

Subpart A.—Tax Conventions

RUSSIA

EMBASSY OF
THE UNITED STATES OF AMERICA
MOSCOW
JULY 18, 1994

The Embassy of the United States of America presents its compliments to the Ministry of Foreign Affairs of the Russian Federation. 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 operations of ships or aircraft by individual residents of the Russian Federation (other than U.S. citizens) and corporations which are incorporated in the Russian Federation. This exemption is granted on the basis of equivalent exemptions granted by the Russian Federation to individual residents of the United States and to corporations organized in the United States.

In the case of a Russian corporation, the exemptions shall apply only if the corporation meets the ownership or public trading requirements of U.S. law.

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

- I. Income from the rental on a full (time or voyage) basis of ships or aircraft used in international transport;
- II. Income from the rental on a bareboat basis of ships or aircraft used in international transport if such income is incidental to income from the international operation of ships or aircraft;
- III. Income from the rental of containers and related equipment used in

international transport if such income is incidental to income from the international operation of ships or aircraft;

IV. 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.

When the Government of the Russian Federation agrees to these terms, this will constitute an agreement between the two governments. This agreement shall enter into force on the date of the Government of the Russian Federation's reply note and shall have effect with respect to taxable years beginning on or after January 1, 1991, and terminate from the date of entry into force of the Agreement between the Russian Federation and the United States of America to Avoid Double Taxation and Prevention of Tax Evasion with Respect to Taxes on Income and Capital dated June 17, 1992.

The Embassy of the United States of America avails itself of the opportunity to extend to the Ministry of Foreign Affairs of the Russian Federation renewed assurances of its highest consideration.

RUSSIAN FEDERATION
MINISTRY OF
FOREIGN AFFAIRS
MOSCOW
JULY 21, 1994

The Ministry of Foreign Affairs of the Russian Federation presents its compliments to the Embassy of the United States of America and has the honor to confirm receipt of the Embassy note no. MFA/112/94 dated July 18, 1994, which reads as follows:

The Russian translation of the above-mentioned note agrees in all substantive

respects with the original English text, with the following exceptions:

P. 1, para. 1

English: . . . presents its compliments to the Ministry of Foreign Affairs of the Russian Federation. The Government of the United States of America. . .

Russian: . . . presents its compliments to the Ministry of Foreign Affairs of the Russian Federation *and has the honor to advise that* the Government of the United States of America . . .

Ibid

English: the Internal Revenue Code

Russian: the Tax Code

P. 2, para. IV

English: . . . by a *person primarily* engaged in the international transport . . .

Russian: . . . by a *juridical person* _____ engaged in the international transport . . .

[Translator's note: in the numeration of paragraphs on pp. 1–2, the English text uses Roman numerals, whereas the Russian text employs ordinary numbers]

We have the honor to inform you that the foregoing is acceptable to the Government of the Russian Federation, and it therefore agrees that the U.S. Embassy note and this reply thereto shall constitute an Agreement between the Government of the Russian Federation and the Government of the United States of America, which shall enter into force on the date of this reply.

The Ministry of Foreign Affairs of the Russian Federation avails itself of the opportunity to extend to the Embassy of the United States of America the assurances of its highest consideration.
