

N° 2628.

**ÉTATS-UNIS D'AMÉRIQUE
ET PAYS-BAS**

Echange de notes comportant un arrangement relatif à l'exemption de l'impôt sur le revenu en ce qui concerne les bénéfices dérivés d'entreprises de navigation. Washington, les 13 septembre, 19 octobre et 27 novembre 1926.

**UNITED STATES OF AMERICA
AND THE NETHERLANDS**

Exchange of Notes constituting an Arrangement concerning the Relief from Double Income Tax on Shipping Profits. Washington, September 13, October 19 and November 27, 1926.

No. 2628. — EXCHANGE OF NOTES BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE NETHERLANDS GOVERNMENT CONSTITUTING AN ARRANGEMENT CONCERNING THE RELIEF FROM DOUBLE INCOME TAX ON SHIPPING PROFITS. WASHINGTON, SEPTEMBER 13, OCTOBER 19 AND NOVEMBER 27, 1926.

*Texte officiel anglais communiqué par le ministre des Pays-Bas à Berne. L'enregistrement de cet échange de notes a eu lieu le 25 février 1931.
Cet échange de notes a été transmis au Secrétariat par le « Department of State » du Gouvernement des Etats-Unis d'Amérique, le 23 janvier 1931.*

I.

FOR THE LEGATION.

September 13, 1926.

SIR,

The Department informs you of the receipt of a communication from the Treasury Department regarding the draft of a Royal Decree, with English translation, to be issued by Her Majesty the Queen of the Netherlands, relative to the prevention of double taxation on income derived exclusively from the operation of ships, which was left at the Treasury Department on July 29, 1926. The English translation of the proposed decree reads as follows :

We Wilhelmina, by the Grace of God, Queen of The Netherlands, Princess of Orange-Nassau, etc. etc.

Whereas it is provided in the Unique Section of the Law of June 26, 1926 (Statute book No. 209), that we reserve Ourselves under No. 2 to make provisions, on a basis of reciprocity, preventing double taxation on earnings derived from the operation of ships, corresponding with equivalent provisions existing in the laws of foreign nations ; and

Whereas under Section 213, litt. *b.* no. 8 of the Revenue Act of the United States no tax is imposed on the income of an alien individual non-resident in the United States or of a 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 organised in the United States do hereby proclaim and make known :

¹ TRADUCTION. — TRANSLATION.

N^o 2628. — ÉCHANGE DE NOTES ENTRE LE GOUVERNEMENT DES ÉTATS-UNIS D'AMÉRIQUE ET LE GOUVERNEMENT NÉERLANDAIS, COMPORTANT UN ARRANGEMENT RELATIF A L'EXEMPTION DE L'IMPOT SUR LE REVENU EN CE QUI CONCERNE LES BÉNÉFICES DÉRIVÉS D'ENTREPRISES DE NAVIGATION. WASHINGTON, LES 13 SEPTEMBRE, 19 OCTOBRE ET 27 NOVEMBRE 1926.

English official text communicated by the Netherlands Minister at Berne. The registration of this Exchange of Notes took place February 25, 1931.

This Exchange of Notes was transmitted to the Secretariat by the Department of State of the Government of the United States of America, January 23, 1931.

I.

Pour la Légation

DÉPARTEMENT D'ÉTAT.

WASHINGTON, le 13 septembre 1926.

MONSIEUR LE CHARGÉ D'AFFAIRES,

Le Département vous informe qu'il a reçu une communication du Département du Trésor concernant le projet (avec traduction anglaise) du Décret royal que doit promulguer Sa Majesté la Reine des Pays-Bas, pour éviter la double imposition des bénéfices provenant exclusivement de l'exercice de la navigation, projet déposé au Département du Trésor le 29 juillet 1926. Le projet de décret est ainsi conçu :

Nous, Wilhelmine, par la grâce de Dieu Reine des Pays-Bas, Princesse d'Orange-Nassau, etc., etc.,

Vu l'article unique de la loi du 26 juin 1926 (Recueil des Lois N^o 209) aux termes duquel Nous nous réservons, sous le N^o 2, de prendre, sur la base de la réciprocité, des dispositions correspondant à des dispositions équivalentes des législations étrangères, et tendant à éviter la double imposition des bénéfices provenant de l'exercice de la navigation ;

Vu qu'aux termes de l'article 213 (b) (8) du Revenue Act des Etats-Unis les revenus des personnes physiques étrangères ne résidant pas aux Etats-Unis et des sociétés étrangères sont exempts d'impôts pour autant qu'ils proviennent exclusivement de l'exploitation de navires dont les papiers de bord ont été établis, en vertu de la législation d'un pays étranger qui accorde une exonération équivalente aux citoyens américains et aux personnes morales constituées aux Etats-Unis, décrétons et promulguons :

¹ Traduit par le Secrétariat de la Société des Nations, à titre d'information.

