

EXCHANGE OF NOTES BETWEEN THE GOVERNMENT OF CANADA AND THE  
GOVERNMENT OF THE UNITED STATES OF MEXICO CONSTITUTING AN  
AGREEMENT FOR THE AVOIDANCE OF DOUBLE TAXATION OF INCOME  
DERIVED FROM THE OPERATION OF SHIPS OR AIRCRAFT IN INTERNA-  
TIONAL TRAFFIC

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*The Secretary of State for External Affairs of Canada to the Minister of  
Foreign Relations of Mexico*

Mexico, D.F., January 29, 1974.

No. 20

EXCELLENCY,

I have the honour to refer to conversations which have recently taken place between representatives of our two Governments concerning the conclusion of an Agreement for the avoidance of double taxation of income derived from the operation of ships or aircraft in international traffic. As a result of these conversations I have been instructed by my Government to propose that an Agreement be concluded between the Government of Canada and the Government of the United States of Mexico in the following terms:

1. The Government of Canada shall exempt from income tax and any other taxes on profits imposed by it, the earnings derived by a Mexican enterprise from the operation of a ship or aircraft in international traffic.
2. The Government of Mexico shall exempt from income tax and any other taxes on profits imposed by it, the earnings derived by a Canadian enterprise from the operation of a ship or aircraft in international traffic.
3. The tax exemption provided in paragraphs 1 and 2 above shall also apply to the earnings referred to in those paragraphs derived by an enterprise from its participation in a pool, a joint business or an international operating agency.
4. For the purposes of this Agreement:
  - (a) The expression "Canadian enterprise" means the Government of Canada, a physical person (other than a national of Mexico) ordinarily resident in Canada and not ordinarily resident in Mexico. It also means a corporation or other entity or body of persons deriving its status as such from the law of Canada and resident in Canada for the purposes of Canadian tax whose principal business is the transportation of passengers, cargo and mail; in French, the term "société" includes a "corporation" within the meaning of Canadian law.
  - (b) The expression "Mexican enterprise" means the Government of Mexico, a physical person (other than a national of Canada) ordinarily resident in Mexico and not ordinarily resident in Canada. It also means a corporation or other entity or body of persons deriving its status as such from the law of Mexico and resident in Mexico for the purposes of Mexican tax whose principal business is the transportation of passengers, cargo and mail.