

No. 6785

**UNITED STATES OF AMERICA
and
ICELAND**

Exchange of notes constituting an agreement relating to relief from double taxation on earnings from operation of ships and aircraft. Washington, 21 and 27 December 1962

Official text: English.

Registered by the United States of America on 24 June 1963.

**ÉTATS-UNIS D'AMÉRIQUE
et
ISLANDE**

Échange de notes constituant une convention tendant à éviter la double imposition des gains provenant de l'exploitation de navires et d'aéronefs. Washington, 21 et 27 décembre 1962

Texte officiel anglais.

Enregistré par les États-Unis d'Amérique le 24 juin 1963.

No. 6785. EXCHANGE OF NOTES CONSTITUTING AN AGREEMENT¹ BETWEEN THE UNITED STATES OF AMERICA AND ICELAND RELATING TO RELIEF FROM DOUBLE TAXATION ON EARNINGS FROM OPERATION OF SHIPS AND AIRCRAFT. WASHINGTON, 21 AND 27 DECEMBER 1962

I

The Secretary of State to the Ambassador of Iceland

DEPARTMENT OF STATE
WASHINGTON

December 21, 1962

Excellency :

I have the honor to refer to recent conversations between representatives of the Government of the United States of America and representatives of the Government of Iceland relating to the possibility of concluding an agreement between the two Governments with a view to granting, on a reciprocal basis, relief from double taxation on earnings derived from the operation of ships and aircraft. The Government of the United States of America agrees as follows :

1. The Government of the United States of America, in accordance with sections 872 (b) and 883 of its Internal Revenue Code of 1954, shall, on the basis of an equivalent exemption granted by the Government of Iceland to citizens of the United States of America and to corporations organized in the United States of America, exclude from gross income and exempt from income tax all earnings derived

(a) by a corporation organized in Iceland, or

(b) by an individual who is

(i) a citizen of Iceland and

(ii) a nonresident alien as to the United States of America, from the operation of a ship or ships documented, and from the operation of aircraft registered, under the laws of Iceland.

2. For the purposes of this agreement :

(a) The expressions "operation of a ship or ships" and "operation of aircraft" mean the business or enterprise, carried on by owners or charterers of a ships or ships, or of aircraft, as the case may be, of

¹ Came into force on 27 December 1962 by the exchange of the said notes.

- (i) transporting persons, including the embarking and debarking of passengers, or
 - (ii) transporting articles, mails, and other cargo, including the loading and unloading thereof, or
 - (iii) both (i) and (ii).
- (b) The term "earnings" means income derived from the activities described in subparagraph (a) hereof, including the sale of tickets in the United States of America.

3. The exclusions and exemptions provided for in paragraph (1)

- (a) shall be accorded even though the corporation was resident in the United States of America by reason of engaging in trade or business therein at any time within the taxable year and even though the citizen was engaged in trade or business within the United States of America at any time within the taxable year, regardless of the activities constituting such trade or business;
- (b) shall be applicable with respect to taxable years beginning on or after the first day of January 1962.

4. The arrangement relating to relief from double income tax on shipping profits, effected by exchange of notes signed on May 22, August 9 and 18, October 24, 25, and 28, and December 5 and 6, 1922,¹ shall be terminated, as between the United States of America and Iceland, on the date specified in paragraph 3 (b) above.

5. Either of the two Governments may terminate this agreement by giving to the other Government six months' prior notice of termination in writing and, in such event, the agreement shall cease to be effective for the taxable years beginning on or after the first day of January next following the expiration of the six-month period.

The Government of the United States of America will consider this note, together with your note of reply confirming that the Government of Iceland agrees to terms corresponding to those outlined above, as constituting the agreement between the two Governments, entering into force on the date of your reply note.

Accept, Excellency, the renewed assurances of my highest consideration.

For the Secretary of State :

Richard D. KEARNEY

His Excellency Thor Thors,
Ambassador of Iceland

¹ United States of America : *Executive Agreement Series N° 14*; for notes dated 24 and 28 October and 5 December 1922, see also League of Nations, *Treaty Series*, Vol. CXIII, p. 381.

II

The Ambassador of Iceland to the Secretary of State

EMBASSY OF ICELAND
WASHINGTON 8, D.C.

December 27, 1962

Sir :

I have the honor to acknowledge the receipt of your note dated December 21, 1962, in which reference is made to recent conversations between representatives of the Government of Iceland and representatives of the Government of the United States of America relating to the possibility of concluding an agreement between the two Governments with a view to granting, on a reciprocal basis, relief from double taxation on earnings derived from the operation of ships and aircraft. It is noted that the Government of the United States of America agrees to certain terms as outlined in that note. In return, the Government of Iceland agrees as follows :

1. The Government of Iceland, in accordance with Chapter I, Article 2 of Law No. 70, April 28, 1962, shall, on the basis of the exemption granted by the Government of the United States of America in accordance with its agreement outlined in the above-mentioned note, exclude from gross income and exempt from income tax all earnings derived

- (a) by a corporation organized in the United States of America, or
- (b) by a citizen of the United States of America nonresident in Iceland, from the operation of a ship or ships documented, and from the operation of aircraft registered, under the laws of the United States of America.

2. For the purposes of this agreement :

- (a) The expression "operation of a ship or ships" and "operation of aircraft" mean the business or enterprise, carried on by owners or charterers of a ship or ships, or of aircraft, as the case may be, of
 - (i) transporting persons, including the embarking and debarking of passengers, or
 - (ii) transporting articles, mails, and other cargo, including the loading and unloading thereof, or
 - (iii) both (i) and (ii).
- (b) The term "earnings" means income derived from the activities described in subparagraph (a) hereof, including the sale of tickets in Iceland.

3. The exclusions and exemptions provided for in paragraph (1)

- (a) shall be accorded even though the corporation was resident in Iceland by reason of engaging in trade or business therein at any time within the taxable year and even though the citizen was engaged in trade or business within Iceland at any time

within the taxable year, regardless of the activities constituting such trade or business;

(b) shall be applicable with respect to taxable years beginning on or after the first day of January 1962.

4. The arrangement relating to relief from double income tax on shipping profits, effected by exchange of notes signed on May 22, August 9 and 18, October 24, 25, and 26, and December 5 and 6, 1922, shall be terminated, as between Iceland and the United States of America, on the date specified in paragraph 3 (b) above.

5. Either of the two Governments may terminate this agreement by giving to the other Government six months prior notice of termination in writing, and in such event, the agreement shall cease to be effective for the taxable years beginning on or after the first day of January next following the expiration of the six-month period.

The Government of Iceland considers that your note above-mentioned and this note in reply constitute the agreement between the two Governments, entering into force on the date of this note.

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

Thor THORS

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