

rate of 15 percent in every case except (1) that in which, prior to the date of payment of such dividends, the Commissioner of Internal Revenue has notified the paying corporation that such dividends fall within the provisions of Article VI (2) of the convention and (2) that in which the Commissioner of Internal Revenue has, prior to the date of payment of such dividends, notified the withholding agent that the reduced rate of tax shall not apply.

The preceding provisions relative to residents of Switzerland and to Swiss corporations are based upon the assumption that the payee of the dividend is the actual owner of the capital stock from which the dividend is derived and consequently is the person liable to the tax upon such dividend. As to action by the recipient who is not the owner of the dividend, see § 509.8.

§ 509.3 Interest.

(a) *General.* Interest on bonds, securities, notes, debentures, or 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) received in taxable years beginning on or after January 1, 1951, from sources within the United States by a nonresident alien (including a nonresident alien individual, fiduciary, and partnership) who is a resident of Switzerland, or by a Swiss corporation, is subject to United States tax at the reduced rate of 5 percent under the provisions of Article VII of the convention if such alien or corporation at no time during the taxable year had a permanent establishment in the United States.

(b) *Application of reduced rate at source.* To secure the reduced rate of tax at the source in the case of coupon bond interest, the nonresident alien resident in Switzerland or the Swiss corporation shall submit Form 1001-S, in duplicate, to the paying agent with each presentation of interest coupons. Such 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 such interest, and the amount of such interest. Such form shall con-

tain a statement that the owner is a resident of Switzerland or a Swiss corporation and that such owner has no permanent establishment in the United States.

The reduction in the rate of United States tax contemplated by Article VII of the convention, insofar as it concerns coupon bond interest, is applicable only to the owner of such interest. The person presenting such coupon or on whose behalf it is presented shall, for the purpose of the reduction, 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 is not the owner of the bond, Form 1001, and not Form 1001-S, shall be executed.

The original and duplicate ownership certificates, Form 1001-S, must be forwarded to the Commissioner of Internal Revenue by the withholding agent with the quarterly return, Form 1012, as provided in existing regulations with respect to Form 1001. See § 29.143-7 of Regulations 111 (26 CFR 1949 ed. Supps. 29.143-7) [and § 39.143-7 of Regulations 118 (26 CFR, Rev. 1953, Parts 1-79, and Supps.)]. Form 1001-S need not be listed on Form 1012.

In the case of interest coupons presented in Switzerland by a nonresident alien who is not a resident of Switzerland, or by a foreign corporation other than a Swiss corporation, ownership certificates, Form 1001, shall be filed as provided in existing regulations without reference to the provisions of the convention. See § 29.143-4 of Regulations 111 (26 CFR 1949 ed. Supps. 29.143-4) [and § 39.143-4 of Regulations 118 (26 CFR, Rev. 1953, Parts 1-79, and Supps.)].

To secure the reduced rate of tax at the source in the case of interest, other than interest payable by means of coupons, the nonresident alien who is a resident of Switzerland or the Swiss corporation shall file Form 1001A-S, in duplicate, with the withholding agent in the United States. Such form shall be signed by the owner of the interest, trustee, or agent and shall show the name and address of the obligor and the name and address of the owner of such interest. Such form shall contain

a statement that the owner is a resident of Switzerland, or is a Swiss corporation, not having a permanent establishment in the United States.

Form 1001A-S must be filed for each three-calendar-year period, and the first such form filed by the taxpayer with any withholding agent shall be filed not later than 20 days preceding the date of the first payment of income in such period. If the taxpayer files such form with the withholding agent in the calendar year 1951, or in any subsequent calendar year, no additional Form 1001A-S need be filed prior to the end of the two calendar years immediately following the calendar year in which such form is so filed unless the Commissioner of Internal Revenue notifies the withholding agent that an additional Form 1001A-S must be filed by the taxpayer at any earlier date. If, after filing such form, the taxpayer ceases to be eligible for the benefit of the convention, he must promptly notify the withholding agent. When any change occurs in the ownership of record of the income on the books of the payor, the reduction in the rate of United States tax will no longer apply unless Form 1001A-S is duly executed and filed with the payor by the new owner of record of such income.

The duplicate of Form 1001A-S must be immediately forwarded by the withholding agent to the Commissioner of Internal Revenue, Records Division, Washington 25, D.C.

In the case of interest paid on or after January 1, 1951, by any foreign corporation to a nonresident alien who is a resident of Switzerland or to a Swiss corporation, not having a permanent establishment in the United States, no withholding of United States tax is required. See Article XIV of the convention.

§ 509.4 Patent and copyright royalties and film rentals.

Royalties and other amounts received in taxable years beginning on or after January 1, 1951, from sources within the United States by a nonresident alien (including a nonresident alien individual, fiduciary, and partnership) who is a resident of Switzerland or by a Swiss corporation, as consideration for the right to use copy-

rights, 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), are exempt from United States tax under the provisions of Article VIII of the convention if such alien or corporation at no time during the taxable year in which such royalties or other amounts are received has had a permanent establishment within the United States. Such items are therefore not subject to the withholding provisions of the Internal Revenue Code. As to what constitutes a permanent establishment, see Article II(1)(c) of the convention.

To obviate withholding at the source in the case of such items, the nonresident alien who is a resident of Switzerland or the Swiss corporation shall file Form 1001A-S, in duplicate, with the withholding agent in the United States. The provisions of § 509.3(b) relating to the execution and effective period of such form with respect to interest are equally applicable with respect to the income falling within the scope of this section.

The duplicate of Form 1001A-S must be immediately forwarded by the withholding agent to the Commissioner of Internal Revenue, Records Division, Washington, D.C.

§ 509.5 Pensions and life annuities.

Article XI(2) of the convention provides that private pensions and life annuities derived in taxable years beginning on or after January 1, 1951, from sources within the United States by a nonresident alien individual who is a resident of Switzerland shall be exempt from United States tax.

The person paying such income shall be notified by letter from the resident of Switzerland that the income is exempt from taxation under the provisions of Article XI (2) and (3) or XI (2) and (4), as the case may be, of the convention. Such letter shall contain the address of the individual and a statement that such individual is a resident of Switzerland. The letter of notification, or a copy thereof, shall be immediately forwarded by the recipient to