

## DOUBLE TAXATION: SHIPPING PROFITS

*Exchange of notes at Washington March 10 and May 5, 1926  
Entered into force May 5, 1926; operative from January 1, 1921  
Revised (after World War II) February 6, 1948,<sup>1</sup> pursuant to article 44 of treaty of peace signed at Paris February 10, 1947<sup>2</sup>  
Suspended October 26, 1956, by convention of March 30, 1955<sup>3</sup>*

47 Stat. 2599; Executive Agreement Series 10

### *The Italian Ambassador to the Secretary of State*

The Italian Ambassador presents his compliments to His Excellency the Secretary of State and, referring to his note of June 24th, 1925, has the honor to bring to his knowledge the following.

From a communication received from the Italian Steamship Companies operating in ports of the United States it appears that the provisions contained in Royal Decree 891 issued on June 12, 1925, the text of which was submitted to the Department by the above mentioned note, did not seem to the competent Departments of the American Government to correspond exactly to the provisions contained in Section 213(b)(8) of the Revenue Act of 1921<sup>4</sup> and was therefore considered insufficient to obtain to the Italian Companies exemption from the payment of the Income Tax, retroactively to 1921, on the basis of reciprocity.

In order to establish the required adequate basis of reciprocity, the Italian Government issued on March 4th, 1926 a Royal Decree N.340, the text of which is literally translated as follows:

“Companies organized in the United States and citizens of the United States not domiciled in Italy exercising maritime traffic in Italian ports, by means of ships flying the United States flag are exempt, with effect starting from January 1st, 1921, from the Imposta di Ricchezza Mobile, Income Tax, on income derived exclusively from such traffic, provided the United States likewise exempt from Income Tax, Imposta di Ricchezza Mobile, the income originating in the United States to Italian citizens not domiciled in the United States and to Italian Companies, and derived exclusively from the exercise of one or more ships flying the Italian flag.”

<sup>1</sup> *Department of State Bulletin*, Feb. 22, 1948, p. 248.

<sup>2</sup> TIAS 1648, *ante*, vol. 4, p. 325.

<sup>3</sup> 7 UST 2999; TIAS 3679.

<sup>4</sup> 42 Stat. 239.

The provisions set forth in this Decree being exactly equivalent to those contained in Section 213, the Italian Government is confident that the competent American Authorities will extend to the Italian Steamship Companies operating in United States ports the treatment contemplated by Section 213 of the Revenue Act of 1921, and this with effect starting from January 1st, 1921.

The Italian Ambassador would much appreciate receiving some assurance in the matter.

WASHINGTON, D. C., *March 10th, 1926.*

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*The Secretary of State to the Italian Ambassador*

The Secretary of State presents his compliments to His Excellency, the Royal Italian Ambassador, and has the honor to acknowledge the receipt of his note of April 24, 1926, in further relation to a decree issued by the Italian Government on March 4, 1926, exempting American shipping interests from the income tax of Italy, in which the Ambassador requests to be informed what decision has been taken by the Treasury Department concerning the exemption of Italian shipping interests from the payment of income tax.

In reply, the Secretary of State has the honor to inform the Italian Ambassador that he is in receipt of a communication from the Treasury Department concerning this matter, a copy of which is enclosed,<sup>5</sup> from which it will be observed that the Treasury Department holds that in view of the Royal Italian Decree No. 340 of March 4, 1926, Italy satisfies the equivalent exemption provision of Section 213(b)(8) of the Revenue Acts of 1921, 1924<sup>6</sup> and 1926,<sup>7</sup> and that consequently so much of the income from sources within the United States received by a non-resident alien or a foreign corporation as consists exclusively of earnings derived from the operation of a ship or ships documented under the laws of Italy is exempt from the Federal income tax.

DEPARTMENT OF STATE,  
WASHINGTON, *May 5, 1926.*

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<sup>5</sup> Not printed here.

<sup>6</sup> 43 Stat. 269.

<sup>7</sup> 44 Stat. 25.