

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, etc.,

H. H. WRONG,

Chargé d'Affaires.

The Honourable FRANK B. KELLOGG,
Secretary of State of the United States,
Washington, D.C.

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

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;