

No. 9147

**UNITED KINGDOM OF GREAT BRITAIN
AND NORTHERN IRELAND
and
EUROPEAN ATOMIC ENERGY COMMUNITY
(EURATOM)**

**Exchanges of notes constituting an agreement for the settlement of a dispute concerning the taxation liability of the European Atomic Energy Community (EURATOM) employees working in the United Kingdom on the Dragon Project (with annex).
Brussels, 11 July 1966**

Official text: English.

*Registered by the United Kingdom of Great Britain and Northern Ireland
on 3 July 1968.*

**ROYAUME-UNI DE GRANDE-BRETAGNE
ET D'IRLANDE DU NORD**

et

**COMMUNAUTÉ EUROPÉENNE
DE L'ÉNERGIE ATOMIQUE (EURATOM)**

Échange de notes constituant un accord sur le règlement d'un différend concernant l'imposition des employés de la Communauté européenne de l'énergie atomique (EURATOM) travaillant au Royaume-Uni à l'exécution du Projet Dragon (avec annexe). Bruxelles, 11 juillet 1966

Texte officiel anglais.

*Enregistré par le Royaume-Uni de Grande-Bretagne et d'Irlande du Nord le
3 juillet 1968.*

No. 9147. EXCHANGES OF NOTES CONSTITUTING AN AGREEMENT¹ BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND THE COMMISSION OF THE EUROPEAN ATOMIC ENERGY COMMUNITY (EURATOM) FOR THE SETTLEMENT OF A DISPUTE CONCERNING THE TAXATION LIABILITY OF EURATOM EMPLOYEES WORKING IN THE UNITED KINGDOM ON THE DRAGON PROJECT. BRUSSELS, 11 JULY 1966

I

*The Commission of the European Atomic Energy Community
to the United Kingdom Delegation to the European Communities*

Note A

Brussels, 11 July, 1966

Your Excellency,

I have the honour to refer to the Note Verbale addressed to the Commission of the European Atomic Energy Community by the United Kingdom Delegation to the European Communities on the 5th of July, 1965, about the taxation liability of Euratom employees working in the United Kingdom on the Dragon Project, and to discussions which took place in Brussels on the 26th of July, 1965, about the possibility of settling the dispute by arbitration, and now have the honour to propose that this matter be settled by an arbitration between the Commission of the European Atomic Energy Community (hereinafter referred to as "the Commission") and the United Kingdom Atomic Energy Authority (hereinafter referred to as "the Authority") in accordance with the following provisions:

(a) The Arbitrator shall be H.E. Mr. Edvard Hambro, Ambassador.

(b) (i) The arbitrator is requested to determine whether employees of the Commission who have been seconded by the Commission to work on the high temperature gas cooled reactor project (known as, and hereinafter referred to as, "The Dragon Project") in the United Kingdom are entitled, under the terms of the Agreement concerning the Dragon Project signed at Paris on the 18th of December, 1962, (hereinafter referred to as "The Dragon Agreement, 1962") to exemption from liability to pay United Kingdom income tax.

¹ Came into force on 11 July 1966 by the exchange of the said notes.

(ii) The arbitrator is further requested to advise the Commission and the Authority whether, under Section 151 of the Report of the Preparatory Committee of the Conference on the Reorganisation of the Organisation for European Economic Co-operation adopted by the Conference on the 14th of December, 1960, the Government of the United Kingdom of Great Britain and Northern Ireland are under a legal obligation to negotiate an agreement with the Commission providing for those employees the exemptions from liability to pay United Kingdom income tax included within the terms of Articles 9 and 12 of Supplementary Protocol No. 1 to the Convention for European Economic Co-operation on the Legal Capacity, Privileges and Immunities of the Organisation for European Economic Co-operation signed at Paris on the 16th of April, 1948, as given continued effect in relation to the Organisation for Economic Co-operation and Development by Supplementary Protocol No. 2 to the Convention establishing that Organisation signed at Paris on the 14th of December, 1960.

