

§ 514.26

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

thereof to an individual who is a citizen of the United States for the discharge of governmental functions), alimony, or annuity derived from sources within the United States by a non-resident alien individual who is a resident of France and received in a taxable year of the recipient beginning after December 31, 1966, shall be exempt from U.S. tax under the provisions of Article 19 of the convention.

(2) *Definitions*—(i) *Pension*. As used in this paragraph, the term “pension” means periodic payments made after retirement in consideration of past employment or as compensation for injuries received in connection with past employment. The term “pension” does not include retirement pay or pensions paid by the United States or by any State or local authority of the United States which are subject to tax in accordance with the provisions of Article 16 of this convention.

(ii) *Annuity*. The term “annuity” means a stated sum paid 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 (other than services rendered), but not including retirement pay or pensions paid by the United States or by any State or territory of the United States.

(b) *Exemption from withholding tax*—(1) *Use of letter of notification*. To avoid withholding of U.S. tax at source with respect to pensions, alimony, or annuities which are exempt from U.S. tax in accordance with paragraph (a) of this section, the nonresident alien individual who is a resident of France shall notify the withholding agent by letter in duplicate that the pension, alimony, or annuity is exempt from U.S. tax under Article 19 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 at the time the income is received, the owner is neither a citizen nor a resident of the United States but is a resident of France.

(2) *Manner of filing letter*. The provisions of § 514.23(c)(2)(ii) and (iii) 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 and § 514.23(c)(3) relating to change of circumstances, are equally applicable with respect to the income falling within the scope of this section.

EFFECTIVE DATE NOTE: By T.D. 8734, 62 FR 53498, Oct. 14, 1997, § 514.25 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.

§ 514.26 Income covered by convention.

(a) *Exemption from or reduction in rate of tax*—(1) *Request for ruling*. If a non-resident alien individual who is a resident of France or French corporation or person resident in France for French tax purposes claims or contemplates claiming that an item of income (including income referred to in §§ 514.21 through 514.25) is exempt from, or subject to a reduced rate of, U.S. tax under the convention, such owner of the income may request a ruling to that effect from the Commissioner of Internal Revenue, Washington, D.C. 20224, by filing a statement setting forth all the facts pertinent to a determination of the question.

(2) *Notification of applicant*. As soon as practicable after such information is filed, the Commissioner will determine whether the income concerned qualifies under the convention for exemption from or reduced rate of, U.S. tax and will notify the applicant of his ruling. If income qualifies for such benefit, this notification may also authorize the release, pursuant to § 514.28(a)(2), of excess tax withheld from the income concerned.

(b) *Exemption from, or reduction in rate of, withholding*—(1) *Notification of withholding agent*. If the Commissioner rules that income received by such applicant qualifies for exemption from, or reduction in rate of, U.S. tax under the convention, and the applicant sends a copy of such ruling to the withholding agent, the income designated in such ruling shall be exempt, or subject to a reduced rate of, withholding of U.S. tax

Internal Revenue Service, Treasury

§ 514.28

unless the Commissioner or the applicant notifies the withholding agent that such income ceases to qualify for such benefit. A duplicate copy of such notification shall be attached to the Form 1042S filed by the withholding agent with respect to the income concerned.

(2) *Change in circumstances.* If during the period covered by the ruling letter, any fact upon which the ruling letter is based materially changes, the applicant shall immediately notify the withholding agent and the Commissioner of such change.

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§ 514.27 Beneficiaries of domestic estate and trust.

A nonresident alien individual who is a resident of France and a beneficiary of a domestic estate or trust shall be entitled to the exemption from, or reduction in rate of, United States tax granted by Articles 9, 10, 11, 13(1)(a), and 19 of the convention with respect to dividends, interest, royalties, and pensions, annuities, and alimony if he otherwise satisfies the requirements for exemption or reduction specified in the articles concerned, to the extent that (a) any amount paid, credited, or required to be distributed by the estate or trust to the beneficiary is deemed to consist of those items and (b) the items so deemed to be included in such amount would, without regard to the convention, be includible in his gross income. However, such beneficiary is not entitled to the exemption from, or reduction in the rate of, U.S. tax granted by such articles to the extent that the trust conduit rules are not applicable to any payment received by the beneficiary such as, for example, a payment made out of the income of a trust established for the support and maintenance of a wife pursuant to a divorce decree. To obtain the exemption from, or reduction in the rate of, withholding of U.S. tax where permitted by this section, the beneficiary must, where applicable, execute and submit to the

fiduciary of the estate or trust in the United States the appropriate letter of notification in the form prescribed in § 514.23(c) (2) and (3), modified where necessary to indicate the type of income involved.

EFFECTIVE DATE NOTE: By T.D. 8734, 62 FR 53498, Oct. 14, 1997, § 514.27 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.

§ 514.28 Release of excess tax withheld at source.

(a) *Amounts to be released—*(1) *Tax withheld from dividends—*(i) *Dividends subject to 15-percent rate.* If U.S. tax has been withheld on or after August 11, 1968, at a rate in excess of 15 percent from dividends described in § 514.21(a)(3)(i) received by a nonresident alien individual who is a resident of France or French corporation or person resident in France for French tax purposes whose address at the time of payment was in France, the withholding agent shall release and pay over to the person from whom the tax was withheld an amount which is equal to the difference between the tax so withheld and the tax required to be withheld pursuant to § 514.21(b)(1).

(ii) *Dividends subject to 5-percent rate.* If U.S. tax has been withheld at a rate in excess of 5 percent on or after August 11, 1968, from dividends which qualify for the reduced rate of 5 percent under § 514.21(a)(3)(ii), the withholding agent shall, if so authorized in accordance with § 514.21(a)(3)(iv) release and pay over to the corporation from which the tax was withheld an amount which is equal to the difference between the tax so withheld and the tax required to be withheld pursuant to § 514.21(b)(2)(i).

(2) *Tax withheld from coupon bond interest—*(i) *Substitute ownership certificate.* If U.S. tax has been withheld at a rate in excess of 10 percent on or after August 11, 1968, from coupon bond interest described in § 514.23(c)(1), the owner of the interest shall furnish the withholding agent a Form 1001-F clearly marked "Substitute" and executed in accordance with § 514.23(c). Upon receipt of such substitute Form 1001-F