

section 211(a)(1)(B) or 211(c) of the Internal Revenue Code of 1939, shall be disclosed on the return. In the event that securities are held in the name of a person other than the actual or beneficial owner, the name and address of such person shall be furnished with the claim. In the case of a claim involving an overpayment of tax upon dividends or interest paid by a Greek corporation, a statement that the dividends or interest were paid by such a corporation shall be included in the claim. If the claim relates to other interest, copyright royalties and the like, pensions, or life annuities, there shall also be included in such claim:

(1) A statement that, at the time when such item or items of income were derived from which the excess tax was withheld, (i) the taxpayer was neither a citizen nor a resident of the United States but was a resident of Greece, or, in the case of a corporation, (ii) the taxpayer was a Greek corporation;

(2) A statement that the taxpayer at no time during the taxable year in which such income was derived was engaged in trade or business within the United States through a permanent establishment situated therein; and

(3) In the case of a claim involving an overpayment of tax upon interest paid by a domestic corporation to a Greek corporation, a statement that the Greek corporation, at the time when the interest was paid, did 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. If the relationship existing between the Greek corporation and the domestic corporation at the time when such interest was paid was such as to render uncertain whether the exemption granted by Article VI (1) of the convention is applicable to such interest, there shall be furnished a full statement of all the facts pertinent to a determination of the question.

(c) If, however, the taxpayer is an individual who during the taxable year derived from sources within the United States income which consists exclusively of pensions or life annuities entitled to the benefit of Article XI of the convention, the statement specified in

paragraph (b)(2) of this section shall not be required.

## PART 503—GERMANY

### Subpart—Withholding of Tax

Sec.

503.1 Introductory.

503.2 Dividends.

503.3 Interest.

503.4 Patent and copyright royalties and film rentals.

503.5 Private pensions and private life annuities.

503.6 Release of excess tax withheld at source.

503.7 Information to be furnished in ordinary course.

503.8 Beneficiaries of a domestic estate or trust.

503.9 Land Berlin.

AUTHORITY: Sec. 7805, 68A Stat. 917; 26 U.S.C. 7805.

SOURCE: Treasury Decision 6122, 20 FR 682, Feb. 1, 1955, as amended at 25 FR 14021, Dec. 31, 1960, unless otherwise noted.

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### Subpart—Withholding of Tax

#### § 503.1 Introductory.

(a) The income tax convention between the United States and the Federal Republic of Germany, signed on July 22, 1954, and proclaimed by the President of the United States on December 24, 1954, referred to in this part as the convention, provides in part as follows, effective for taxable years beginning on or after January 1, 1954:

#### ARTICLE I

(1) The taxes referred to in this Convention are:

(a) In the case of the United States of America: The Federal income taxes, including surtaxes and excess profits taxes;

(b) In the case of the Federal Republic: The income tax, the corporation tax and the Berlin emergency contribution (Notopfer).

(2) The present Convention shall also apply to any other income or profits tax of a substantially similar character which may be imposed by one of the contracting States

## Internal Revenue Service, Treasury

## § 503.1

after the date of signature of the present Convention.

### ARTICLE II

(l) As used in this Convention:

(a) The term "United States" means the United States of America, and when used in a geographical sense means the States, the Territories of Alaska and Hawaii, and the District of Columbia;

(b) The term "Federal Republic" means the Federal Republic of Germany and when used in a geographical sense means the territory over which the Basic Law for the Federal Republic of Germany is in effect;

(c) The term "permanent establishment" means a branch, office, factory, workshop, warehouse, mine, stone quarry or other place of exploitation of the ground or soil, permanent display and sales office, or a construction or assembly project or the like the duration of which exceeds or will likely exceed twelve months, or other fixed place of business; but does not include the casual and temporary use of mere storage facilities, nor does it include an agent or employee unless the agent or employee has full power for the negotiation and concluding of contracts on behalf of the enterprise and also habitually exercises this power, or has a stock of merchandise from which he regularly fills orders on behalf of the enterprise. An enterprise of one of the contracting States shall not be deemed to have a permanent establishment in the other State merely because it carries on business dealings in such other State through a commission agent, broker, custodian or other independent agent, acting in the ordinary course of his business as such. The fact that an enterprise of one of the contracting States maintains in the other State a fixed place of business exclusively for the purchase of goods and merchandise shall not of itself constitute such fixed place of business a permanent establishment of the enterprise. The fact that a corporation of one contracting State has a subsidiary corporation which is a corporation of the other State or which is engaged in trade or business in the other State shall not of itself constitute that subsidiary corporation a permanent establishment of its parent corporation. The maintenance within the territory of one of the contracting States by an enterprise of the other contracting State of a warehouse for convenience of delivery and not for purposes of display shall not of itself constitute a permanent establishment within that territory;

