

#### §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

France, or is a French corporation or other entity, and (ii) has no permanent establishment in the United States.

(5) Form 1001A-F shall be filed with the withholding agent for each successive three-calendar-year period during which such interest is paid. For this purpose, the first such period shall commence with the beginning of the calendar year in which such income is first paid on or after January 1, 1957. Each such form 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 such a form has been filed in respect of any three-calendar-year period, no additional Form 1001A-F need be filed in respect thereto unless the Commissioner of Internal Revenue notifies the withholding agent that another such form shall be filed by the taxpayer. If, after filing such form, the taxpayer ceases to be eligible for the reduced rate of United States tax granted by Article 6A of the convention in respect to such interest, he shall promptly notify the withholding agent by letter in duplicate. When any change occurs in the ownership of the interest as recorded on the books of the payer, the reduction in 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 Form 1001A-F with the withholding agent.

(6) The duplicate of each Form 1001A-F shall be immediately forwarded by the withholding agent to the Director, International Operations Division, Internal Revenue Service, Washington 25, D. C.

#### §514.5 Patent and copyright royalties and film rentals.

(a) *Exemption from tax.* Royalties for the right to use copyrights, patents, designs, secret processes and formulae, trademarks, and other analogous property, and royalties and rentals in respect of motion picture films or for the use of industrial, commercial, or scientific equipment, which are derived from sources within the United States on or after January 1, 1945, by a non-

resident alien individual who is a resident of France, or by a French corporation, are exempt from United States tax under the provisions of Article 7 of the convention signed July 25, 1939, as modified by Article 7(b) of the convention signed October 18, 1946, if such alien or corporation at no time during the taxable year in which such income is derived has engaged in trade or business within the United States through a permanent establishment situated therein.

(b) *Exemption from withholding of United States tax.* To avoid withholding of United States tax at source in the case of items of income to which this section applies, the nonresident alien who is a resident of France, or the French corporation, shall file Form 1001A-F, in duplicate, with the withholding agent in the United States.

(c) *Manner of filing.* The provisions of §514.4 relating to the execution, filing, effective period, and disposition of Form 1001A-F, are equally applicable with respect to the income falling within the scope of this section.

(d) *Revocation of 26 CFR (1939) 7.418 (Treasury Decision 5499).* Effective January 1, 1957, the provisions of 26 CFR 7.418 (Rev. 1953, Parts 1-79, and Supps.) (Treasury Decision 5499, 11 F.R. 2158), approved February 27, 1946, are hereby made inapplicable, and the provisions of this section are hereby substituted therefor with respect to payments of royalties and film rentals made on or after January 1, 1957.

#### §514.6 Private pensions and life annuities.

(a) *Exemption from tax.* Private pensions and life annuities as defined in paragraph (d) of this section, derived from sources within the United States on or after January 1, 1945, and paid to a nonresident alien who is a resident of France are exempt from United States tax under the provisions of Article 8 of the convention of July 25, 1939.

(b) *Exemption from withholding of United States tax—Form to use.* To secure exemption from withholding of United States tax at the source in the case of private pensions and life annuities, the nonresident alien who is a resident of France shall file Form