

No. 2212

**UNITED STATES OF AMERICA
and
LUXEMBOURG**

Exchange of notes constituting an agreement relating to relief from taxation on United States expenditures for the common defense. Luxembourg, 10 and 13 March 1952

D: indefinite

Official texts: English and French.

Registered by the United States of America on 3 July 1953.

**ÉTATS-UNIS D'AMÉRIQUE
et
LUXEMBOURG**

Échange de notes constituant un accord relatif à l'exonération fiscale des dépenses effectuées par les États-Unis dans l'intérêt de la défense mutuelle. Luxembourg, 10 et 13 mars 1952

Textes officiels anglais et français.

Enregistré par les États-Unis d'Amérique le 3 juillet 1953.

No. 2212. EXCHANGE OF NOTES CONSTITUTING AN AGREEMENT¹ BETWEEN THE UNITED STATES OF AMERICA AND LUXEMBOURG RELATING TO RELIEF FROM TAXATION ON UNITED STATES EXPENDITURES FOR THE COMMON DEFENSE. LUXEMBOURG, 10 AND 13 MARCH 1952

I

The American Minister to the Luxembourg Minister of Foreign Affairs

AMERICAN LEGATION

Luxembourg, March 10, 1952

His Excellency Joseph Bech
Minister of Foreign Affairs
Luxembourg

Excellency :

Enclosed herewith is a Note on Relief from Taxes and Duties which, as it states, has been prepared through joint discussions by representatives of the Government of Luxembourg and the Government of the United States. These discussions were undertaken on the basis of the United States Government's request for relief from taxes on United States expenditures for the common defense as formulated in the Note No. 25 of November 20, 1951, from the Legation of the United States.²

For technical reasons the amount of taxes from which relief is accorded under the terms of the Note with respect to infrastructure facilities financed through the Luxembourg Government cannot be computed immediately. As an interim arrangement, however, the two Governments have agreed that the Government of the United States should withhold up to a maximum of ten percent of each payment to the Government of Luxembourg for the cost of such infrastructure facilities. When it has become technically possible, there will be prepared a computation of the amount of taxes and duties described in paragraph one of the Note applicable to the United States contributions

¹ Came into force on 13 March 1952, by the exchange of the said notes.

² Not printed by the Department of State of the United States of America.

to the costs of infrastructure made after the date of the Note. On the basis of this computation, an appropriate adjustment will be made in the amounts withheld by the United States in accordance with this paragraph.

I shall appreciate receiving your concurrence in the Note and the statements contained in this covering letter.

Sincerely yours,

Perle MESTA

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The Legation of the United States of America presents its compliments to the Grand Ducal Ministry of Foreign Affairs and has the honor to refer to discussions which have recently taken place between the Governments of Luxembourg and the United States of America relating to fiscal arrangements applicable to expenditures in Luxembourg by the Government of the United States for equipment, materials, facilities and services for the common defense effort, including expenditures for any foreign aid program of the United States. The Government of Luxembourg agrees with the principle that tax relief will be accorded to the above expenditures and, in conformity with that principle, the Governments of the United States and Luxembourg have reached agreement on the following points :

1. The expenditures described in the preceding paragraph will be relieved from the following Luxembourg duties and taxes :

a. Duties and taxes (including the Sales Tax) payable on importation of articles, or of materials or components used in the production of articles, purchased by means of such expenditures.

b. Sales Tax (*taxe sur le chiffre d'affaires*)

(I) on the sale by Luxembourg dealers and suppliers of articles purchased by means of such expenditures, and

(II) on sales to such Luxembourg dealers and suppliers of articles, or of components or materials used in the production of articles, where the articles are subsequently purchased by means of such expenditures, provided that relief from these taxes described in this paragraph (*b*) shall not extend to articles, such as food, beverages, and tobacco, which are purchased for human consumption in Luxembourg.

c. Export taxes

d. Transport taxes

2. With regard to such expenditures made under the contracts for the purchase of articles concluded with Luxembourg suppliers and financed by the Government of the United States directly or through the Luxembourg Government, the tax relief accorded under this Note shall be provided in such manner that payments by the Government of the United States under such contracts shall be net of the taxes specified in paragraph one. With respect to contracts concluded directly by the Government of the United States with Luxembourg suppliers, the Luxembourg Government, upon written request by the Government of the United States, will pay that part of the contract price which represents the agreed taxes.

