

§ 503.6

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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 the Federal Republic of Germany.

(2) If such letter is also to be used as authorization for the release, pursuant to § 503.6(a)(3), 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 received from which the excess tax was withheld, neither a citizen nor a resident of the United States but was a resident of the Federal Republic of Germany.

(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.

(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.

§ 503.6 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, and reduction in the rate of, withholding of United States tax at source granted by this Treasury decision are hereby made effective beginning January 1, 1954, contingent upon

compliance with the applicable provisions of §§ 503.2 through 503.5.

(2) In the case of dividends and interest paid by a German company (other than a United States corporation) to a nonresident alien or to a foreign corporation, 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 the Federal Republic of Germany and who furnishes to the withholding agent the letter of notification prescribed in §§ 503.2(b), 503.3(b), 503.4(b), and 503.5(b) as authorization for the release of excess tax withheld, if United States tax at the statutory rate has been withheld on or after January 1, 1954, from the items of income in respect of which such letter is prescribed in such sections, 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:

(i) In the case of dividends, the difference between the tax so withheld and the tax required to be withheld pursuant to § 503.2(b); and

(ii) In the case of interest (other than coupon bond interest), copyright royalties and other items to which § 503.4 is applicable, and private pensions and private life annuities as defined in Article XI of the convention, 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 the Federal Republic of Germany and who furnishes to the withholding agent Form 1001-GER clearly marked "Substitute" and executed in accordance with § 503.3(b), 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 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-GER 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-GER need not be listed on Form 1012.

(b) *Interest paid where degree of stock ownership is determined.* If United States tax at the statutory rate has been withheld on or after January 1, 1954, from dividends described in § 503.2(a)(2) and paid to a German company (other than a United States corporation), and if the relationship existing between the German company and the paying corporation was, at the time the dividends were paid, such as to render uncertain whether, by reason of the requirement contained in Article VI of the convention as to stock ownership, such dividends qualified for the reduced rate of United States tax, the withholding agent shall release and pay over to the German company the difference between the tax so withheld and the tax required to be withheld pursuant to § 503.2(b), only if the German company (1) furnishes to the withholding agent a copy of the Commissioner's authorization of release prescribed in § 503.2(c)(5), and (2) files the letter of notification prescribed in § 503.2(b)(1).

§ 503.7 Information to be furnished in ordinary course.

(a) *General.* In compliance with the provisions of Article XVI of the convention the Commissioner of Internal Revenue will transmit to the Federal Ministry of Finance, as soon as practicable after the close of the calendar year 1955 and of each subsequent calendar year during which the convention is in effect, the following information relating to such preceding calendar year:

(1) The duplicate copy of each available Form 1042 Supplement filed pursuant to paragraph (b) of this section;

and

(2) The duplicate copy of each available ownership certificate, Form 1001-GER, filed pursuant to § 503.3(b), and substitute Form 1001-GER, filed pursuant to § 503.6(a), in connection with coupon bond interest.

(b) *Information return.* (1) To facilitate compliance with Article XVI of the convention, every United States withholding agent shall make and file in duplicate with the District Director of Internal Revenue, Baltimore 2, Maryland, an information return on Form 1042 Supplement, with respect to persons having addresses in the Federal Republic of Germany, which shall be filed for the calendar year 1955 and subsequent calendar years. This return shall be filed simultaneously with Form 1042.

(2) There shall be reported on such Form 1042 Supplement all items of fixed or determinable annual or periodical income (and amounts described in section 402(a)(2), section 631 (b) and (c), and section 1235 of the Internal Revenue Code of 1954, which are considered to be gains from the sale or exchange of capital assets) derived from sources within the United States and paid to nonresident aliens and to nonresident foreign corporations, whose addresses at the time of payment were in the Federal Republic of Germany, including such items of income upon which, in accordance with this part, no withholding of United States tax is required; except that any of such items which constitute interest in respect of which Form 1001-GER or substitute Form 1001-GER has been filed in duplicate with the withholding agent are not required to be reported on such Form 1042 Supplement.

§ 503.8 Beneficiaries of a domestic estate or trust.

A nonresident alien who is a resident of the Federal Republic of Germany and who is a beneficiary of a domestic estate or trust shall be entitled to the exemption from United States tax granted by Articles VII, VIII, and XIV of the convention with respect to dividends, interest, and copyright royalties and the like, to the extent such item or items are included in that portion of