

(2) *Use of letter for release of tax.* If the letter is also to be used as authorization for the release, pursuant to §517.7(a)(3), of excess tax withheld from the pensions or annuities, 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 Pakistan for the purposes of Pakistan tax. The dates of the beginning and ending of the taxable year of the taxpayer in which the income was received shall also be indicated.

(3) *Manner of filing letter.* The letter of notification shall constitute authorization for the payment of the pensions or annuities without withholding of United States tax at source unless the Commissioner of Internal Revenue notifies the withholding agent thereafter to withhold the tax from such items of income. If, after filing a letter of notification, the owner of the income ceases to be eligible under the convention for the exemption from United States tax in the case of such items of income, 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 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) *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.

§517.5 Interest derived by the State Bank of Pakistan.

(a) *Exemption from United States tax.* Any interest of the State Bank of Pakistan which is received from sources within the United States on or after January 1, 1956, is, to the extent not exempt from tax under section 892 of the Internal Revenue Code of 1954, exempt from United States tax under the provisions of Article XIV(1) of the convention.

(b) *Exemption from withholding of tax.* No withholding of United States tax is

required in the case of interest received from sources within the United States by the State Bank of Pakistan if, in accordance with paragraph (a) of this section, the interest is exempt from United States tax.

(c) *Refund of excess tax withheld before January 1, 1959.* If United States tax has been withheld before January 1, 1959, and on or after January 1, 1956, from interest of the State Bank of Pakistan, a claim by the bank for the refund of any overpayment resulting therefrom may be made under section 6402 of the Internal Revenue Code of 1954 and the regulations thereunder. For the release of excess tax withheld from such interest on or after January 1, 1959, see §517.7(a)(4).

§517.6 Beneficiaries of a domestic estate or trust.

A nonresident alien individual who is resident in Pakistan for the purposes of Pakistan tax and who is a beneficiary of a domestic estate or trust shall be entitled to the exemption from United States tax granted by Article VIII of the convention with respect to patent and copyright royalties 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; provided, however, that the beneficiary otherwise satisfies the requirements for exemption specified in Article VIII of the convention. To obtain the exemption from withholding of United States tax in such a case, the beneficiary must execute and submit to the fiduciary of the estate or trust in the United States the letter of notification prescribed in §517.3(b).

§517.7 Release of excess tax withheld at source.

(a) *Amounts to be released—(1) Dividends paid by a foreign company managed and controlled in Pakistan.* If United States tax at the statutory rate has been withheld on or after January 1, 1959, from dividends paid by a foreign company whose business is managed and controlled in Pakistan to a recipient other than a citizen or resident or

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corporation of the United States, the withholding agent shall release and pay over to the person from whom the tax was withheld an amount which is equal to the tax so withheld.

(2) *Dividends paid to a Pakistan parent company.* If United States tax at the statutory rate has been withheld on or after January 1, 1959, from dividends entitled to the reduced rate of 15 percent in accordance with §517.2(a)(2), the withholding agent shall, if furnished the authorization of release prescribed in §517.2(b)(2)(ii) or (3)(v), release and pay over to the company from which the tax was withheld an amount which is equal to the difference between the tax so withheld from income received by the taxpayer in a taxable year beginning on or after January 1, 1959, and the tax required to be withheld from such income pursuant to §517.2(b)(2)(i).

(3) *Patent and copyright royalties, pensions, and annuities.* If a taxpayer furnishes to the withholding agent the authorization of release prescribed in §517.3(b)(2) or §517.4(c)(2) and United States tax has been withheld at the statutory rate on or after January 1, 1959, from the royalties, pensions, or annuities in respect of which such authorization is prescribed, the withholding agent shall release and pay over to the person from whom the tax was withheld an amount which is equal to the tax so withheld from income received by the taxpayer in a taxable year beginning on or after January 1, 1959.

(4) *Interest paid to the State Bank of Pakistan.* If United States tax at the statutory rate has been withheld on or after January 1, 1959, from interest of the State Bank of Pakistan, the withholding agent shall release and pay over to that bank an amount which is equal to the tax so withheld.

(b) *Amounts not to be released.* The provisions of this section do not apply to excess tax withheld at source which has been paid by the withholding agent to the Director of International Operations, Internal Revenue Service.

(c) *Statutory rate.* As used in this section, the term "statutory rate" means the rate of tax required to be withheld in accordance with chapter 3 of the Internal Revenue Code of 1954 as though

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the convention had not come into effect.

§517.8 Information to be furnished in ordinary course.

For provisions relating to the exchange of information under Article XVI of the convention, see paragraph (d) of §1.1461-2 of this chapter (Income Tax Regulations; 26 CFR 1.1461-2(d)).

§517.9 Application of the convention to fiscal years.

Since the convention is effective for taxable years beginning on or after January 1, 1959, the fact that the exemption from, or reduction in the rate of, withholding of United States tax at source authorized by §§517.1 to 517.9 is made effective beginning January 1, 1959, is not a determination in itself that the item of income concerned is entitled to the benefit of the exemption from, or reduced rate of, United States tax granted by the convention.

PARTS 518—519 [RESERVED]

PART 520—SWEDEN

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