States shall be deposited in U.S. dollars with the Director, Office of International Operations, Internal Revenue Service, Washington, D.C. 20225, on or before the 16th day after the close of the quarter of the calendar year in which the withholding occurs. Such withholding agent shall also submit such appropriate forms as may be prescribed by the Commissioner of Internal Revenue.

(c) *Additional U.S. tax to be withheld in France*—(1) *By a nominee or representative.* The recipient in France of any dividend from which U.S. tax has been withheld at the reduced rate of 15 percent pursuant to §514.21(b)(1), who is a nominee or representative through whom the dividend is received by a person who is not entitled to the reduced rate in accordance with §514.21(a)(3)(i), shall withhold an additional amount of U.S. tax equivalent to the U.S. tax which would have been withheld if the convention had not been in effect (30 percent as of the date of approval of this Treasury decision) minus the 15 percent which has been withheld at the source.

(2) *By a fiduciary or partnership.* A fiduciary or partnership with an address in France which receives, otherwise than as a nominee or representative, a dividend from which U.S. tax has been withheld at the reduced rate of 15 percent pursuant to §514.21(b)(1) shall withhold an additional amount of U.S. tax from the portion of the dividend included in the gross income from sources within the United States of any beneficiary or partner, as the case may be, who is not entitled to the reduced rate of tax in accordance with §514.21(a)(3)(i). The amount of the additional tax is to be calculated in the same manner as under subparagraph (1) of this paragraph.

(3) *Released amounts of tax.* If any amount of U.S. tax is released pursuant to §514.28 by the withholding agent in the United States with respect to a dividend received by a nominee, representative, fiduciary, or partnership with an address in France, the recipient shall withhold from such released amount any additional amount of U.S. tax, otherwise required to be withheld from the dividend by the provisions of subparagraphs (1) and (2) of this paragraph, in the same manner as if at the time of payment of the dividends U.S. tax at the rate of 15 percent has been withheld at source therefrom.

(4) *Return of U.S. tax by French withholding agents.* Amounts of U.S. tax withheld pursuant to this paragraph by withholding agents in France shall be deposited without converting the amounts into U.S. dollars, with the Directeur General des Impots of France on or before the 16th day after the close of the quarter of the calendar year in which the withholding occurs. The withholding agent making the deposit shall render therewith such appropriate French form as may be prescribed by the Directeur General des Impots. The amounts so deposited should be remitted by the Directeur General des Impots by draft in United States dollars to the director, Office of International Operations, Internal Revenue Service, Washington, D.C. 20225, and should be accompanied by such French form as may be required to be rendered by the withholding agent in France in connection with the deposit.

EFFECTIVE DATE NOTE: By T.D. 8734, 62 FR 53498, Oct. 14, 1997, §514.22 was amended by removing paragraph (c), effective Jan. 1, 1999. By T.D. 8804, 63 FR 72183, Dec. 31, 1998, the effective date was delayed until Jan. 1, 2000. By T.D. 8856, 64 FR 73408, Dec. 30, 1999, the effective date was delayed until Jan. 1, 2001.

§ 514.23 Interest.

(a) *Not subject to U.S. tax.* Interest derived from sources within the United States on or after August 11, 1968, by the French Government or by an instrumentality of the French Government and which is not subject to income tax in France is exempt from U.S. tax under the provisions of Article 10(8). Such interest is not subject to withholding of U.S. tax at source.

(b) *Application of reduced rate*—(1) *In general.* Except as provided in subparagraph (2) of this paragraph, the rate of U.S. tax imposed by the Internal Revenue Code upon interest derived from sources within the United States on or after August 11, 1968, by a nonresident alien individual who is a resident of France, or French corporation or person resident in France for French tax purposes shall not exceed 10 percent under the provisions of Article 10(2) of the convention.

(2) *Definitions.* As used in this paragraph, the term ''interest'' means income from Government securities, bonds, or debentures, whether or not secured by mortgage and whether or not carrying a right to participate in profits, and debt-claims of every kind as well as all other income assimilated to income from money lent by the taxation law of the United States, including interest on certain deferred payments described in section 483 of the Internal Revenue Code and original issue discount described in section 1232(b) of the Internal Revenue Code.

(3) *Interest effectively connected with a permanent establishment.* The reduction in rate of tax provided in subparagraph (1) of this paragraph shall not apply if the owner thereof has a permanent establishment in the United States and the indebtedness giving rise to the interest is effectively connected to such permanent establishment. Such interest is subject to tax in accordance with the provisions of Article 6 of the convention.

(c) *Withholding of tax from interest*—(1) *Coupon bond interest*—(i) *Form to use.* To secure withholding of U.S. tax at the rate of 10 percent in the case of coupon bond interest, the nonresident alien individual who is a resident of France, or French corporation or person resident in France for French tax purposes shall, for each issue of bonds, file Form 1001–F in duplicate when presenting the interest coupons for payment. This form shall be signed by the owner of the interest, or by his trustee or agent, and shall show the information required by paragraph (d) of §1.1461–1 of this chapter. It shall contain a statement that at the time the interest is derived the owner (*a*) if an individual, is neither a citizen nor resident of the United States, but is a resident of France, or is a French corporation or person resident in France for French tax purposes, and (*b*) has no permanent establishment in the United States, or if the owner does have such a permanent establishment, the indebtedness giving rise to the interest is not effectively connected to such permanent establishment.

