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 trade process.

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(3) The taxation authorities of both contracting States may prescribe regulations necessary to interpret and carry out the provisions of the present Convention and may communicate with each other directly for the purpose of giving effect to the provisions of the present Convention.

(4) 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 either contracting State in determining the tax of such State.

ARTICLE XVII

(1) The citizens or nationals of one of the contracting States shall not, while resident in the other contracting State, be subjected in such other State to taxes or any requirement connected therewith which is other, higher or more burdensome than the taxes and connected requirements to which the citizens or nationals of such other State resident therein are or may be subjected.

(2) The term ''citizens'' or ''nationals'', as used in this Article, includes all legal persons, partnerships and associations deriving their status from, or created or organized under, the laws in force in the respective contracting States.

(3) Nothing contained in this Article shall be construed—

(a) as obliging either of the contracting States to grant to persons not resident in its territory those personal allowances, reliefs and reductions for tax purposes which are by law available only to persons who are so resident; or

(b) as affecting any provisions of the law of Pakistan regarding the imposition of tax on a non-resident or the grant of rebate of tax to companies fulfilling specified requirements regarding the declaration and payment of dividends, unless those requirements are fulfilled.

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ARTICLE XIX

The present Convention shall come into force on the date when the last of all such things shall have been done in the United States and Pakistan as are necessary to give the Convention the force of law in the United States and Pakistan, respectively, and shall thereupon have effect—

(a) In the United States, for the taxable years beginning on or after the first day of January of the year in which the instruments of ratification are exchanged;

(b) In Pakistan, in respect of the ''previous years'' or the ''chargeable accounting periods'' (as defined by the tax laws of Pakistan) beginning on or after the first day of January of the year in which the instruments of ratification are exchanged.

ARTICLE XX

The present Convention shall continue in effect indefinitely but either of the contracting States may, on or before the 30th day of June in any calendar year not earlier than three years from the date of signature of the present Convention, give to the other contracting State written notice of termination and, in such event the present Convention shall cease to be effective—

(a) in the United States, for the taxable years beginning on or after the first day of January next following such written notice of termination; and

(b) in Pakistan, in respect of the ''previous years'' or the ''chargeable accounting periods'' (as defined by the tax laws of Pakistan) beginning on or after the first day of January next following such written notice of termination.

(b) *Meaning of terms.* As used in §§ 517.1 to 517.9, 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 of the United States.

§ 517.2 Dividends paid by, or to, a Pakistan company.

(a) *Exemption from, or reduction in rate of, United States tax*—(1) *Dividends paid by a foreign company managed and controlled in Pakistan.* Dividends which are paid by a foreign company whose business is managed and controlled in Pakistan and are received in a taxable year beginning on or after January 1, 1959, by a recipient who is not a citizen or resident or corporation of the United States are exempt from United States tax under the provisions of Article VII(1) of the convention.

(2) *Dividends paid to a Pakistan parent company.* The rate of United States tax imposed upon dividends paid by a domestic corporation and received from sources within the United States in a taxable year beginning on or after January 1, 1959, by a Pakistan company

shall not exceed 15 percent under the provisions of Article VI(1) of the convention if (i) the Pakistan company does not have a permanent establishment in the United States at any time during the taxable year in which the dividend is received and (ii) the Pakistan company owns, at the time the dividend is paid, shares of stock carrying more than 50 percent of the voting power of the domestic corporation. For the purposes of this subparagraph, the term ''Pakistan company'' means a company, as defined in Article II(1)(f) of the convention.

(b) *Withholding of tax from dividends*—(1) *Exemption from withholding.* No withholding of United States tax is required in the case of dividends paid by a foreign company whose business is managed and controlled in Pakistan if, in accordance with paragraph (a)(1) of this section, the dividends are exempt from United States tax.

(2) *Withholding of tax at rate of 15 percent from dividends paid to a Pakistan parent company*—(i) *Notification by letter.* To secure withholding of United States tax on or after January 1, 1959, at the rate of 15 percent in the case of dividends entitled to the reduced rate in accordance with paragraph (a)(2) of this section, the Pakistan company shall notify the withholding agent by letter in duplicate that the dividends are subject to the reduced rate of United States tax under the provisions of Article VI(1) of the convention. The letter of notification shall be signed by an officer of the company and shall show the name and address of the corporation paying the dividends, the name and address of the Pakistan company receiving the dividends, and the official title of the officer signing the letter. The letter shall contain a statement that (*a*) the owner of the dividends is a Pakistan company, (*b*) the owner at no time during the current taxable year had a permanent establishment in the United States, and (*c*) the Pakistan company owns shares of stock carrying more than 50 percent of the voting power of the domestic corporation paying the dividends. The letter shall also indicate the dates on which the current taxable year of the taxpayer begins and ends.

