

## Subpart A.—Tax Conventions

### Ethiopia

#### Ministry of Finance Federal Democratic Republic of Ethiopia November 12, 1998

The Ministry of Finance of the Federal Democratic Republic of Ethiopia presents its compliments to the Embassy of the United States of America and has the honor to refer to your letter of 29 May 1998; and we reply to the contents of the letter hereinabove mentioned.

We are glad to inform you that the Ministry of Finance, on behalf of the Federal Democratic Republic of Ethiopia, accepts the terms as detailed in your letter granting exemptions to income derived from the international operation of aircraft and ships and we do extend the same for aircraft and ships of the United States of America residents and corporations organized in the United States of America under the same term, insofar as such ships and aircraft meet the requirements of directives and other regulations issued by the Ministry of transport and communications under Article 18(5) of the Definition of Powers and Duties of the Executive Organs of the Federal Democratic Republic of Ethiopia proclamation No. 4/1995.

This consent shall come into effect on the dates indicated in your letter of proposal.

The Ministry of Finance avails itself of this opportunity to assure to your Excellency its highest consideration and cooperation from it and all other matters.

#### Embassy of the United States of America Federal Democratic Republic of Ethiopia October 30, 1998

The Embassy of the United States of America presents its compliments to the Ministry of Foreign Affairs of the Federal Democratic Republic of Ethiopia and has the honor to send to the Ministry a corrected version of the diplomatic note no. 254 dated May 29, 1998. The Government of the United States of America and the Government of the Federal Democratic Republic of Ethiopia conclude an agreement to exempt from income tax, on a reciprocal basis, income derived by residents of Ethiopia and the United States from the international operation of aircraft and ships. The terms of the agreement are as follows:

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 aircraft and ships by Ethiopian residents and corporations organized in Ethiopia. This exemption is granted on the basis of equivalent exemptions granted by the Government of Ethiopia to United States individual residents and to corporations organized in the United States.

In the case of an Ethiopian corporation, the exemption shall apply only if the corporation meets the ownership or public trading requirements of Ethiopia.

Gross income includes all income derived from the international operation or chartering of aircraft or ships, including:

(a) income from the rental on a full (time or voyage) basis of ships or aircraft used in international transport; (b) income from the rental on a bareboat basis of ships or aircraft used in international transport; (c) income from the rental of containers and related equipment used in international transport that is incidental to income from the international operation of ships or aircraft; and (d) gains from the sale or other alienation of ships or aircraft used in international transport by a person primarily engaged in the international operation of ships or aircraft.

If the proposals set out above are acceptable to the Government of the Federal Democratic Republic of Ethiopia, the Embassy, on behalf of the Government of the United States of America, proposes that this Note together with the Government of Ethiopia's note in reply, shall constitute an agreement between the Government of the United States of America and the Government of the Federal Democratic Republic of Ethiopia which shall enter into force on the date of the Government of the Federal Democratic Republic of Ethiopia's reply, and shall have effect with respect to taxable years beginning on or after January 1, 1998.

The Embassy of the United States of America avails itself of this opportunity to renew to the Ministry of Foreign Affairs of the Federal Democratic Republic of Ethiopia the assurances of its highest consideration.