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**STATE BOARD OF EQUALIZATION**

August 23, 1966

Attention:  
Gentlemen:

Your letter of July 28, 1966, to Mr. B. H. Trice, Supervising Auditor, San Francisco, has been referred to this office for reply.

It is our understanding that your firm sold several pieces of anchor chain to the Chilean Government for use as part of the running gear of a naval vessel recently purchased from the United States Navy. The anchor chain was delivered to the ship in the port of San Francisco.

It is further our understanding that the Chilean Government and the United States Navy's legal counsel contend that, since the vessel flies the Chilean flag, it constitutes foreign territory and, therefore, the delivery of the chain thereto was an export and the sale was in foreign commerce.

As indicated in the recent case of Shell Oil Co. v. State Board of Equalization, 64 A.C. 773, decided June 6, 1966, the California Supreme Court has held that:

"An article delivered to a vessel which flies a foreign flag cannot, for that reason alone, be deemed to have been received at a foreign country or destination and thus to have become an 'export' within the definitions promulgated by the United States Supreme Court."

In view of the foregoing, it is our opinion that the sale of the anchor chain to the Chilean Government was a taxable retail sale made in this state and not an exempt export sale. Accordingly, we cannot recommend any adjustment with respect to the application of sales tax thereto.

Very truly yours,

George A. Trigueros  
Associated Tax Counsel

GAT: em  
cc: Mr. Hector Vurr  
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