

September 26, 2004

Excellency:

I have the honor to refer to the Convention signed today between the Government of the United States of America and the Government of the People's Republic of Bangladesh for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income. The following understandings were reached between our two Governments:

1. If the United States reaches agreement on the provision of a tax sparing credit with any other country, the United States agrees to reopen negotiations with Bangladesh with a view to the conclusion of a protocol which would extend a tax sparing credit under the treaty.

2. In applying Article 7 (Business Profits) to any case where the information available to the tax authorities is inadequate to determine the profits to be attributed to such permanent establishment, the profits properly attributable to the permanent establishment may be determined on a reasonable basis applying principles consistent with Article 7.

If these understandings meet with the approval of the Government of the People's Republic of Bangladesh, this note and your reply thereto will indicate that our Governments share these understandings.

Accept, Excellency, the renewed assurances of my highest consideration.

September 26, 2004

Excellency:

I have the honor to acknowledge receipt of Your Excellency's note of today which reads as follows:

"I have the honor to refer to the Convention signed today between the Government of the United States of America and the Government of the People's Republic of Bangladesh for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income. The following understandings were reached between our two Governments:

1. If the United States reaches agreement on the provision of a tax sparing credit with any other country, the United States agrees to reopen negotiations with Bangladesh with a view to the conclusion of a protocol which would extend a tax sparing credit under the treaty.

2. In applying Article 7 (Business Profits) to any case where the information available to the tax authorities is inadequate to determine the profits to be attributed to such permanent establishment, the profits properly attributable to the permanent establishment may be determined on a reasonable basis applying principles consistent with Article 7.

If these understandings meet with the approval of the Government of the People's Republic of Bangladesh, this note and your reply thereto will indicate that our Governments share these understandings."

The foregoing understandings being acceptable to the Government of the People's Republic of Bangladesh, I have the honor to confirm that our Governments share these understandings.

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