(iii) If the answers to the questions set out in sub-paragraphs (i) and (ii) above are in the negative, the arbitrator is also requested to determine whether the Authority is under any obligation, under Article 5 (d) of the Dragon Agreement, 1962 to meet the cost of the United Kingdom income tax due from those employees.

(iv) If the answer to the question set out in sub-paragraph (iii) above is in the negative, the arbitrator is further requested to determine whether, assuming that the Commission reimburses its employees for the cost of the United Kingdom income tax due from those employees, the Commission may, in accordance with Article 5 (c) of the Dragon Agreement, 1962 reclaim from the Budget of the Dragon Project the costs to the Commission of such reimbursement.

(c) The Authority and the Commission shall each, within fourteen days of today's date, appoint an Agent for the purposes of the arbitration and shall communicate his name and address to the arbitrator and to the other party.

(d) Annex A to this Note sets out a statement of facts which has been agreed by the Commission and the Authority, and which shall be submitted to the arbitrator.

(e) (i) The proceedings shall be in writing only.

(ii) Within three months of today's date the Commission shall submit to the arbitrator and to the Authority a Memorial, setting out its case including all supporting arguments. Within three months of the submission of the Memorial the Authority shall submit to the arbitrator and to the Commission a Counter-Memorial. Within two months of the submission of the Counter-Memorial the Commission may submit to the arbitrator and to the Authority a Reply. Within two months of the submission of the Reply, the Authority may submit to the arbitrator and to the Commission a Rejoinder.

(f) The arbitrator may request from either party any supplementary information he may need. Any such supplementary information given to the arbitrator shall be furnished to the other party.

(g) Written statements to be submitted to the arbitrator shall be submitted in the English language or in one of the official languages of the Community.

(h) All other questions on procedure arising shall be decided by the arbitrator.

(i) The arbitrator shall as soon as possible deliver his award in writing giving the reasons therefor, and shall transmit one signed copy to each Agent.

(j) All general costs of the arbitration shall be borne equally by the Authority and the Commission, but each of them shall bear its own expenses incurred in or for the preparation of its case.

If the foregoing proposal is acceptable to the Government of the United Kingdom of Great Britain and Northern Ireland, I have the honour to suggest that this Note and Your Excellency's reply in that sense shall constitute an Agreement between that Government and the Commission in this matter, which shall enter into force on this day's date.

I have the honour to be, with the highest consideration, Your Excellency's obedient Servant,

J. SASSEN
Member of the Euratom Commission

ANNEX TO NOTE A

AGREED STATEMENT OF FACTS

PART I. THE DRAGON PROJECT

1. The Dragon Project is a joint European project for the design, construction and operation in the United Kingdom of a high temperature gas-cooled reactor. The Project was conceived under the auspices of the European Nuclear Energy Agency of the Organisation for European Economic Co-operation, now the Organisation for Economic Co-operation and Development.

2. The Dragon Project was established by an Agreement which was signed in March, 1959, and concluded for a period of five years. A copy of this Agreement is attached at Annex 1, ¹ this Agreement will be referred to as "The Dragon Agreement, 1959". On 18 December, 1962 a new Dragon Agreement was concluded (between the same signatories as had signed the Dragon Agreement (1959) which revised and replaced the Dragon Agreement, 1959, and remains in force until 31 March, 1967. A copy of this Agreement is at Annex 2; ¹ this Agreement will be referred to as "The Dragon Agreement, 1962". In both Agreements the United Kingdom Atomic Energy Authority (the Authority) and the Commission of the European Atomic Energy Community (the Commission) were among the signatories.

3. Article 5 (a) of the Dragon Agreement, 1959, and of the Dragon Agreement, 1962, provide that "the personnel necessary for carrying out the joint programme shall be seconded by the signatories. ..."; accordingly, employees of the Commission were seconded to the Project by the Commission.

¹ Not published.