

## COMPETENT AUTHORITY AGREEMENT

The Competent Authorities of the United States and Germany enter into the following agreement (“Agreement”) concerning the taxation of certain consular employees under the Convention Between the United States of America and the Federal Republic of Germany for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital and to Certain Other Taxes, signed at Bonn on August 29, 1989, as amended by the Protocol, signed at Berlin on June 1, 2006 (the “Tax Treaty”).

This Agreement is entered into pursuant to paragraph 3(a)(aa) of Article 1 and paragraph 3 of Article 25 (Mutual Agreement Procedure) of the Tax Treaty. Paragraph 3(a)(aa) of Article 1 provides that the Contracting States may agree that any question arising as to the interpretation or application of the Tax Treaty and, in particular, whether a taxation measure is within the scope of the Tax Treaty, shall be determined exclusively in accordance with the provisions of Article 25 of the Tax Treaty.

Paragraph 1(b) of Article 19 (Government Service) of the Tax Treaty provides that remuneration paid by the State for which the services are provided (the “sending State”) shall be taxable only in the Contracting State in which the services are rendered (the “receiving State”) if the individual is a resident of the receiving State who: (i) is a national of the receiving State, or (ii) did not become a resident of the receiving State solely for the purpose of rendering the services (i.e., the individual was a resident of the receiving State prior to being hired, even if the individual is a national of the sending State). By these terms, the remuneration of certain consular employees of the United States working in Germany who are U.S. nationals would be taxable in Germany, and the remuneration of certain consular employees of Germany working in the United States who are German nationals would be taxable in the United States.

Article XIX of the Treaty of Friendship, Commerce and Consular Rights between the United States and Germany, signed at Washington on December 8, 1923 (the “Consular Treaty”) provides: “All consular officers and employees, nationals of the State appointing them shall be exempt from the payment of taxes on the salary, fees, or wages received by them in compensation for their consular services.”

It has come to the attention of the Competent Authorities that, in light of the Consular Treaty, difficulties have arisen as to whether the taxation of the remuneration of consular employees of the United States and Germany who are nationals of the sending State but residents of the receiving State and who fall outside the scope of the Vienna Convention on Consular Relations (such consular employees hereinafter referred to as “resident consular employees”) is within the scope of the Tax Treaty.

Paragraph 2(b) of Article 1 (General Scope) of the Tax Treaty provides that the Tax Treaty shall not restrict in any manner any exemption accorded by any other agreement to which the Contracting States are a party.

Under the authority of Paragraph 3(a)(aa) of Article 1 of the Tax Treaty, the Competent Authorities agree that Article XIX of the Consular Treaty constitutes an “exemption” accorded by the Consular Treaty within the meaning of Paragraph 2(b) of Article 1 of the Tax Treaty. The Competent Authorities further note that it is the view of the Governments of Germany and the United States that Article XIX provides an exemption from income tax in the receiving State for resident consular employees, as that term is defined herein. Therefore, such resident consular employees are not subject to Paragraph 1(b) of Article 19 of the Tax Treaty. Thus, in accordance with Article 1 of the Tax Treaty, taxation of the remuneration of such employees is not within the scope of the Tax Treaty. Article XIX of the Consular Treaty applies and the remuneration of such resident consular employees of the United States working in Germany who are U.S. (or dual) nationals is exempt from tax in Germany, and the remuneration of such resident consular employees of Germany working in the United States who are German (or dual) nationals is exempt from tax in the United States.

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