

No. 2452

**UNITED STATES OF AMERICA
and
NORWAY**

Exchange of notes constituting an agreement relating to relief from taxation on defense expenditures. Oslo, 27 June 1952

Official text: English.

Registered by the United States of America on 25 January 1954.

**ÉTATS-UNIS D'AMÉRIQUE
et
NORVÈGE**

Échange de notes constituant un accord relatif à l'exonération fiscale des dépenses faites dans l'intérêt de la défense. Oslo, 27 juin 1952

Texte officiel anglais.

Enregistré par les États-Unis d'Amérique le 25 janvier 1954.

No. 2452. EXCHANGE OF NOTES CONSTITUTING AN AGREEMENT¹ BETWEEN THE UNITED STATES OF AMERICA AND NORWAY RELATING TO RELIEF FROM TAXATION ON DEFENSE EXPENDITURES. OSLO, 27 JUNE 1952

I

The Norwegian Minister for Foreign Affairs to the American Ambassador

MINISTÈRE DES AFFAIRES ÉTRANGÈRES

Oslo, 27th June, 1952.

Your Excellency,

Within the context of the obligations assumed under the North Atlantic Treaty, ² discussions have recently been held between the Government of the United States of America and the Government of Norway on the subject of Norwegian taxation insofar as it may affect United States expenditures for the common defense. These discussions have culminated in certain understandings, which I am pleased to communicate to you as the undertakings of my Government :

1. Relief will be granted by Norway from Norwegian taxes, as indicated below. Such tax relief will be applied to all United States expenditures in Norway for equipment, materials, facilities, and service for the common defense effort, including such expenditures for any foreign aid program of the United States.

2. The relief to be extended will apply to Norwegian sales taxes and import duties or import taxes.

3. The procedure to be employed in extending such tax relief to expenditures by or on behalf of the United States will be :

a) Exemption from sales taxes, including excise taxes on petroleum.

b) Exemption from all customs duties and taxes on imported articles or imported components or materials. The normal drawback or refund of duty for reexported articles will apply whether such articles are retained in Norway or are in fact exported.

¹ Came into force on 27 June 1952 by the exchange of the said notes.

² United Nations, *Treaty Series*, Vol. 34, p. 243, and Vol. 126, p. 350.

c) The exemptions specified in a) and b) above will include taxes and customs duties, if any, in connection with sales to contractors with respect to contracts financed by the United States.

d) With respect to infrastructure and any other program for which the Norwegian Government may act as procuring agency and receive reimbursement in whole or in part from the United States Government, procedures will be applied so as to ensure that the contribution of the United States is an amount which is net of Norwegian taxes as defined above. This procedure will be to reduce the amount of any charge to the Government of the United States by a sum which is computed by applying to the share of the United States, including taxes, the ratio which the aggregate amount of taxes bears to the total amount, including taxes, of the expenditures.

4. With respect to any Norwegian taxes not specifically referred to in this note which might be found to be applicable to United States expenditures in the categories embraced in this note, the two Governments will agree upon procedures with the purpose of making available exemption or relief therefrom consistent with the understandings contained herein.

5. The tax benefits or exemptions now in effect will be continued in effect without regard to limitations which may be contained in other agreements previously signed.

6. The relief to be accorded hereunder is applicable to all expenditures made after the date of this note. The laws of Norway with regard to social security and other contributions related to the employment of individuals are not affected by this agreement.

Upon receipt of a note from Your Excellency indicating that the foregoing provisions are acceptable to the Government of the United States of America, the Norwegian Government will consider that this note and your reply thereto constitute an agreement between the two Governments on this subject, which shall enter into force on the date of your note in reply.

Accept, Your Excellency, the assurance of my highest consideration.

Halvard LANGE

His Excellency Charles Ulrick Bay
Ambassador of the United States of America
Oslo

II

The American Ambassador to the Norwegian Minister for Foreign Affairs

No. 452

Oslo, June 27, 1952

Excellency :

I have the honor to acknowledge the receipt of your note of today's date, which reads as follows :

[See note I]

In reply I have the honor to confirm that the provisions set forth in the said note are acceptable to the Government of the United States of America. The Government of the United States agrees with your proposal that your note and this reply shall constitute an agreement between our two Governments on this subject, which shall enter into force on the date of this note.

Please accept, Excellency, the assurances of my highest consideration.

