

No. 27808

**FINLAND
and
SWEDEN**

**Protocol concerning compensation for the loss of communal
tax in certain cases. Signed at Stockholm on 8 December
1988**

Authentic texts: Finnish and Swedish.

Registered by Finland on 13 December 1990.

**FINLANDE
et
SUÈDE**

**Protocole relatif à la compensation de la perte d'impôts mu-
nicipaux résultant de certaines situations particulières.
Signé à Stockholm le 8 décembre 1988**

Textes authentiques : finnois et suédois.

Enregistré par la Finlande le 13 décembre 1990.

[TRANSLATION — TRADUCTION]

PROTOCOL¹ BETWEEN FINLAND AND SWEDEN CONCERNING
COMPENSATION FOR THE LOSS OF COMMUNAL TAX IN
CERTAIN CASES

The Government of the Republic of Finland and the Government of the Kingdom of Sweden,

Considering that in accordance with the Convention between Denmark, Finland, Iceland, Norway and Sweden for the avoidance of double taxation with respect to taxes on income and on capital (the Tax Convention), of 18 February 1987,² income derived from work done on board a Finnish or Swedish vessel is taxable only in the Contracting State whose nationality the vessel possesses,

Considering further that the Convention between Denmark, Finland, Iceland, Norway and Sweden for the avoidance of double taxation with respect to taxes on income and on capital, of 22 March 1983,³ ceased to have effect at the same time as the Tax Convention entered into force,

Desiring to replace the Protocol of 25 January 1985 concerning compensation for the loss of communal tax in certain cases,⁴ which was annexed to the Convention of 22 March 1983, with a new protocol on the same subject,

Have agreed as follows:

Article 1

The Governments agree that where, by reason of the provisions of the Tax Convention, any tax is lost by a Contracting State or its communes or other bodies corporate under public law whose taxes are affected by the Tax Convention, the loss shall in principle be borne in its entirety by the said State, communes or bodies corporate.

Article 2

It is, however, the understanding of both Governments that the rule in the Tax Convention according to which income from work done on board a Finnish or Swedish vessel is taxable only in the Contracting State whose nationality the vessel possesses has given rise to a loss of communal tax for communes in the province of Åland which exceeds what can be considered reasonable as a result of the provisions of an agreement on double taxation. For that reason, the Governments have decided that those communes may for the years 1988, 1989 and 1990, as an exception to the principle stated in article 1, be granted compensation from State funds for the tax loss.

¹ Came into force on 26 November 1989, i.e., the thirtieth day following the date (27 October 1989) on which the Governments had informed each other of the completion of the required measures, in accordance with article 7.

² United Nations, *Treaty Series*, vol. 1594, No. I-27929.

³ *Ibid.*, vol. 1354, p. 245.

⁴ *Ibid.*, vol. 1418, p. 105.

Article 3

It is the understanding of both Governments that the Tax Convention is based entirely on reciprocal undertakings and constitutes the result of a compromise between the fiscal and other interests of the two States. The Governments therefore agree that the compensation to be granted under article 2 to communes in the province of Åland shall be shared by the two States, each State paying one half.

Article 4

The amount of the compensation shall be 2,000,000 markkaa.

Article 5

The amount of the compensation given in article 4 shall be divided among the communes in the province of Åland in proportion to the communal tax which, in accordance with Finnish legislation, would have been paid to the respective communes for the year to which the compensation relates if the work had been done on board a Finnish vessel or on board a vessel which, under the Tax Convention, is assimilated to a Finnish vessel.

Article 6

The Finnish Ministry of Finance and the Swedish Department of Finance shall conclude a special agreement concerning the application of this Protocol.

Article 7

This Protocol shall enter into force on the thirtieth day after the date on which the two Governments inform each other through an exchange of notes that the measures required for the entry into force of the Protocol have been taken.

DONE at Stockholm on 8 December 1988 in duplicate in the Finnish and Swedish languages, both texts being equally authentic.

For the Government
of the Republic of Finland:

B. ALHOLM

For the Government
of the Kingdom of Sweden:

STEN ANDERSSON
