

the gross income of such paying corporation for the three-year period immediately preceding the taxable year in which the dividend is paid consists of dividends and interest (other than dividends and interest paid to such domestic corporation by its own subsidiary corporations, if any, and (ii) the relationship between such domestic corporation and such Danish corporation has not been arranged or maintained primarily with the intention of securing such reduced rate of 5 percent.

(2) Any domestic corporation which claims or contemplates claiming that dividends paid or to be paid by it on or after January 1, 1948, are subject only to the 5 percent rate shall file, as soon as practicable, with the Commissioner of Internal Revenue, the following information: (i) the date and place of its organization; (ii) the number of outstanding shares of stock of the domestic corporation having voting power and the voting power thereof; (iii) the person or persons beneficially owning such stock of the domestic corporation and their relationship to the Danish corporation; (iv) the amount of gross income, by years, of the paying corporation for the three-year period immediately preceding the taxable year in which the dividend is paid; (v) the amount of interest and dividends, by years, included in the gross income of such domestic corporation and the amount of interest and dividends, by years, received by such corporation from its subsidiary corporations, if any; and (vi) the relationship between the domestic corporation and the Danish corporation to which it pays the dividend.

(3) As soon as practicable after such information is filed, the Commissioner of Internal Revenue will determine whether the dividends concerned fall within the provisions of Article VI (3) of the convention and may authorize the release of excess tax withheld with respect to dividends which come within such provision. In any case in which the Commissioner of Internal Revenue has notified such domestic corporation that the dividends come within such provision, the reduced rate of 5 percent applies to any dividends subsequently paid by such corporation to the Danish corporation unless the stock ownership

of the domestic corporation, or the character of its income, materially changes, and, if such change or changes occur, such corporation shall promptly notify the Commissioner of Internal Revenue of the then existing facts with respect to such stock ownership or income.

(c) *Effect on withholding in case of dividends of address in Denmark.* For the purposes of withholding of the tax in the case of dividends, every non-resident alien (including a nonresident alien individual, fiduciary or partnership) whose address is in Denmark shall be deemed by United States withholding agents to be a resident of Denmark not having a permanent establishment in the United States and every corporation whose address is in Denmark shall be deemed by such withholding agents to be a Danish corporation not having a permanent establishment in the United States.

(d) *Rate of withholding.* (1) On and after January 1, 1949, withholding in the case of dividends paid to non-resident aliens (including a non-resident alien individual, fiduciary or partnership) and to foreign corporations, whose addresses are in Denmark, shall (except (i) in any case in which prior to the date of payment of such dividend, the Commissioner of Internal Revenue has notified the paying corporation that such dividend falls within the provisions of Article VI (3) of the convention, and (ii) in any case in which the Commissioner notifies the withholding agent that the reduced rate shall not apply), be at the rate of 15 percent.

(2) The preceding provisions relative to residents of Denmark and to Danish corporations are based upon the assumption that the payee of the dividend is the actual owner of the capital stock from which the dividend is derived and consequently is the person liable to the tax upon such dividend. As to action by the recipient who is not the owner of the dividend, see § 521.7.

§ 521.3 Interest.

(a) *General.* Interest, whether on bonds, securities, notes, debentures, or any other form of indebtedness (including interest on obligations of the

United States and on obligations of instrumentalities of the United States), received on or after January 1, 1948, from sources within the United States by (1) a nonresident alien (including a nonresident alien individual, fiduciary, and partnership) who is a resident of Denmark, or (2) a Danish corporation, is exempt from United States tax under the provisions of Article VII of the convention if such alien or corporation at no time during the taxable year in which such interest is so received had a permanent establishment in the United States. Such interest is, therefore, not subject to the withholding provisions of the Internal Revenue Code.

(b) *Exemption from withholding.* (1) To obviate withholding at the source in the case of coupon bond interest, the nonresident alien resident in Denmark or the Danish corporation shall submit Form 1001-D, in duplicate, to the paying agent with each presentation of interest coupons. Such form shall be signed by the owner of the interest, trustee or agent, and shall show the name and address of the obligor, and the name and address of the owner of such interest and the amount of such interest. Such form shall contain a statement that the owner is a resident of Denmark or a Danish corporation and that such owner has no permanent establishment in the United States.

(2) The exemption from United States tax contemplated by Article VII of the convention, insofar as it concerns coupon bond interest, is an exemption applicable only to the owner of such interest. The person presenting such coupon or on whose behalf it is presented shall, for the purpose of the exemption, 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 is not the owner of the bond, Form 1001, and not Form 1001-D, shall be executed.

(3) The original and duplicate ownership certificates, Form 1001-D, must be forwarded to the Commissioner with the quarterly return, Form 1012, as provided in existing regulations with respect to Form 1001. See § 29.143-7 of Regulations 111 (26 CFR 1949 ed. Supps. 29.143-7) [and § 39.143-7 of Regulations

118 (26 CFR, Rev. 1953, Parts 1-79, and Supps.)]. Form 1001-D need not be listed on Form 1012.

(4) In the case of interest coupons presented in Denmark by a nonresident alien who is not a resident of Denmark or by a foreign corporation other than a Danish corporation, ownership certificates, Form 1001, shall be filed as provided in existing regulations without reference to the provisions of the convention. See § 29.143-4 of Regulations 111 (26 CFR 1949 ed. Supps. 29.143-4) [and § 39.143-4 of Regulations 118 (26 CFR, Rev. 1953, Parts 1-79, and Supps.)].

(5) To avoid withholding at the source in the case of interest other than interest payable by means of coupons, the nonresident alien who is a resident of Denmark, or the Danish corporation, shall file Form 1001A-D, in duplicate, with the withholding agent in the United States. Such form shall be signed by the owner of the income, trustee or agent, and shall show the name and address of the obligor and the name and address of the owner of such interest. Such form shall contain a statement that the owner is a resident of Denmark or is a Danish corporation and that the owner has no permanent establishment in the United States.

(6) Form 1001A-D must be filed for each three calendar year period and the first such form filed by the taxpayer with any withholding agent should be filed not later than 20 days preceding the date of the first payment of income in such period. If the taxpayer files such form with the withholding agent in the calendar year 1948 or in any subsequent calendar year no additional Form 1001A-D need be filed prior to the end of the two calendar years immediately following the calendar year in which such form is so filed unless the Commissioner notifies the withholding agent that an additional Form 1001A-D must be filed by the taxpayer at any earlier date. The duplicate of Form 1001A-D should be immediately forwarded by the withholding agent to the Commissioner of Internal Revenue, Records Division, Washington 25, D.C.