C. Ulrick BAY

His Excellency Mr. Halvard M. Lange
The Royal Norwegian Minister
for Foreign Affairs
Oslo

III

The Norwegian Ministry for Foreign Affairs to the American Embassy

MINISTÈRE DES AFFAIRES ÉTRANGÈRES

With reference to the discussions between the Norwegian and the United States officials with respect to relief of certain expenditures of the United States in Norway from Norwegian taxes, the Ministry of Foreign Affairs has the honour to state the following :

During the discussions the question arose as to the applicability of such tax relief to capital goods. The United States representatives indicated that it was the intention of the United States authorities to ask for tax relief only on capital goods which were substantially used up in the process of fulfilling the production or construction being financed by the United States. It was not the intention of the United States to claim tax relief for machinery already installed in factories which subsequently received orders from the United States,

nor for new machinery which would have a useful life extending far beyond the time of the contract. The Norwegian authorities presume that at the time each contract is concluded it will be necessary for representatives of the two Governments to determine whether there are any capital goods used to fulfil the contract which qualify for special tax exemption.

Oslo, 27th June, 1952.

[SEAL]

H.L.

IV

The American Embassy to the Norwegian Ministry for Foreign Affairs

No. 454

The Embassy of the United States of America presents its compliments to the Royal Norwegian Ministry for Foreign Affairs and has the honor to refer to the Ministry's note of June 27, 1952, on the applicability to capital goods of the tax relief agreed to in today's exchange of notes between the two Governments. The Embassy wishes to confirm that the contents of this note correctly represent the position of the United States Government.

C.U.B.

Oslo, June 27, 1952

The Royal Norwegian Ministry for Foreign Affairs
Oslo

V

The Norwegian Minister for Foreign Affairs to the American Ambassador

MINISTÈRE DES AFFAIRES ÉTRANGÈRES

Oslo, 27th June, 1952

Your Excellency,

In my letter of today's date with respect to the relief of certain expenditures of the United States in Norway from Norwegian taxes, the special export arrangements on pulp and paper, sulphur, sulphur pyrites, and copper bearing ores and certain fish products are not explicitly covered. These duties were excluded from the note because of the uncertainty of United States purchases in these categories in the near future and because of certain considerations affecting

Norwegian discussions of raw material prices with certain members of the OEEC.¹

As you will remember, the Norwegian authorities were of the opinion that such export arrangements fell outside the scope of the tax relief arrangements because they had been introduced for internal price stabilization purposes. Furthermore, the Norwegian authorities were of the opinion that the export arrangements had no significant effect on Norwegian export prices and would thus not have an effect on the prices in the markets in which the United States Government might be making purchases.

It is understood that the United States authorities are examining further the question whether or not the above special export arrangements will affect contemplated procurement expenditures of the United States in Norway and should therefore specifically be included in the scope of the tax relief arrangements. Should the decision be reached that relief in these cases is desirable, the Norwegian Government, on the basis of the principle that expenditures of the United States for the common defense, including any foreign aid program, should not be subject to Norwegian taxes, undertakes to enter into negotiations with the appropriate United States authorities with a view to reaching a solution which is acceptable to both parties. The Norwegian Government reserves its position as to the question whether these special export arrangements can properly be regarded as taxes within the context of the note.

Accept, Your Excellency, the assurance of my highest consideration.

Halvard LANGE

His Excellency Charles Ulrick Bay
Ambassador of the United States of America
Oslo

¹ Organization for European Economic Coordination.

VI

The American Ambassador to the Norwegian Minister for Foreign Affairs

No. 453

Oslo, June 27, 1952

Excellency :

I have the honor to acknowledge the receipt of your letter of today's date which notes that the special export arrangements on pulp and paper, sulphur, sulphur pyrites and copper bearing ores and certain fish products are not explicitly covered in the exchange of notes between our two Governments with respect to relief of certain expenditures of the United States in Norway from Norwegian taxes.

I wish to confirm your understanding that the United States authorities are studying the question of the possible effect of such special export arrangements on the procurement expenditures of the United States in Norway and therefore whether they should be specifically included in the scope of the tax relief arrangements. I am pleased to know that should a decision be reached that such inclusion is desirable, the Norwegian Government, on the basis of the principle that expenditures of the United States for the common defense including any foreign aid program should not be subject to Norwegian taxes, will enter into negotiations with appropriate United States authorities with a view to finding a solution acceptable to both parties. I have also taken note that the Norwegian Government reserves its position on the question of whether the special export arrangements can properly be regarded as taxes within the context of the notes exchanged between the two Governments on the subject.

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

C. Ulrick BAY

His Excellency Mr. Halvard M. Lange
The Royal Norwegian Minister
for Foreign Affairs
Oslo