

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.

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(4) 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.

§ 502.7 Release of excess tax withheld at source.

(a) *General.* (1) In order to give the convention effective application at the earliest practicable date, the exemptions from withholding of United States tax at source granted by this part are hereby made effective beginning January 1, 1954, contingent upon compliance with the applicable provisions of §§ 502.2 through 502.6.

(2) In the case of dividends and interest paid by a Greek corporation to a recipient other than a citizen, resident, or corporation of the United States, if United States tax at the statutory rate has been withheld on or after January 1, 1954, there shall be released by the withholding agent and paid over to the person from whom it was withheld, an amount equal to the tax so withheld from such items.

(3) In the case of every taxpayer whose address at the time of payment was in Greece and who furnishes to the withholding agent the letter of notification prescribed in §§ 502.3(c), 502.5(b), and 502.6(b) as authorization for the release of excess tax withheld, if United States tax at the statutory rate (30 percent as of the date of approval of this part) has been withheld on or after January 1, 1954, from interest (other than coupon bond interest), copyright royalties and other items to which § 502.5(a) is applicable, and from private pensions and life annuities as defined in Article XI, there shall be released (except as provided in paragraph (b) of this section) by the withholding agent and paid over to the person from whom it was withheld an amount equal to the tax so withheld from such items.

(4) In the case of every taxpayer whose address at the time of payment was in Greece and who furnishes to the withholding agent Form 1001-G clearly marked "Substitute" and executed in accordance with § 502.3(c), if United States tax at the statutory rate has been withheld from coupon bond interest on or after January 1, 1954, there

shall be released (except as provided in paragraph (b) of this section) by the withholding agent and paid over to the person from whom it was withheld an amount equal to the tax so withheld from such interest. One such substitute form shall be filed in duplicate with respect to each issue of bonds and will serve with respect to that issue to replace all Forms 1001 previously filed by the taxpayer in the calendar year in which the excess tax was withheld and with respect to which such excess is released.

(5) The original and duplicate of substitute Form 1001-G shall be forwarded by the withholding agent to the District Director of Internal Revenue, Audit Division, Alien Returns Section, Baltimore 2, Maryland, with the quarterly return on Form 1012. Substitute Form 1001-G need not be listed on Form 1012.

(6) The provisions of this section (other than paragraph (c) of this section) shall have no application to excess tax withheld at source which has been paid by the withholding agent to the district director of internal revenue.

(b) *Interest paid where degree of stock ownership is determined.* If United States tax at the rate of 28 percent or 30 percent, as the case may be, has been withheld on or after January 1, 1954, from interest paid by a domestic corporation to a Greek corporation whose address at the time of payment was in Greece, and if 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 withholding agent shall release and pay over to the Greek corporation an amount equal to the tax so withheld only if the Greek corporation (1) furnishes to the domestic corporation a copy of the Commissioner's authorization of release prescribed in § 502.3 (d) and (2) files the letter of notification prescribed in § 502.3(c), or the substitute Form 1001-G prescribed in paragraph (a) of this section, whichever is applicable.