

estate or trust who is not a resident of Denmark, or who has a permanent establishment in the United States, is not entitled to any exemption under the convention with respect to such income included in his distributive share of the income of the estate or trust.

§521.109 Real property income, natural resource royalties.

Under Article IX of the convention, a nonresident alien (including a nonresident alien individual, fiduciary, and partnership) who is a resident of Denmark, or a Danish corporation, who derives from sources within the United States in any taxable year beginning on or after January 1, 1948, income from real property (not including interest derived from mortgages or bonds secured by real property) or royalties from the operation of mines, quarries, oil wells or other natural resources may, for such taxable year, elect to be subject to Federal income tax as if such alien or corporation were engaged in trade or business within the United States by reason of having a permanent establishment therein during such taxable year. Such election shall be made by so signifying on the return for such year. The election so signified shall be irrevocable for the taxable year for which such election is made. In such case a return may be filed by the nonresident alien or foreign corporation even though the sole income of such alien or corporation from sources within the United States is fixed or determinable annual or periodical income upon which the tax has been fully satisfied at the source and there exists no necessity for the filing of the return except for the purposes of securing the benefits of Article IX of the convention. See §29.217-2 of Regulations 111 (26 CFR 1949 ed. Supps. 29.217-2) [and §39.217-2 of Regulations 118 (26 CFR, Rev. 1953, Parts 1-79, and Supps.)]

§521.110 Government wages, salaries, pensions and similar remuneration.

Under Article X (1) of the convention any wage, salary, similar compensation or pension paid by the Government of Denmark or by any other public authority within Denmark to an individual in the United States is exempt from Federal income tax for taxable

years beginning on and after January 1, 1948. By reason, however, of the application of Article XV (a) of the convention, such exemption does not apply to recipients of such income who are either citizens of the United States or alien residents therein. As to the taxation generally of compensation of alien employees of foreign governments, see section 116(h) of the Internal Revenue Code and §29.116-2 of Regulations 111 (26 CFR 1949 ed. Supps. 29.116-2) [and §39.116-2 of Regulations 118 (26 CFR, Rev. 1953, Parts 1-79, and Supps.)].

§521.111 Pensions and life annuities.

Under the provisions of Article X(2) of the convention, private pensions and life annuities derived from sources within the United States by nonresident alien individuals who are residents of Denmark are exempt from Federal income tax for taxable years beginning on and after January 1, 1948. The term "life annuities" is defined in Article X(3). The term "private pensions" does not include pensions or retired pay paid by the United States or by any State or Territory of the United States; it does include periodic payments made in consideration for services rendered or by way of compensation for injuries received.

§521.112 Compensation for labor or personal services.

Article XI of the convention adopts the principle that compensation for labor or personal services, including the practice of the liberal professions, is subject to tax only in the contracting State in which such services are rendered. Hence, in general, such compensation derived by a nonresident alien individual residing in Denmark for services rendered in the United States is subject to Federal income tax. Under Article XI of the convention this general rule is subject to the following exceptions:

(a) Where such individual is temporarily present in the United States for a period or periods not exceeding a total of 90 days during the taxable year, compensation received for labor or personal services within the United States during such year is exempt from

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Federal income tax provided such compensation does not exceed \$3,000 in the aggregate.

(b) Where such individual is temporarily present in the United States for a period or periods not exceeding a total of 180 days during the taxable year, compensation for labor or personal services within the United States during such year is exempt from Federal income tax provided such compensation is received for services performed as a worker or employee of, or under contract with, a resident or corporation of Denmark (even though such resident or corporation is engaged in trade or business in the United States) which resident or corporation actually bears the expense of such compensation and is not reimbursed therefor by another person.

As to the source of compensation for labor or personal services, see section 119(a)(3) of the Internal Revenue Code.

§ 521.113 Students and apprentices; remittances.

Under Article XIII of the convention, citizens of Denmark who are temporarily present in the United States as students or apprentices exclusively for the purposes of study or for acquiring business experience, are exempt for taxable years beginning on or after January 1, 1948, from Federal income tax upon amounts representing remittances from sources outside the United States for the purposes of their maintenance or studies.

§ 521.114 Visiting professors or teachers.

Under Article XIV of the convention, an alien who is a resident of Denmark but who is temporarily present within the United States for the purpose of teaching, lecturing, or instructing at any university, college, school, or other educational institution, situated within the United States, is, for a period not exceeding two years from the date of his arrival in the United States, exempt for taxable years beginning on or after January 1, 1948, from Federal income tax on remuneration received for such services. It shall be deemed that such alien coming to the United States for the purposes indicated has, for a period of not more than two years

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immediately succeeding the date of his arrival within the United States for such purposes, the tax status of a non-resident alien in the absence of proof of his intention to remain indefinitely in the United States.

§ 521.115 Credit against United States tax liability for Danish tax.

For the purpose of avoidance of double taxation, Article XV provides that, on the part of the United States, there shall be allowed against the United States income tax a credit for the amount of Danish taxes described in Article I of the convention imposed on income derived from sources within Denmark for taxable years beginning on and after January 1, 1948. Such credit, however, is subject to the limitations provided in section 131 of the Internal Revenue Code (relating to the credit for foreign taxes). See §§ 29.131-1 to 29.131-10 of Regulations 111 (26 CFR 1949 ed. Supps. 29.131-1 to 29.131-10) [and §§ 39.131(a) 1 to 39.131(j)-1 of Regulations 118 (26 CFR, Rev. 1953, Parts 1-79, and Supps.)].

§ 521.116 Reciprocal administrative assistance.

(a) *General.* (1) By Article XVII of the convention, the United States and Denmark adopt the principle of exchange of such information as is necessary for carrying out the provisions of the convention or for the prevention of fraud or for the detection of practices which are aimed at reduction of the revenues of either country, but not including information which would disclose a trade, business, industrial or professional secret or trade process.

(2) The information and correspondence relative to exchange of information may be transmitted directly by the Commissioner of Internal Revenue to the Chief of the Taxation Department of the Ministry of Finance (Generaldirektøren for Skattevaesenet) of Denmark.

(b) *Information to be furnished in due course.* (1) Pursuant to such principle, withholding agents shall, in the preparation of withholding returns, Form 1042, report on such returns, for the calendar year 1949 and each subsequent calendar year, in addition to the items of income upon which tax has been