

by reason of the exception contained in Article VI (1) of the convention, the exemption will apply to such interest, the Greek corporation shall not undertake to file any Form 1001-G or letter of notification prescribed by paragraph (c) of this section unless it has, prior to such filing, applied for and received from the Commissioner of Internal Revenue, Washington 25, D.C., a determination that such Greek corporation does not control, directly or indirectly, more than 50 percent of the entire voting power in the paying corporation. The application to the Commissioner shall contain a full statement of all the facts pertinent to a determination of the question.

(2) As soon as practicable after the application has been filed, the Commissioner of Internal Revenue will determine whether the Greek corporation has such control of the domestic corporation as to render the exemption provided by Article VI (1) of the convention inapplicable to interest paid by such domestic corporation to such Greek corporation and shall notify the Greek corporation of his determination. The Greek corporation shall forthwith file with the domestic corporation a copy of the Commissioner's letter of notification.

(3) If the Commissioner's determination is that the Greek corporation does not control, directly or indirectly, more than 50 percent of the entire voting power of all classes of stock of the domestic corporation, the Greek corporation may thereafter avoid withholding at the source with respect to subsequent payments of such interest by complying with the provisions of paragraph (c) of this section, that is, by submitting Form 1001-G in the case of coupon bond interest, or the letter of notification for each three-calendar-year period in the case of interest other than interest payable by means of coupons.

(4) A determination of the Commissioner that the Greek corporation does not have such control of the domestic corporation as to render the exemption provided by Article VI (1) of the convention inapplicable will apply until such time as the stock ownership of the domestic corporation has changed to the extent that interest to be re-

ceived from the domestic corporation by the Greek corporation is no longer exempt from United States tax under Article VI (1) of the convention. If such change in stock ownership occurs, the Greek corporation shall promptly notify both the Commissioner of Internal Revenue and the domestic corporation of the then existing facts with respect to such stock ownership.

(5) In any case in which a Greek corporation has received on or after January 1, 1954, interest from a domestic corporation and the relationship existing between the Greek corporation and the domestic corporation was at the time the interest was paid such as to render uncertain whether, by reason of the exception contained in Article VI (1) of the convention, such interest was exempt from United States tax, the Greek corporation shall apply to the Commissioner of Internal Revenue for a similar determination as to the degree of control at the time the interest was paid. If the Commissioner's determination is that at such time the degree of control was such as to permit the application of the exemption provided by Article VI (1) of the convention, his letter of notification may, subject to the provisions of § 502.7(b), authorize the release of excess tax withheld with respect to such exempt interest.

#### **§ 502.4 Natural resource royalties and real property rentals.**

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 natural resource royalties and real property rentals. The withholding of United States tax with respect to such items 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.

#### **§ 502.5 Patent and copyright royalties.**

(a) *General.* (1) Royalties for the right to use copyrights, patents, designs, secret processes and formulae, trade marks, and other analogous property, and royalties and rentals for the use of industrial, commercial, or scientific equipment, which are derived 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, are exempt from United States tax under the provisions of Article VII of the convention if such alien or corporation at no time during the taxable year in which such income is derived has engaged in trade or business within the United States through a permanent establishment situated therein. Such royalties are, 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.

(2) The provisions of this section shall have no application to rentals or royalties in respect of motion picture films.

(b) *Application of exemption from withholding.* (1) To avoid withholding of United States tax at source in the case of the income to which paragraph (a) of this section is applicable, the nonresident alien who is a resident of Greece, or the Greek corporation, shall notify the withholding agent by letter in duplicate that such income is exempt from United States tax under the provisions of Article VII of the convention. The provisions of § 502.3(c) (other than those pertaining to the degree of control of voting power) relating to the execution, filing, and effective period of the letter of notification prescribed therein with respect to interest, including its use for the release of excess tax withheld, are equally applicable with respect to the income falling within the scope of this section.

(2) Each letter of notification, or the duplicate thereof, shall be immediately forwarded by the withholding agent to the District Director of Internal Revenue, Audit Division, Alien Returns Section, Baltimore 2, Maryland.

#### **§ 502.6 Private pensions and life annuities.**

(a) *General.* Private pensions and life annuities, as defined in Article XI (3) and (4) of the convention, derived from sources within the United States on or after January 1, 1953, by a nonresident alien individual who is a resident of

Greece are exempt from United States tax under the provisions of Article XI(2) of the convention. Such items of income are, therefore, not subject to the withholding of United States tax at source.

(b) *Application of exemption from withholding.* (1) To avoid withholding of United States tax at source in the case of the items of income to which paragraph (a) of this section is applicable, the nonresident alien individual who is a resident of Greece shall notify the withholding agent by letter in duplicate that such income is exempt from United States tax under the provisions of Article XI of the convention. The letter of notification shall be signed by the owner of the income, shall show the name and address of both the payer and the owner of the income, and shall contain a statement that the owner, an individual, is neither a citizen nor a resident of the United States but is a resident of Greece.

(2) If such letter is also to be used as authorization for the release, pursuant to § 502.7(a), of excess tax withheld from such items of income, it shall also contain a statement that the owner was, at the time when the income was derived from which the excess tax was withheld, neither a citizen nor a resident of the United States but was a resident of Greece.

(3) This letter shall constitute authorization for the payment of such items of income without withholding of United States tax at source unless the Commissioner of Internal Revenue subsequently notifies the withholding agent that the tax shall be withheld with respect to payments of such items of income made after receipt of such notice. If, after filing a letter of notification, the owner of the income ceases to be eligible for the exemption from United States tax granted by the convention in respect to such income, he shall promptly notify the withholding agent by letter in duplicate. When any change occurs in the ownership of such income as recorded on the books of the payer, the exemption from withholding of United States tax shall no longer apply unless the new owner of record is entitled to and does properly file a letter of notification with the withholding agent.