

No. 2306

**UNITED STATES OF AMERICA
and
FRANCE**

**Exchange of notes (with annexed memorandum) constituting
an agreement relating to tax relief for purchases made
in France by the Government of the United States in
the interests of the common defense. Paris, 13 March
1952**

Official texts: English and French.

Registered by the United States of America on 22 October 1953.

**ÉTATS-UNIS D'AMÉRIQUE
et
FRANCE**

**Échange de notes (avec mémorandum annexé) constituant
un accord comportant exonération fiscale pour les
achats faits en France par le Gouvernement des États-
Unis dans l'intérêt de la défense commune. Paris,
13 mars 1952**

Textes officiels anglais et français.

Enregistré par les États-Unis d'Amérique le 22 octobre 1953.

No. 2306. EXCHANGE OF NOTES CONSTITUTING AN AGREEMENT¹ BETWEEN THE UNITED STATES OF AMERICA AND FRANCE RELATING TO TAX RELIEF FOR PURCHASES MADE IN FRANCE BY THE GOVERNMENT OF THE UNITED STATES IN THE INTERESTS OF THE COMMON DEFENSE. PARIS, 13 MARCH 1952

Nº 2306. ÉCHANGE DE NOTES CONSTITUANT UN ACCORD¹ ENTRE LES ÉTATS-UNIS D'AMÉRIQUE ET LA FRANCE COMPORTANT EXONÉRATION FISCALE POUR LES ACHATS FAITS EN FRANCE PAR LE GOUVERNEMENT DES ÉTATS-UNIS DANS L'INTÉRÊT DE LA DÉFENSE COMMUNE. PARIS, 13 MARS 1952

I

Le Ministre des affaires étrangères de la République française au Chargé d'affaires des États-Unis d'Amérique

MINISTÈRE DES AFFAIRES ÉTRANGÈRES

LIBERTÉ · ÉGALITÉ · FRATERNITÉ

RÉPUBLIQUE FRANÇAISE

Paris, le 13 mars 1952

Monsieur le Chargé d'Affaires,

Ainsi que vous le savez, des conversations ont eu lieu récemment à Paris entre une délégation du Gouvernement des États-Unis dirigée par Mr. Seymour J. Rubin, et des représentants du Gouvernement français, au sujet du régime fiscal des dépenses faites en France par le Gouvernement des États-Unis dans l'intérêt de la défense commune.

Ces conversations ont abouti aux résultats suivants qui doivent permettre en définitive de faire bénéficier d'une large exonération des impôts français les dépenses auxquelles le Gouvernement des États-Unis procédera en France dans l'intérêt de la défense commune, que ces dépenses se rapportent à des acquisitions de fournitures ou à des prestations de services :

1^o) Les dépenses du Gouvernement des États-Unis en France se rapportant à l'acquisition de fournitures, bénéficieront d'une large exonération fiscale

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

¹ Entré en vigueur le 13 mars 1952 par l'échange desdites notes.

[TRANSLATION¹ — TRADUCTION²]

The French Minister of Foreign Affairs to the American Chargé d'Affaires ad interim

MINISTRY OF FOREIGN AFFAIRS

LIBERTY • EQUALITY • FRATERNITY

FRENCH REPUBLIC

Paris, March 13, 1952

Mr. Chargé d'Affaires,

As you know, conversations have taken place recently in Paris between a delegation of the Government of the United States headed by Mr. Seymour J. Rubin and representatives of the French Government on the subject of the tax system for expenditures made in France by the Government of the United States in the interest of the common defense.

These conversations have led to the following results, which should finally make it possible to provide a broad relief from French taxes for expenditures to be made in France by the Government of the United States in the interest of the common defense, whether such expenditures pertain to the procurement of supplies or the furnishing of services :

[*See note II*]

I have the honor to confirm to you the agreement of the French Government to the foregoing provisions.

Accept, Mr. Chargé d'Affaires, the assurances of my high consideration.

SCHUMAN

Mr. Philip W. Bonsal
Minister Plenipotentiary
Chargé d'Affaires of the United States
Paris

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

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

II

The American Chargé d'Affaires ad interim to the French Minister of Foreign Affairs

Paris, March 13, 1952

Excellency :

I have the honor to acknowledge the receipt of your letter of March 13, 1952, on the subject of taxation as it concerns expenditures made in France by the Government of the United States in the interests of the common defense. The English text of this letter, as agreed between representatives of our two Governments, reads as follows :

“ Conversations have taken place recently in Paris between a delegation of the Government of the United States, headed by Mr. Seymour J. Rubin and representatives of the French Government, on the subject of taxation as it concerns expenditures made in France by the Government of the United States in the interests of the common defense.

