

Exchange of Notes (2nd August, 17th September, 1928), recording the Agreement with the United States of America providing for the reciprocal exemption from income tax of earnings derived from the operation of ships.

The Canadian Chargé d'Affaires at Washington, D.C., to the Secretary of State of the United States

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