¹ Translated by the Secretariat of the League of Nations, for information.

Unique section.

Citizens of the United States non-resident in the Netherlands and corporations organised in the United States which effectuate in the Netherlands the sea transport with ships documented under the law of the United States are (with retroactive power till January 1, 1921) not subject to taxation, as far as income derived exclusively from such industry is concerned.

The Treasury Department states that it interprets the proposed decree as exempting from tax the income from sources within the Netherlands received by citizens of the United States non-resident in the Netherlands and by corporations organized in the United States, which consists exclusively of earnings derived from the operation of ships documented under the laws of the United States such exemption applying to income received on or after January 1, 1921. It notes that the exemption is granted to corporations organized in the United States without limiting such exemption in any way.

The Treasury Department states that the decree as submitted to it meets the equivalent exemption requirements of Section 213 b) (8) of the United States Revenue Acts of 1921, 1924 and 1926.

I shall be pleased to have you inform me when the decree is issued.

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

For the Secretary of State :

Joseph C. GREW.

Jonkheer Dr. H. van Asch van Wyck,
Chargé d'Affaires *ad interim*
of the Netherlands.

II.

No. 3219.

WASHINGTON, D. C. *October 19, 1926.*

SIR,

I had the honor to receive your note of September 13, 1926 by which you informed me of the receipt of a communication from the Treasury Department regarding the draft of a Royal Decree, with English translation, to be issued by Her Majesty the Queen of the Netherlands, relative to the prevention of double taxation on income derived exclusively from the operation of ships, which was left at the Treasury Department on July 29, 1926.

In this note you stated that the English translation of the proposed decree reads as follows :

We, Wilhelmina, by the Grace of God, Queen of the Netherlands, Princess of Orange-Nassau etc. etc.

Whereas it is provided in the Unique Section of the Law of June 26, 1926 (Statute book No. 209), that we reserve Ourselves under No. 2 to make provisions, on a basis of reciprocity, preventing double taxation on earnings derived from the operation of ships, corresponding with equivalent provisions existing in the laws of foreign nations ; and

Whereas under Section 213, litt. b, No. 8 of the Revenue Act of the United States no tax is imposed on the income of an alien individual non-resident in the United States or of a 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, do hereby proclaim and make known :

Unique section.

Citizens of the United States non-resident in the Netherlands and corporations organized in the United States which effectuate in the Netherlands the sea transport

with ships documented under the law of the United States are (with retroactive power till January 1, 1921) not subject to taxation as far as income derived exclusively from such industry is concerned.

You further informed me that the Treasury Department states that it interprets the proposed decree as exempting from tax the income from sources within the Netherlands received by citizens of the United States non-resident in the Netherlands and by corporations organized in the United States, which consists exclusively of earnings derived from the operation of ships documented under the laws of the United States, such exemption applying to income received on or after January 1, 1921, and that it notes that the exemption is granted to corporations organized in the United States without limiting such exemption in any way.

You also advised me that the Treasury Department states that the decree as submitted to it meets the equivalent exemption requirements of Section 213 (b) (8) of the United States Revenue Acts of 1921, 1924, and 1926, and you finally stated that you should be pleased to have me inform you when the decree is issued.

In reply thereto I have in compliance with instructions from my Government the honor to inform you that the Treasury Department's above-mentioned interpretation of the Royal Decree in question is correct and that the Decree in the form in which it was submitted was published on October 8, 1926, having been promulgated on October 1, 1926.

Please accept, Sir, the renewed assurances of my highest consideration.

(Signed) H. VAN ASCH VAN WYCK.

The Honorable
the Secretary of State,
Washington, D. C.

III.

FOR THE MISSION.

November 27, 1926.

SIR,

Referring to your note of October 19, 1926, and to other correspondence in regard to the double taxation of income derived exclusively from the operation of ships, it affords me pleasure to inform you that I have received from the Acting Secretary of the Treasury a letter dated November 8, 1926, from which the following is quoted :

Inasmuch as the Netherlands Government has promulgated the Royal Decree in the form in which it was submitted to this Department, and has informed this Government that the Treasury Department's interpretation of the Royal Decree is correct, it is held that the Netherlands satisfies the equivalent exemption requirements of Section 213 (b) (8) of the Revenue Acts of 1921, 1924 and 1926. Consequently, the income of a non-resident alien or a foreign corporation which consists exclusively of earnings derived from the operation of a ship or ships documented under the laws of the Netherlands is exempt from income tax imposed by the Revenue Acts of 1921, 1924, and 1926.

Accept etc.

For the Secretary of State :
(Signed) Leland HARRISON.

Ihr. Dr. van Asch van Wyck,
Chargé d'Affaires *ad interim*
of the Netherlands.