“ These conversations have reached the following conclusions. It is expected that on the basis of these conclusions there will be provided a broad relief from French taxes for expenditures in the interests of the common defense made in France by the Government of the United States, whether such expenditures pertain to the procurement of goods or the furnishing of services :

“ 1. The expenditures of the Government of the United States in France pertaining to the procurement of goods will benefit from a broad tax relief through an analogy to export transactions. The definitive arrangements which the two Governments have reached on this subject are set forth in the Memorandum of Agreement annexed to the present exchange of letters.

“ 2. (a) With respect to the expenditures of the Government of the United States in France which are affected by taxes on services, the French Government will grant relief from the services tax (*la taxe sur les prestations de services*), the national transactions tax on services, and the local tax provided that the necessary authority is obtained. The French Government will use its best efforts to obtain such authority. This relief will be in addition to that definitively granted on such expenditures under the terms of the annexed memorandum. In the meantime certain interim arrangements will be put into effect with respect to contracts in connection with which the Government of the United States makes expenditures and in which taxes on services constitute an element of cost. These arrangements are described in subparagraphs (c) and (d) below.

“(b) The relief specified above will apply retroactively to all payments of the Government of the United States made after the date of the present letter, whether made under contracts concluded directly by the Government of the United States with French contractors or by way of reimbursement to the French Government.

“It is further understood that the relief specified above will also apply to contributions requested from the United States Government prior to the date of this letter as part of its share of the cost of multilaterally financed infrastructure facilities.

“(c) It is agreed, moreover, that from the date of this letter and until further arrangements are made, the competent French authorities will abstain from requesting reimbursement from the United States of more than 80 per cent of the sums corresponding to payments made by the French Government under contracts in which taxes on services constitutes any element of cost. At a later date an adjustment will be made so that the amount ultimately withheld will accurately represent the taxes affecting such contracts from which relief has been definitively granted under the terms of the annexed memorandum, and when the necessary authority has been obtained, under the terms of this letter.

“(d) With respect to contracts concluded directly by the United States Government in which taxes on services constitute any element of cost, procedures for furnishing relief from such taxes will be subsequently established by mutual agreement, and such relief will be effected by means which to the maximum possible extent will avoid refunds directly to the Government of the United States.

“(e) If the necessary authority envisaged under subparagraph (a) above of this letter has not been obtained by April 30, 1952, the two Governments will jointly re-examine the problems posed by the existence of French taxes affecting services.

“3. All contracts within the scope of this letter will be free from the tax on the registration of contracts.

“4. With respect to customs duties, all goods belonging to the Government of the United States and imported into France by that Government in the interests of the common defense will continue to be free of duties and taxes on imports.

“5. With respect to any taxes for which relief is not expressly granted in this letter or memorandum which might be found to be applicable to expenditures of the character referred to in the foregoing documents, the two Governments will consult with a view to arriving at mutually satisfactory arrangements consistent with the spirit of the present agreement.

“ 6. Any problems which may occur in connection with interpretation of this letter or the annexed memorandum will, of course, be the subject of discussion between the two Governments.”

I have the honor to confirm to you the agreement of the Government of the United States to the foregoing provisions.

Accept, Excellency, the assurances of my most distinguished consideration.

Philip W. BONSAI
Chargé d’Affaires a. i.

Enclosure :

Memorandum of Agreement of March 13, 1952, between the Government of the United States of America and the Government of the French Republic relating to Tax Relief for Purchases Made in France by the Government of the United States in the Interests of the Common Defense.

His Excellency Robert Schuman
Minister of Foreign Affairs
of France

MEMORANDUM OF AGREEMENT BETWEEN THE GOVERNMENT OF
THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF
THE FRENCH REPUBLIC RELATING TO TAX RELIEF FOR PURCHASES
MADE IN FRANCE BY THE GOVERNMENT OF THE UNITED STATES
IN THE INTERESTS OF THE COMMON DEFENSE

1. The French Government agrees to relieve from taxes, under the conditions set forth in the present memorandum, the expenditures made in France by the Government of the United States defined in paragraph 2 of the present memorandum.

2. The expenditures to which the present memorandum will apply are those made in the interests of the common defense (including those made in connection with the foreign aid programs of the United States Government) for the acquisition of articles, supplies, equipment and materials, whether used as acquired or processed or incorporated into construction, and whether exported or used in France for the needs of the United States forces, or other Allied forces.

