

EXCHANGE OF NOTES (JULY 7 AND SEPTEMBER 3, 1943) BETWEEN
CANADA AND THE UNITED KINGDOM PROVIDING FOR THE
RECIPROCAL EXEMPTION OF PERSONS RESIDENT IN CANADA
AND BRITISH GUIANA FROM INCOME TAX OF EARNINGS
DERIVED FROM THE OPERATION OF SHIPS.

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*The Secretary of State for External Affairs of Canada
to the High Commissioner for the United Kingdom in Canada*

DEPARTMENT OF EXTERNAL AFFAIRS

OTTAWA, July 7, 1943.

No. 36

Sir,

I have the honour to refer to your despatch No. 63 of June 29 in connection with exemption from Canadian income tax for shipping companies resident in British Guiana and reciprocal exemption from British Guiana income tax for Canadian steamship companies.

Discussion with the appropriate authorities of the Canadian Government has confirmed the fact that exemption from Canadian income tax for shipping companies resident abroad is governed by Section 4 (m) of the Canadian Income Tax Act. This section reads as follows:

"4. The following incomes shall not be liable to taxation hereunder:

(m) The income from the operation of ships owned or operated by a non-resident person or corporation, provided that the country where such person or corporation resides grants an exemption in respect of income earned therein from the operation of ships owned or operated by a person or corporation resident in Canada which in the opinion of the Minister is fairly reciprocal to the exemption herein provided. The Minister may give effect to this exemption, in any case, from the date, past or future, on which the exemption, granted by the country where the person or corporation aforesaid resides, took effect."

You stated in your despatch under reference that the Governor of British Guiana has informed you that exemption from British Guiana income tax will be given to Canadian steamship companies if an equivalent exemption will, in fact, be granted by the Canadian Government to shipping companies resident in British Guiana. I may inform you that the Canadian Government is prepared to extend such an exemption to the income from the operation of ships owned or operated by a person or corporation resident in British Guiana under the terms set forth in Section 4 (m) of the Income Tax Act to which I have referred above.

If it appears to the Government of British Guiana that the exemption suggested by Canada would represent an equivalent exemption to that which could be accorded under British Guiana law I would suggest that this note, together with your reply setting forth acceptance by the British Guiana authorities should be regarded as an agreement for a reciprocal exemption from income tax in the cases referred to.

I have the honour to be, Sir,

Your obedient servant,

J. E. READ,

*For the Secretary of State
for External Affairs.*