(ii) *Use of letter for release of excess tax.* If the letter of notification is also to be used as authorization for the release, pursuant to § 517.7(a)(2), of excess tax withheld from dividends, it shall also contain a statement that (*a*) at the time when the dividends were paid from which the excess tax was withheld, the owner was a Pakistan company, (*b*) the owner at no time during the taxable year in which the dividends were received had a permanent establishment in the United States, and (*c*) the Pakistan company owned, at the time when the dividends were paid, shares of stock carrying more than 50 percent of the voting power of the domestic corporation paying the dividends. The dates of the beginning and ending of the taxable year of the taxpayer in which the dividends were received shall also be indicated.

(iii) *Manner of filing letter.* The letter of notification, which shall constitute authorization for withholding of tax at the reduced rate of 15 percent, shall be filed with the withholding agent for each successive 3-calendar-year period during which the dividends are paid. For this purpose, the first of such periods shall commence with the beginning of the calendar year in which the dividends are first paid on or after January 1, 1959. Each letter filed with any withholding agent shall be filed not later than 20 days preceding the date of the first payment within each successive period, or, if that is not possible because of special circumstances, as soon as possible after such first payment. Once a letter of notification 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 taxpayer. If, after filing a letter of notification, the Pakistan company ceases to be eligible for the reduction in rate of United States tax granted by Article VI(1) of the convention, it shall promptly notify the withholding agent by letter in duplicate. When any change occurs in the ownership of the shares of stock as recorded in the books of record, the reduction in the rate of 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.

(iv) *Disposition of letter.* Each letter of notification, or the duplicate thereof, shall be forwarded immediately by the withholding agent to the Director of International Operations, Internal Revenue Service, Washington 25, D.C.

(3) *Dividends paid to Pakistan company where degree of stock ownership is uncertain*—(i) *Request for determination in respect of future payments.* If a Pakistan company anticipates the receipt of dividends from a domestic corporation and the relationship existing between the Pakistan company and the domestic corporation is such as to render uncertain whether, by reason of the requirement as to stock ownership, the reduction in rate of United States tax granted by Article VI(1) of the convention will apply to such dividends, the Pakistan company shall not undertake to file the letter of notification prescribed in subparagraph (2)(i) of this paragraph unless it has, prior to such filing, applied for and received from the Commissioner of Internal Revenue, Washington 25, D.C., a determination that it owns shares of stock carrying more than 50 percent of the voting power of the domestic corporation. The application for the determination shall contain a full statement of all the facts pertinent to such a determination.

(ii) *Notification of determination.* As soon as practicable after the application has been filed, the Commissioner of Internal Revenue will determine whether the Pakistan company owns shares of stock carrying sufficient voting power of the domestic corporation to permit the Pakistan company to claim the benefit of Article VI(1) of the convention in the case of such dividends and shall notify the Pakistan company of his determination. The Pakistan company shall thereafter file with the withholding agent a copy of the Commissioner's letter of notification.

(iii) *Securing reduced rate of withholding.* If the determination of the Commissioner of Internal Revenue is that the Pakistan company does own shares of stock carrying more than 50 percent of the voting power of the domestic corporation, the Pakistan company may thereafter, if otherwise qualified, secure the reduced rate of withholding of United States tax by filing a letter of notification in accordance with subparagraph (2) of this paragraph.

(iv) *Period during which determination is applicable.* A determination by the Commissioner of Internal Revenue that a Pakistan company does own shares of stock carrying sufficient voting power of the domestic corporation to permit the Pakistan company to claim the benefit of Article VI(1) of the convention will apply until such time as the stock ownership of the domestic corporation has changed to the extent that, because of such change, dividends to be received from the domestic corporation by the Pakistan company no longer qualify for the reduced rate of United States tax under Article VI(1) of the convention. If such change in stock ownership occurs, the Pakistan company shall promptly notify both the Commissioner of Internal Revenue and the withholding agent of the then existing facts with respect to such stock ownership.

(v) *Request for determination in respect of past payments.* If a Pakistan company has received on or after January 1, 1959, dividends from a domestic corporation and the relationship existing between the Pakistan company and the domestic corporation was at the time the dividends were paid, such as to render uncertain whether, by reason of the requirement as to stock ownership, the dividends qualified for the reduction in rate of United States tax granted by Article VI(1) of the convention, the Pakistan company shall apply to the Commissioner of Internal Revenue, Washington 25, D.C., for a determination as to whether the Pakistan company owned, at the time the dividends were paid, shares of stock carrying sufficient voting power of the domestic corporation. If the Commissioner's determination is that at such time the stock ownership was such as to permit the application of the reduced rate of United States tax granted by Article VI(1) of the convention, his letter of notification may, subject to the provisions of § 517.7(a)(2), authorize the release of excess tax withheld from such dividends.