3. The tax relief covers the expenditures defined in paragraph 2 with respect to the following taxes :

- a) The production tax for the full amount to which it affects such expenditures.
- b) The transactions tax in the amount invoiced by the supplier or contractor with respect to such expenditures. The French Government is, moreover, prepared to grant to the Government of the United States the benefit of any additional exemptions applicable to this tax which may be permitted by French legislation for exports.
- c) The local tax (additional to the transactions tax) insofar as applicable to the expenditures described in paragraph 2.
- d) The registration tax on contracts.

4. The system for suspension of customs duties affecting certain imports destined to be re-exported after processing in France will be applied to imports of the same products when intended for procurement by the Government of the United States or for incorporation into articles for which that Government, either directly or through the French Government, makes expenditures in France of the type covered by this memorandum, whether such products are actually re-exported or not. Moreover, the French Government is prepared, whenever requested by the Government of the United States, to examine the possibility of applying this system to other categories of articles for which it is not then in effect.

The word "duties" means customs duties and all other duties and taxes payable on importation or exportation, as the case may be, with the exception of charges for services rendered.

5. The procedures according to which the Government of the United States will benefit from the tax relief provided by the present memorandum will be established subsequently. However, the following procedures are now agreed :

a) With regard to the expenditures made in France under contracts concluded and financed through the French Government, the Government of the United States will reimburse to the French Government the amount of the prices stipulated in these contracts less a sum representing the amount of the taxes and duties specified in paragraphs 3 and 4 above which would be included in those prices.

b) With regard to the expenditures made in France by the Government of the United States under contracts made and financed directly by the Government of the United States, the latter will deliver a notification of all such contracts to the French Government. This notification will certify that the articles covered by these contracts are within the purpose of the present memorandum and will indicate all the elements making it possible to determine the sum representing the amount of the taxes and duties specified in paragraphs 3 and 4 above which would be included in the price.

6. The tax relief provided by this memorandum will be applicable to payments of the United States Government directly to private contractors only where payment is made by check, rather than in cash, and where there is a 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.

7. Disposals in France to individuals or to private concerns by the Government of the United States of articles acquired under the conditions of tax relief set forth in the present memorandum or of installations in which such articles have been incorporated will be effected only after agreement of the two Governments on the terms of such disposals.

8. a) The relief accorded under the present memorandum will apply to all payments of the Government of the United States made after the date of the present memorandum, including those contributions requested from the Government of the United States prior to the date of this memorandum as part of its share of the cost of multilaterally financed infrastructure facilities.

b) The tax exemptions provided by this memorandum will be in addition to those already granted under any arrangements now in effect, and under the provisions of the Status of Forces Agreement signed in London on June 19, 1951.

c) Goods actually exported from France on behalf of the Government of the United States will continue to enjoy any benefits which may be in force with respect to exports.

9. The laws of France and of its dependent territories with regard to social security and other contributions related to the employment of individuals are not affected by this agreement.

10. As used in the present memorandum, "France" means the Metropolitan territory of the French Republic and the Overseas Departments to which the financial laws of France are automatically applicable. The French Government will facilitate as far as possible the extension of the present memorandum to other territories of the French Union and other areas for which it has assumed international responsibility.

Paris, March 13, 1952

[TRADUCTION — TRANSLATION]

Le Chargé d'affaires des États-Unis d'Amérique au Ministre des affaires étrangères de la France

Paris, le 13 mars 1952

Monsieur le Ministre,

J'ai l'honneur d'accuser réception de la lettre de Votre Excellence en date du 13 mars 1952 au sujet du régime fiscal des dépenses faites en France par le Gouvernement des États-Unis dans l'intérêt de la défense commune. Le texte anglais de cette lettre, que les représentants de nos deux Gouvernements ont arrêté de concert, a la teneur suivante :

[Voir note I]

J'ai l'honneur de confirmer à Votre Excellence que le Gouvernement des États-Unis donne son accord aux dispositions qui précèdent.

Veuillez agréer, etc.

Philip W. BONSAI
Chargé d'affaires

Pièce jointe:

Mémoire d'accord du 13 mars 1952 entre le Gouvernement des États-Unis d'Amérique et le Gouvernement de la République française, comportant exonération fiscale pour les achats faits en France par le Gouvernement des États-Unis dans l'intérêt de la défense commune.

Son Excellence Monsieur Robert Schuman
Ministre des affaires étrangères
de la France