

Effected by Exchange of Notes
Note Exchanged at Seoul, April 1, 1969
Entered into Force April 1, 1969

The Minister of Foreign Affairs to the Ambassador of Japan

Seoul, April 1, 1969

Excellency,

I have the honour to confirm, on behalf of my Government, the following understanding reached recently between the representatives of the Government of the Republic of Korea and the Government of Japan concerning the reciprocal tax exemption in respect of the operation of ships or aircraft in international traffic.

1. The Government of the Republic of Korea shall, in accordance with the provisions of the relevant laws of the Republic of Korea, exempt, on a basis of reciprocity, a resident or corporation of Japan from income tax, corporation tax and business tax chargeable in the Republic of Korea on the revenue or income derived by such resident or corporation from the operation in international traffic of ships or aircraft registered in Japan.
2. The Government of Japan shall, in accordance with the provisions of the relevant laws of Japan, exempt, on a basis of reciprocity, a resident or corporation of the Republic of Korea from income tax, corporation tax, local inhabitant taxes and enterprise tax chargeable in Japan on the revenue or income derived by such resident or corporation from the operation in international traffic of ships or aircraft registered in the Republic of Korea.
3. The provisions of paragraphs 1 and 2 shall likewise apply in respect of participations in a pool in a joint business or in an international operations agency of any kind by a resident or corporation of the Republic of Korea or Japan engaged in the operation of ships or aircraft in international traffic. In such a case, the exemption of taxes as provided for in paragraphs 1 and 2 shall be applied only with respect to the revenue or income shared by a resident or corporation of the Republic of Korea or Japan.
4. (a) The term "resident or corporation of Japan" referred to in paragraph 1 means any individual who is a resident of Japan for the purpose of Japanese tax and not a resident of the Republic of Korea for the purpose of tax of the Republic of Korea or any corporation (including any entity treated as a corporation for the purpose of Japanese tax) which has its head or main office in Japan.
(b) The term "resident or corporation of the Republic of Korea" referred to in paragraph 2 means any individual who is a resident of the Republic of Korea for the purpose of tax of the Republic of Korea and not a resident of Japan for the purpose of Japanese tax or any corporation (including any entity treated as a corporation for the purpose of tax of the Republic of Korea) which has its head or main office in the Republic of Korea.
5. The exemption of taxes as provided for in paragraphs 1 and 2 shall be applicable to revenue or income for the taxable periods, taxable years or accounting periods beginning

on or after the first day of April 1969.

6. This arrangement shall cease to have effect if and when such exemption of taxes as provided for in paragraphs 1 and 2 ceases to be practicable in either the Republic of Korea or Japan because of any revision or repeal of the relevant laws or enactment of a new law. Such revision, repeal or enactment should be notified to the other Government within 60 days from the date of such revision, repeal or enactment.

I have further the honour to request Your Excellency to be good enough to confirm the foregoing understanding on behalf of the Government of Japan.

I avail myself of this opportunity to renew to Your Excellency the assurance of my highest consideration.

Kyu Hah Choi
Minister of Foreign Affairs

His Excellency
Augustin M. Kanayama
Ambassador Extraordinary and Plenipotentiary
of Japan to the Republic of Korea

The Ambassador of Japan in the Minister of Foreign Affairs

Seoul, April 1. 1969

Excellency,

I have the honour to acknowledge receipt of Your Excellency's Note of today's date which reads as follows:

"I have the honour to confirm, on behalf of my Government, the following understanding reached recently between the representatives of the Government of the Republic of Korea and the Government of Japan concerning the reciprocal tax exemption in respect of the operation of ships or aircraft in international traffic.

1. The Government of the Republic of Korea shall, in accordance with the provisions of the relevant laws of the Republic of Korea, exempt, on a basis of reciprocity, a resident or corporation of Japan from income tax, corporation tax chargeable in the Republic of Korea on the revenue or income derived by such resident or corporation from the operation in international traffic of ships or aircraft registered in Japan.
2. The Government of Japan shall, in accordance with the provisions of the relevant laws of Japan, exempt, on a basis of reciprocity, a resident or corporation of the Republic of Korea from income tax, corporation tax, local inhabitant taxes and enterprise tax chargeable in Japan on the revenue or income derived by such resident or corporation from the operation in international traffic of ships or aircraft registered in the Republic of Korea,
3. The provisions of paragraphs 1 and 2 shall likewise apply in respect of participations in a pool, in a joint business or in an international operations agency of any kind by a resident or corporation of the Republic of Korea or Japan engaged in the operation of ships or aircraft in international traffic. In such a case, the exemption of taxes as provided for in paragraphs 1 and 2 shall be applied only with respect to the revenue or income shared by a resident or corporation of the Republic of Korea or Japan.
4. (a) The term "resident or corporation of Japan" referred to in paragraph 1 means any individual who is a resident of Japan for the purpose of Japanese tax and not a resident of the Republic of Korea for the purpose of tax of the Republic of Korea or any corporation (including any entity treated as a corporation for the purpose of Japanese tax) which has its head or main office in Japan.
(b) The term "resident or corporation of the Republic of Korea" referred to in paragraph 2 means any individual who is a resident of the Republic of Korea for the purpose of tax of the Republic of Korea and not a resident of Japan for the purpose of Japanese tax or any corporation (including any entity treated as a corporation for the purpose of tax of the Republic of Korea) which has its head or main office in the Republic of Korea.
5. The exemption of taxes as provided for in paragraphs 1 and 2 shall be applicable to revenue or income for the taxable periods, taxable years or accounting periods beginning on or after the first day of April 1969.

6. This arrangement shall cease to have effect if and when such exemption of taxes as provided for in paragraphs 1 and 2 ceases to be practicable in either the Republic of Korea or Japan because of any revision or repeal of the relevant laws or enactment of a new law. Such revision, repeal or enactment should be notified to the other Government within 60 days from the date of such revision, repeal or enactment.

I have further the honour to request Your Excellency to be good enough to confirm the foregoing understanding on behalf of the Government of Japan.“

I have further the honour to confirm the understanding set forth in Your Excellency 's Note on behalf of the Government of Japan.

I avail myself of this opportunity to renew to Your Excellency the assurance of my highest consideration.

Augustin M. Kanayama
Ambassador Extraordinary and Plenipotentiary
of Japan to the Republic of Korea

His Excellency
Kyu Hah Choi
Minister of Foreign Affairs
of the Republic of Korea
Seoul