(d) The term "enterprise of one of the contracting States" means, as the case may be, "United States enterprise" or "German enterprise";

(e) The term "United States enterprise" means an industrial or commercial enterprise or undertaking carried on in the United States by a resident (including an individual

in his individual capacity or as a member of a partnership) or a fiduciary of the United States or by a United States corporation or other entity; the term "United States corporation or other entity" means a corporation or other entity created or organized under the law of the United States or of any State or Territory of the United States;

(f) The term "German enterprise" means an industrial or commercial enterprise or undertaking carried on in the Federal Republic by a natural person (including an individual in his individual capacity or as a member of a partnership) resident in the Federal Republic or by a German company; the term "German company" means juridical persons together with entities treated as juridical persons for tax purposes under the laws of the Federal Republic; and

(g) The term "competent authorities" means, in the case of the United States, the Commissioner of Internal Revenue as authorized by the Secretary of the Treasury; and in the case of the Federal Republic, the Federal Ministry of Finance.

(2) In the application of the provisions of this Convention by one of the contracting States any term not otherwise defined shall, unless the context otherwise requires, have the meaning which the term has under its own applicable laws. For the purposes of this Convention "residence" in the Federal Republic shall include the customary place of abode therein.

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### ARTICLE VI

(1) The rate of tax imposed by the United States shall not exceed 15 percent in the case of dividends from sources within the United States derived by a German company not having a permanent establishment in the United States and owning at least 10 percent of the voting stock of the corporation paying such dividend.

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(3) If, subsequent to the date of signature of this Convention, the percentage of stock ownership provided in section 131(f)(1) of the Internal Revenue Code [of 1939] is reduced, the percentage of stock ownership provided in paragraphs 1 and \* \* \* of this Article shall likewise be deemed to be simultaneously reduced.

### ARTICLE VII

Interest on bonds, notes, debentures, securities or on any other form of indebtedness (exclusive of interest on debts secured by mortgages on farms, timberlands or real property used wholly or partly for housing purposes) derived, bona fide as interest.

§ 503.1

(A) by a natural person resident in the Federal Republic, or by a German company, not having a permanent establishment in the United States, shall be exempt from tax by the United States; or

\* \* \* \* \*

ARTICLE VIII

Royalties and other amounts derived as bona fide consideration for the right to use copyrights, artistic and scientific works, patents, designs, plans, secret processes and formulae, trade-marks and other like property and rights (including rentals and like payments in respect to motion picture films or for the use of industrial, commercial or scientific equipment), derived

(A) by a natural person resident in the Federal Republic, or by a German company, not having a permanent establishment in the United States, shall be exempt from tax by the United States; or

\* \* \* \* \*

ARTICLE IX

(1) Income from real property situated in one of the contracting States (including gains derived from the sale or exchange of such property and interest on debts secured by mortgages on farms, timberlands, or real property used wholly or partly for housing purposes) and royalties in respect of the operation of mines, stone quarries or other natural resources derived by a resident or corporation or other entity or company of the other contracting State, shall be taxable only by the former State.

(2)(a) A natural person resident in the Federal Republic or a German company deriving from sources within the United States any item of income coming within the scope of paragraph (1) of this Article, may, for any taxable year, elect to be subject to tax by the United States on a net income basis as if such resident or company were engaged in trade or business within the United States through a permanent establishment therein.

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ARTICLE XI

(1)(a) Wages, salaries and similar compensation and pensions paid by the United States or by its states, territories or political subdivisions, to an individual (other than a German citizen) shall be exempt from tax by the Federal Republic.

(b) Wages, salaries and similar compensation and pensions paid by the Federal Republic, Laender or municipalities, or by a public pension fund, to an individual (other than a citizen of the United States and other than an individual who has been admitted to the

26 CFR Ch. I (4-1-00 Edition)

United States for permanent residence therein) shall be exempt from tax by the United States.