(ii) *Reduction in rate applicable only to owner.* The reduction in the rate of U.S. tax contemplated by Article 10(2) of the convention, insofar as it concerns coupon bond interest, is applicable only to the owner of the interest. The person presenting the coupon or on whose behalf it is presented, shall, for the purpose of the reduction in tax, 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, or on whose behalf it is presented, is not the owner of the bond, Form 1001, and not Form 1001–F, shall be used, and U.S. tax shall be withheld at the statutory rate.

(iii) *Disposition of Form 1001–F.* The original and duplicate of Form 1001–F shall be forwarded by the withholding agent to the Director, Office of International Operations, Internal Revenue Service, Washington, D.C. 20225, in accordance with paragraph (b)(2) of §1.1461–2 of this chapter, with the annual return on Form 1042. A summary of the Form 1001 or 1001–F shall be reported on Form 1042 as provided by instructions thereto.

(2) *Other interest*—(i) *Letter of notification.* To secure the reduced rate of U.S. tax at source in the case of interest other than coupon bond interest, the nonresident alien individual who is a resident of France, or French corporation or person resident in France for French tax purposes, shall notify the withholding agent by letter in duplicate that the interest is taxable at the reduced rate of tax provided in Article 10(2) of the convention. The letter of notification shall be signed by the owner of the interest, or by his trustee or agent, shall show the name and address of the obligor and the name and address of the owner of the interest, and shall indicate the dates on which the taxable years of the owner to which the letter is applicable begin and end. The letter shall contain a statement that the owner (*a*) if an individual, is neither a citizen nor a resident of the United States but is a resident of France, or is a French corporation or other entity resident in France for French tax purposes, and (*b*) does not have a permanent establishment in the

United States or, if the owner does have such a permanent establishment, a statement that the indebtedness giving rise to the income is not effectively connected to such permanent establishment. If the interest is taxable at the reduced rate of tax, the letter of notification may also authorize the release, pursuant to § 514.28, of excess tax withheld from the interest concerned.

(ii) *Manner of filing letter.* The letter of notification, which shall constitute authorization for the withholding of U.S. tax at source at the reduced rate of 10 percent, shall be filed with the withholding agent as soon as practicable for each successive 3-calendar-year period during which the income is paid. Once a letter has been filed in respect of any 3-calendar-year period, no additional letter need be filed in respect thereto unless the Commissioner of Internal Revenue notifies the withholding agent that an additional letter shall be filed by the owner of the interest. If, after filing a letter of notification, the taxpayer ceases to be eligible for the exemption from U.S. tax granted by Article 10(2) of the convention, he shall promptly notify the withholding agent by letter in duplicate. When any change occurs in the ownership of the income as recorded on the books of the payer, the reduction in rate of withholding of U.S. tax shall no longer apply unless the new owner of record is entitled to such reduced rate and promptly files a letter of notification with the withholding agent.

(iii) *Disposition of letter.* The original of each letter of notification filed pursuant to this subparagraph shall be retained by the withholding agent and the duplicate shall be immediately forwarded by the withholding agent to the Director, Office of International Operations, Internal Revenue Service, Washington, D.C. 20225.

(3) *Change in circumstances.* If the owner of the interest acquires a permanent establishment in the United States after filing a letter of notification referred to in subparagraph (2) of this paragraph, such owner shall file a new letter of notification even though the indebtedness giving rise to the income to which such document relates is not effectively connected to such permanent establishment

EFFECTIVE DATE NOTE: By T.D. 8734, 62 FR 53498, Oct. 14, 1997, § 514.23 was removed, effective Jan. 1, 1999. By T.D. 8804, 63 FR 72183, Dec. 31, 1998, the effective date was delayed until Jan. 1, 2000. By T.D. 8856, 64 FR 73408, Dec. 30, 1999, the effective date was delayed until Jan. 1, 2001.

§ 514.24 Royalties.

(a) *Exemption from U.S. tax*—(1) *Copyright royalties.* Except as provided in subparagraph (2) of this paragraph royalties or other amounts paid as consideration for the use of, or for the right to use copyrights of literary, artistic, or scientific works (including gain from the sale or exchange of property giving rise to such royalties) which are derived from sources within the United States on or after August 11, 1968, by a nonresident alien individual who is a resident of France, or by a French corporation or a person resident in France for French tax purposes are exempt from U.S. tax under the provisions of Article 11(3) of the convention.

(2) *Copyright royalties effectively connected with a permanent establishment.* The exemption from tax provided in subparagraph (1) of this paragraph shall not apply if the owner of such royalties, or of gain from the sale or exchange of property giving rise to such royalties, has a permanent establishment in the United States and the property giving rise to such royalties or gain is effectively connected with such permanent establishment. Such royalties are subject to tax in accordance with the provisions of Article 6.

(3) *Exemption from withholding of tax*—(i) *Use of letter of notification.* To avoid withholding of U.S. tax at source with respect to copyright royalties to which this paragraph applies, the nonresident alien who is a resident of France or French corporation or person resident in France for French tax purposes, shall notify the withholding agent by letter in duplicate that the royalty is exempt from U.S. tax under Article 11(3) of the convention. The letter of notification shall be signed by the owner of the royalty or of the gain from the sale or exchange of property giving rise to such royalty, or by the trustee or agent of such owner, and shall show the name and address of the owner. The letter shall contain a statement that at the time the royalty is