

provisions of section 871(c) of the Internal Revenue Code of 1954 he has engaged in trade or business within the United States during such year by reason of his having rendered personal services therein.

(b) *Effect of address in France on withholding in the case of dividends.* For the purpose of withholding of United States tax in the case of dividends, every nonresident alien (including a nonresident alien individual, fiduciary, and partnership) whose address is in France shall be deemed by United States withholding agents to be a nonresident alien who is a resident of France not having a permanent establishment in the United States; and every foreign corporation whose address is in France shall be deemed by such withholding agents to be a French corporation not having a permanent establishment in the United States.

(c) *Rate of withholding.* (1) Withholding at source in the case of dividends derived from sources within the United States and paid on or after January 1, 1957, to nonresident aliens (including a nonresident alien individual, fiduciary, and partnership) and to foreign corporations, whose addresses are in France, shall be at the rate of 15 percent in every case except that in which, prior to the date of payment of such dividends, the Commissioner of Internal Revenue has notified the withholding agent that the reduced rate of withholding shall not apply.

(2) The preceding provisions respecting the application of the reduced withholding rate in the case of dividends paid to nonresident aliens and foreign corporations with addresses in France 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 United States upon such dividend. As to action by the recipient who is not the owner of the dividend, see §514.3.

(3) The rate at which the United States tax has been withheld from any dividend paid at any time after the expiration of the thirtieth day after the date on which §§514.1 to 514.10 are published in the FEDERAL REGISTER to any person whose address is in France at the time the dividend is paid shall be

shown either in writing or by appropriate stamp on the check, draft, or other evidence of payment or on an accompanying statement.

§514.3 Dividends received by addressee not actual owner.

(a) *Additional tax to be withheld—(1) Nominee or representative.* The recipient in France of any dividend, paid on or after January 1, 1957, from which United States tax at the reduced rate of 15 percent has been withheld at source pursuant to §514.2(c)(1), who is a nominee or representative through whom the dividend is received by a person other than one described in §514.2(a) as being entitled to the reduced rate, shall withhold an additional amount of United States tax equivalent to the United States tax which would have been withheld if the convention had not been in effect (30 percent as of the date of approval of §§514.1 to 514.10) minus the 15 percent which has been withheld at the source.

(2) *Fiduciary or partnership.* A fiduciary or a partnership with an address in France which receives, otherwise than as a nominee or representative, a dividend from which United States tax at the reduced rate of 15 percent has been withheld at source pursuant to §514.2 shall withhold an additional amount of United States tax from the portion of the dividend included in the gross income from sources within the United States of any beneficiary or partner, as the case may be, who is not entitled to the reduced rate of tax in accordance with §514.2(c). The amount of the additional tax is to be calculated in the same manner as under subparagraph (1) of this paragraph.

(3) *Released amounts of tax.* If any amount of United States tax is released pursuant to §514.8(a)(1) by the withholding agent in the United States with respect to a dividend paid to a nominee, representative, fiduciary, or partnership with an address in France, the latter shall withhold from such released amount any additional amount of United States tax, otherwise required to be withheld from the dividend by the provisions of subparagraphs (1) and (2) of this paragraph, in the same manner as if at the time of payment of the dividends United States tax at the

§514.4

26 CFR Ch. I (4-1-10 Edition)

rate of only 15 percent had been withheld at source therefrom.

(b) *Returns filed by French withholding agents.* The amounts withheld pursuant to paragraph (a) of this section by any withholding agent in France shall be deposited, without converting the amounts into United States dollars, with the Directeur General des Impots of France on or before the 15th day after the close of the quarter of the calendar year in which the withholding in France occurs. The withholding agent making the deposit shall render therewith such appropriate French form as may be prescribed by the Directeur General des Impots. The amounts so deposited should be remitted by the Directeur General des Impots by draft in the United States dollars to the Director, International Operations Division, Internal Revenue Service, Washington 25, D. C., U. S. A., on or before the end of the calendar month in which the deposit is made, and should be accompanied by such French form as may be required to be rendered by the withholding agent in France in connection with the deposit.

§514.4 Interest.

(a) *General.* The rate of United States tax imposed by the Internal Revenue Code upon interest on bonds, securities, notes, debentures, or on any other form of indebtedness, including interest on obligations of the United States, obligations of instrumentalities of the United States, and mortgages and bonds secured by real property, which is derived from sources within the United States in taxable years beginning on or after January 1, 1952, by a nonresident alien (including a nonresident alien individual, fiduciary, and partnership) who is a resident of France, or by a French corporation or other entity, shall not exceed 15 percent under the provisions of Article I(d) of the convention if such alien, corporation, or other French entity at no time during the taxable year in which such interest is received has a permanent establishment in the United States. As to what constitutes a permanent establishment see Article III(a) of the convention.

(b) *Application of reduced rate at source.* (1) To secure withholding of

United States tax at the rate of 15 percent at source in the case of coupon bond interest, the nonresident alien who is a resident of France, or the French corporation or other entity, shall, for each issue of bonds, file Form 1001-F in duplicate when presenting the interest coupons for payment. This form shall be signed by the owner of the interest, or by his trustee or agent, and shall show the name and address of the obligor, the name and address of the owner of the interest, and the amount of the interest. It shall contain a statement that the owner (i) is a resident of France, or is a French corporation or other entity, and (ii) has no permanent establishment in the United States.

(2) The reduction in the rate of United States tax contemplated by Article 6A of the convention, insofar as it concerns coupon bond interest, is applicable only to the owner of the interest. The person presenting the coupon or on whose behalf it is presented shall, for the purpose of the reduction in tax, 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, or on whose behalf it is presented, is not the owner of the bond, Form 1001, and not Form 1001-F, shall be executed.

(3) The original and duplicate of Form 1001-F shall be forwarded by the withholding agent to the Director, International Operations Division, Internal Revenue Service, Washington 25, D. C., with the annual return on Form 1042. Form 1001-F shall be listed on Form 1042.

(4) To secure the reduced rate of United States tax at source in the case of interest other than coupon bond interest, the nonresident alien individual who is a resident of France, or the French corporation or other entity, shall file Form 1001A-F in duplicate with the withholding agent in the United States. This form shall be signed by the owner of the interest, or by his trustee or agent, and shall show the name and address of the obligor and the name and address of the owner of the interest. It shall contain a statement that the owner (i) is a resident of