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3. The Luxembourg Government will accord relief to the United States Government from the taxes and duties described in paragraph one above affecting expenditures of the United States for infrastructure facilities in Luxembourg. This relief shall be provided in such manner that expenditures by the Government of the United States for infrastructure facilities in Luxembourg, whether such facilities are financed directly by the Government of the United States or through the Government of Luxembourg, shall be net of all such duties and taxes.

4. The tax relief covered by this Note will not extend to small expenditures where there is no formal contract concluded by a "contracting and purchasing officer" or other official duly designated for the purpose of concluding contracts by the Government of the United States.

5. With respect to excise taxes and any other Luxembourg taxes from which relief is not provided by this Note which may be found to be applicable to the expenditures described above, or with respect to any expenditures of the Government of the United States of types not referred to in this Note, the two Governments will discuss whether relief from such taxes, or inclusion of such expenditures, would be consistent with the principles underlying this Note. If so, the two Governments will undertake to establish procedures for providing for the Government of the United States appropriate relief similar to that outlined in this Note.

6. The laws of Luxembourg with regard to social security and other contributions related to the employment of individuals are not affected by this agreement.

7. This Note is not intended to affect tax relief provided by the Government of Luxembourg in accordance with existing arrangements and agreements, such as the Mutual Defense Assistance Agreement of January 27, 1950,¹ nor is it intended that the agreement signed in London on June 19, 1951, on the status of NATO forces,² should affect the understandings contained in this Note.

8. The relief to be accorded hereunder is applicable to all expenditures of the types covered by this Note made after the date of this Note.

P.M.

American Legation
Luxembourg, March 10, 1952

¹ United Nations, *Treaty Series*, Vol. 80, p. 187.

² Not printed by the Department of State of the United States of America.

II

[TRANSLATION¹ — TRADUCTION²]

Le Ministre des affaires étrangères du Luxembourg au Ministre des États-Unis d'Amérique

The Luxembourg Minister of Foreign Affairs to the American Minister

MINISTÈRE
DES AFFAIRES ÉTRANGÈRES

MINISTRY
OF FOREIGN AFFAIRS

Luxembourg, le 13 mars 1952

Luxembourg, March 13, 1952

Madame,

Madam,

J'ai l'honneur d'accuser réception de votre lettre du 10 mars 1952, ainsi que de la note y annexée, concernant la franchise de taxes et de droits, de la teneur suivante :

I have the honor to acknowledge the receipt of your letter of March 10, 1952, and of the note enclosed therewith, relating to exemption from taxes and duties, expressed in the following terms :

[*Voir traduction de la note I et annexe*]

[*See note I and annex*]

J'ai l'honneur de vous marquer l'accord du Gouvernement luxembourgeois avec les dispositions de la Note et de la lettre de couverture du 10 mars.

I have the honor to inform you of the approval by the Luxembourg Government of the provisions of the note and covering letter of March 10.

Je saisis cette occasion, Madame, pour renouveler à Votre Excellence l'assurance de ma haute considération.

I avail myself of this occasion to renew to Your Excellency the assurance of my high consideration.

BECH

BECH

A Son Excellence Mrs. Perle Mesta
Ministre des États-Unis d'Amérique
à Luxembourg

Her Excellency Perle Mesta
Minister of the United States of America
Luxembourg

¹ Translation by the Government of the United States of America.

² Traduction du Gouvernement des États-Unis d'Amérique.