

Internal Revenue Service, Treasury

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collection of taxes, the Contracting States may, in accordance with their respective practices, prescribe rules concerning matters of procedure, forms of application and replies thereto, conversion of currency, disposition of amounts collected, minimum amounts subject to collection, and related matters.

ARTICLE XVI

(1) The provisions of the present Convention shall not be construed to restrict in any manner any exemption, deduction, credit or other allowance accorded by the laws of one of the Contracting States in the determination of the taxes imposed by such State.

(2) Should any difficulty or doubt arise as to the interpretation or application of the present Convention, the competent authorities of the Contracting States shall undertake to settle the question by mutual agreement.

(3) The citizens or subjects of one of the Contracting States shall not, while resident in the other Contracting State, be subjected therein to other or more burdensome taxes than are the citizens or subjects of such other Contracting State residing in its territory. The term "citizens" or "subjects", as used in this Article, includes all legal persons, partnerships and associations deriving their status from, or created or organized under, the laws in force in, the respective Contracting States. In this Article the word "taxes" means taxes of every kind or description whether national, federal, state, provincial or municipal.

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ARTICLE XVIII

The competent authorities of the Contracting States shall exchange such information (being information which such authorities have at their disposal) as is necessary for carrying out the provisions of the present Convention or for the prevention of fraud or the administration of statutory provisions against legal avoidance in relation to the taxes which are the subject of the present Convention. Any information so exchanged shall be treated as secret and shall not be disclosed to any person other than those concerned with the assessment, and collection of the taxes which are the subject of the present Convention. No information shall be exchanged which would disclose a technical secret, or process relating to trade, industry, business, or a profession.

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ARTICLE XX

(1) In no case shall the provisions of Article XVIII and XIX be construed so as to im-

pose upon either of the Contracting States the obligation:

(a) To carry out administrative measures at variance with the regulations and practice of either Contracting State, or

(b) To supply information which is not procurable under its own legislation or that of the State making application.

(2) The State to which application is made for information or assistance shall comply as soon as possible with the request addressed to it. Nevertheless, such State may refuse to comply with the request for reasons of public policy or if compliance would involve disclosure of a technical secret or process relating to trade, industry, business, or a profession. In such case it shall inform, as soon as possible, the State making the application.

ARTICLE XXI

(1) The present Convention shall be ratified and the instruments of ratification shall be exchanged at Athens as soon as possible.

(2) The present Convention shall become effective on the first day of January of the year in which the exchange of the instruments of ratification takes place. It shall continue effective for a period of five years beginning with that date and indefinitely after that period, but may be terminated by either of the Contracting States at the end of the five-year period or at any time thereafter, provided that at least six months' prior notice of termination has been given, the termination to become effective on the first day of January following the expiration of the six-month period.

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(b) As used in this part, any term defined in the convention shall have the meaning so assigned to it; any term not so defined shall, unless the context otherwise requires, have the meaning which such term has under the internal revenue laws.

§ 502.2 Dividends.

(a) Dividends paid on or after January 1, 1953, by a Greek corporation are exempt from United States tax under the provisions of Article IX of the convention if the recipient is not a citizen, resident, or corporation of the United States. Such dividends are, therefore, not subject to the withholding of United States tax at source.

(b) The convention does not change the rate of United States tax imposed pursuant to sections 871, 881, and 882 of the Internal Revenue Code of 1954 upon dividends paid by a corporation other

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than a Greek corporation. The withholding of United States tax with respect to such dividends derived from sources within the United States by nonresident aliens who are residents of Greece, or by Greek corporations, is not changed by the convention.

§ 502.3 Interest.

(a) *General.* (1) Interest paid on or after January 1, 1953, by a Greek corporation is exempt from United States tax under the provisions of Article IX of the convention if the recipient is not a citizen, resident, or corporation of the United States. Interest paid to such recipients is, therefore, not subject to the withholding of United States tax at source.

(2) Interest (other than interest falling within the scope of paragraph (b) of this section) on bonds, securities, notes, debentures, or on any other form of indebtedness, including interest on obligations of the United States, obligations of instrumentalities of the United States, and mortgages and bonds secured by real property, which is paid by a person other than a Greek corporation and which is received from sources within the United States on or after January 1, 1953, by a nonresident alien (including a nonresident alien individual, fiduciary, and partnership) who is a resident of Greece, or by a Greek corporation, is exempt from United States tax under the provisions of Article VI (1) of the convention if such alien or corporation at no time during the taxable year in which such interest is received has engaged in trade or business within the United States through a permanent establishment situated therein. Such interest is, therefore, not subject to the withholding of United States tax at source. As to what constitutes a permanent establishment, see Article II (1)(i) of the convention.

(b) *Exemption not applicable to interest paid by subsidiary corporation to its parent corporation.* Under the exception contained in Article VI (1) of the convention any interest received from sources within the United States and paid by a domestic corporation to a Greek corporation is not exempt from United States tax if such Greek corporation controls, directly or indi-

rectly, at the time the interest is paid more than 50 percent of the entire voting power of all classes of stock of such domestic corporation. The exemption from United States tax provided by Article VI (1) of the convention does not, therefore, apply to such interest paid by such domestic corporation.

(c) *Application of exemption from withholding.* (1) To avoid withholding of United States tax at source in the case of coupon bond interest to which paragraph (a)(2) of this section is applicable, the nonresident alien who is a resident of Greece, or the Greek corporation, shall for each issue of bonds file Form 1001-G in duplicate when presenting the interest coupons for payment. This form shall be signed by the owner of the interest, trustee, or agent and shall show the name and address of the obligor, the name and address of the owner of the interest, and the amount of the interest. It shall contain a statement (i) that the owner is a resident of Greece, or is a Greek corporation, (ii) that the owner is not engaged in trade or business within the United States through a permanent establishment situated therein, and, in the case of interest paid by a domestic corporation to a Greek corporation, (iii) that the owner does not control, directly or indirectly, more than 50 percent of the entire voting power of all classes of stock of the United States domestic corporation.

(2) The exemption from United States tax contemplated by Article VI (1) of the convention, insofar as it concerns coupon bond interest, is applicable only to the owner of the interest. The person presenting the coupon or on whose behalf it is presented shall, for the purpose of the exemption from tax, be deemed to be the owner of the interest only if he is, at the time the coupon is presented for payment, the owner of the bond from which the coupon has been detached. If the person presenting the coupon or on whose behalf it is presented is not the owner of the bond, Form 1001, and not Form 1001-G, shall be executed.

(3) The original and duplicate of Form 1001-G shall be forwarded by the withholding agent to the District Director of Internal Revenue, Audit Division, Alien Returns Section, Baltimore