operation of ships (including ferries) herein provided for shall be deemed to have come into force and shall be applicable to the income for the year 1921 and to all subsequent years, upon the understanding that no refunds of taxes paid will be made for any years which by virtue of statutory limitations governing refunds are barred. Refunds will be made only for such years as are not barred by statute.”

2. I shall be glad if you will be so good as to submit this draft to the competent authorities of the Government of the United States.

I have the honour to be with the highest consideration, Sir, Your most obedient, humble servant.

(Signed) H. H. WRONG,  
*Chargé d'Affaires.*

The Hon. Frank B. Kellogg,  
Secretary of State of the United States,  
Washington, D. C.

Certified to be a true copy of the original :

H. H. Wrong,  
*Chargé d'Affaires*  
*Canadian Legation.*

Washington, D. C., September 24, 1929.

## II.

DEPARTMENT OF STATE.

WASHINGTON, *September 17, 1928.*

SIR,

Reference is made to your note No. 117, dated August 2, 1928, and the Department's acknowledgment of August 13, 1928, in regard to the proposed reciprocal exemption from taxation in the United States and in Canada of the income of vessels of foreign registry.

A communication on this subject has now been received from the appropriate authority of this Government and it gives me pleasure to inform you that this Government agrees to the following undertaking :

(1) That, in respect of the Dominion of Canada, citizens of the United States not residing in Canada and corporations organized in the United States owning or operating ships documented in the United States shall be exempt from Canadian income tax on the earnings from sources within Canada derived exclusively from the operation of such ships ;

(2) That, in respect of the United States, persons resident in Canada who are not citizens of the United States and corporations organized in Canada owning or operating ships documented in Canada shall be exempt from United States income tax on the earnings from sources within the United States derived exclusively from the operation of such ships ;

(3) That the exemption from income tax on the income derived from the operation of ships (including ferries) above provided shall be deemed to have come into force and shall be applicable to the income for the year 1921 and to all subsequent years, upon the understanding that no refunds of taxes paid will be made for any years which by virtue of statutory limitations governing refunds are barred.

The appropriate authority of this Government now has under preparation a Treasury Decision the purpose of which will be to give effect to the above mentioned agreement in so far as it relates to the United States. It is presumed that the appropriate authority of your Government will follow a similar course to give effect to the agreement in relation to Canada.

Accept, Sir, the renewed assurance of my high consideration.

*For the Secretary of State :*

*(Signed)* W. R. CASTLE Jr.

811.512342 Shipping/19.

Mr. Hume Wrong,  
Chargé d'affaires ad intérim  
of the Dominion of Canada.

Certified to be a true copy of the original :

H. H. Wrong,  
*Chargé d'affaires,*  
*Canadian Legation.*

Washington, D. C. September 24th, 1929.