No. 26930

HONG KONG
(UNDER AN ENTRUSTMENT OF AUTHORITY FROM THE UNITED KINGDOM GOVERNMENT)
and
UNITED STATES OF AMERICA

Exchange of notes constituting an agreement concerning tax exemptions from the income derived from the international operation of ships. Hong Kong, 1 and 16 August 1989

Authentic text: English.

Registered by the United Kingdom of Great Britain and Northern Ireland on 22 November 1989.

HONG-KONG
(EN VERTU D'UNE DÉLÉGATION DE POUVOIRS DE LA PART DU GOUVERNEMENT DU ROYAUME-UNI)
et
ÉTATS-UNIS D'AMÉRIQUE

Échange de notes constituant un accord concernant l'exemption fiscale des revenus provenant de l'exploitation internationale des navires. Hong-Kong, 1er et 16 août 1989

Texte authentique : anglais.

Enregistré par le Royaume-Uni de Grande-Bretagne et d'Irlande du Nord le 22 novembre 1989.

EXCHANGE OF NOTES CONSTITUTING AN AGREEMENT[1] BETWEEN THE GOVERNMENT OF HONG KONG AND THE GOVERNMENT OF THE UNITED STATES OF AMERICA CONCERNING TAX EXEMPTIONS FROM THE INCOME DERIVED FROM THE INTERNATIONAL OPERATION OF SHIPS

I

CONSULATE GENERAL OF THE UNITED STATES OF AMERICA
HONG KONG

August 1, 1989

Sir:

On behalf of the Government of the United States of America, I have the honor to propose that the Government of the United States of America and the Government of Hong Kong conclude an agreement to exempt from income tax (which term for the purposes of the agreement in the case of Hong Kong refers to profits tax), on a reciprocal basis, income derived by residents of the other from the international operation of ships (which term for the purposes of the agreement shall not include aircraft). I further have the honor to inform you that the Government of the United States of America is prepared to conclude an agreement in the following terms:

1. The Government of the United States of America, in accordance with Sections 872(*b*) and 883(*a*) of the Internal Revenue Code, agrees to exempt from tax gross income derived from the international operation of ships by individuals who are residents of Hong Kong (other than U.S. citizens) and corporations which are incorporated in Hong Kong or controlled or managed in Hong Kong (other than corporations organized in the United States).

2. In the case of a corporation, the exemption granted by the Government of the United States of America shall apply only if the corporation meets either of the following conditions:

(*a*) The corporation's stock is primarily and regularly traded on an established securities market in Hong Kong, another country which grants an equivalent exemption to U.S. corporations, or the United States; or

(*b*) More than 50 percent of the value of the corporation's stock is owned, directly or indirectly, by individuals who are residents of Hong Kong or of a country which grants an equivalent exemption to U.S. corporations, or by a corporation organized in a country which grants an equivalent exemption to U.S. corporations and whose stock is primarily and regularly traded on an established securities market in that country, another country which grants an equivalent exemption to U.S. corporations, or the United States.

[1] Came into force on 16 August 1989, the date of the note in reply, with retroactive effect from 1 January 1987, in accordance with the provisions of the said notes.