

Subpart A.—Tax Conventions

JORDAN

EMBASSY OF
THE UNITED STATES OF AMERICA
AMMAN, JORDAN
APRIL 7, 1988

Note No. 078

The Embassy of the United States of America presents its compliments to the Ministry of Foreign Affairs of Jordan and has the honor to propose that the two governments conclude an agreement to exempt from income tax, on a reciprocal basis, income derived by residents of the other country from the international operation of ships and aircraft. The terms of the agreement are as follows:

- The Government of the United States of America, in accordance with Sections 872(b) and 883 of the Internal Revenue Code, agrees to exempt from tax gross income derived from the international operation of ships or aircraft by individuals who are residents of Jordan (other than U.S. citizens) and corporations organized in Jordan. This exemption is granted on the basis of equivalent exemptions granted by Jordan to citizens of the United States (who are not residents of Jordan) and to corporations organized in the United States (which are not subject to tax by Jordan on the basis of residence).

- In the case of a corporation, the exemption shall apply only if the corporation meets either of the following conditions:

- (1) More than 50 percent of the value of the corporation's stock is owned,

directly or indirectly, by individuals who are residents of Jordan or of another country which grants a reciprocal exemption to U.S. citizens and corporations; or

- (2) The corporation's stock is primarily and regularly traded on an established securities market in Jordan, or is wholly owned by a corporation whose stock is so traded and which is also organized in Jordan.

For purposes of subparagraph 1, the Government of Jordan and its wholly owned public corporations will be treated as an individual resident of Jordan. For purposes of the exemption from U.S. tax, subparagraph (1) will be considered to be satisfied if the corporation is a "controlled foreign corporation" under the Internal Revenue Code.

- Gross income includes all income derived from the international operation of ships or aircraft on a full (time or voyage) basis and income from the rental of containers and related equipment which is incidental to the international operation of ships or aircraft. It also includes income from the rental on a bareboat basis of ships and aircraft used for international transport.

- The Embassy of the United States of America considers that this Note, together with the Ministry's reply Note confirming that the Government of Jordan agrees to these terms, constitutes an agreement amending the agreement of April 17, 1973 and June 20, 1974.¹ This agreement shall enter into force on the date of the Ministry's reply Note and shall have effect with respect to taxable years beginning on or after January 1, 1987.

¹ TIAS 8002; 26 UST 16.

- Either government may terminate this agreement by giving written notice of termination through diplomatic channels.

- The Embassy of the United States of America takes this opportunity to renew to the Ministry of Foreign Affairs of Jordan the assurances of its highest consideration.

HASHEMITE KINGDOM OF
JORDAN
MINISTRY OF
FOREIGN AFFAIRS
APRIL 7, 1988

No. 490

The Ministry of Foreign Affairs of the Hashemite Kingdom of Jordan present their compliments to the Embassy of the United States of America and have the honour to acknowledge receipt of their Note No. 078 dated April 7, 1988 which reads as follows:

[For text of the U.S. note, see above.]

The Ministry have the further honour to inform the distinguished Embassy that the foregoing proposal is acceptable to the Government of the Hashemite Kingdom of Jordan who therefore agree that the Embassy's note together with this reply shall constitute an agreement between the two governments which shall amend the agreement of April 17, 1973 and June 20, 1974 and shall enter into force on the date of this reply.

The Ministry of Foreign Affairs of the Hashemite Kingdom of Jordan avail themselves of this opportunity to renew to the Embassy of the United States of America the assurances of their highest consideration.