(c) For the purposes of this paragraph the term "pensions" shall be deemed to include annuities paid to a retired civilian government employee.

(2) Private pensions and private life annuities which are from sources within one of the contracting States and are paid to individuals residing in the other contracting State shall be exempt from taxation by the former State.

(3) The term "pensions", as used in this Article, means periodic payments made in consideration for services rendered or by way of compensation for injuries received.

(4) The term "life annuities", as used in this Article, means a stated sum payable periodically at stated times during life, or during a specified number of years, under an obligation to make the payments in return for adequate and full consideration in money or money's worth.

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ARTICLE XIV

(1) Dividends and interest paid by a German company (other than a United States corporation) shall be exempt from United States tax where the recipient is a non-resident alien or a foreign corporation.

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ARTICLE XVI

(1) The competent authorities of the contracting States shall exchange such information (being information available under the respective taxation laws of the contracting States) as is necessary for carrying out the provisions of the present Convention or for the prevention of fraud or the like 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 persons 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 any trade, business, industrial or professional secret or any trade process.

(2) Each of the contracting States may collect such taxes imposed by the other contracting State as though such taxes were the taxes of the former State as will ensure that any exemption or reduced rate of tax granted under the present Convention by such other State shall not be enjoyed by persons not entitled to such benefits.

(3) In no case shall the provisions of this Article be construed so as to impose upon either of the contracting States the obligation

## Internal Revenue Service, Treasury

## § 503.2

to carry out administrative measures at variance with the regulations and practice of either contracting State or which would be contrary to its sovereignty, security or public policy or to supply particulars which are not procurable under its own legislation or that of the State making application.

### ARTICLE XVII

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(2) For the settlement of difficulties or doubts in the interpretation or application of the present Convention or in respect of its relation to Conventions of the contracting States with third States the competent authorities of the contracting States shall reach a mutual agreement as quickly as possible.

### ARTICLE XVIII

(1) The provisions of this Convention shall not be construed to deny or affect in any manner the right of diplomatic and consular officers to other or additional exemptions now enjoyed or which may hereafter be granted to such officers.

(2) The provisions of the present Convention shall not be construed to restrict in any manner any exemption, deduction, credit or other allowance now or hereafter accorded, by the laws of one of the contracting States in the determination of the tax imposed by such State, or by any other agreement between the contracting States.

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### ARTICLE XIX

(1) The competent authorities of the two contracting States may prescribe regulations necessary to carry into effect the present Convention within the respective States.

(2) The competent authorities of the two contracting States may communicate with each other directly for the purpose of giving effect to the provisions of this Convention.

### ARTICLE XX

(1) The present Convention shall also apply from the date specified in paragraph (1) of Article XXI to Land Berlin which for the purposes of this Convention comprises those areas over which the Berlin Senate exercises jurisdiction.

(2) It is a condition to the application of this Convention to Berlin in accordance with the preceding paragraph that the Government of the Federal Republic shall previously have furnished to the Government of the United States of America a notification that all legal procedures in Berlin necessary for the application of this Convention therein have been complied with.

(3) After application of this Convention to Land Berlin in accordance with paragraphs (1) and (2) of this Article, references in this Convention to the Federal Republic shall also be considered references to Land Berlin.

### ARTICLE XXI

(1) The present Convention shall be ratified and the instruments of ratification shall be exchanged at Bonn as soon as possible. It shall have effect for the taxable years beginning on or after the first day of January of the year in which such exchange takes place.

(2) The present Convention shall continue effective for a period of five years beginning with the calendar year in which the exchange of the instruments of ratification takes place 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 and, in such event, the present Convention shall cease to be effective for the taxable years beginning on or after the first day of January next 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.

### § 503.2 Dividends.

(a) *General.* (1) Dividends paid by a German company (other than a United States corporation) and received in taxable years beginning on or after January 1, 1954, by a nonresident alien or a foreign corporation are exempt from United States tax under the provisions of Article XIV of the convention. Such dividends are, therefore, not subject to the withholding of United States tax at source.

(2) The rate of United States tax imposed by the Internal Revenue Code upon dividends (other than dividends falling within the scope of subparagraph (1) of this paragraph) derived from sources within the United States in taxable years beginning on or after January 1, 1954, by a German company (other than a United States corporation) shall not exceed 15 percent under