

Subpart A.—Tax Conventions

Supplemental Tables of Income Tax Rates and Exempt Personal Service Income Under New Income Tax Treaties and Protocols

Announcement 98-47

The United States recently exchanged instruments of ratification for new income tax treaties with the following countries. This table shows the effective dates of those new treaties.

Country	For taxes withheld at source, the treaty is effective for amounts paid or credited on or after...	For other taxes, the treaty is effective for tax years beginning on or after...
Austria*	April 1, 1998	January 1, 1999
Ireland*	January 1, 1998	January 1, 1998
South Africa	January 1, 1998	January 1, 1998
Switzerland*	February 1, 1998	January 1, 1998
Thailand	June 1, 1998	January 1, 1998
Turkey	January 1, 1998	January 1, 1998

*Replaces existing treaty.

Canada. The United States also recently exchanged instruments of ratification for a new protocol with Canada. The protocol changes the taxation of social security benefits (including tier 1 railroad retirement benefits but not including unemployment benefits). Beginning January 1, 1998, tax will not be withheld from these benefits. In addition, Canadian residents can request refunds of U.S. tax withheld for 1996 and 1997 from the Canadian government. Contact Revenue Canada for information on the refund procedure.

Tables. The Internal Revenue Service prepared Tables 1 and 2 below, as an aid in determining the taxability of certain types of income under the treaties. Table 1 lists tax rates for investment income such as dividends, interest, and royalties. Table 2 lists the different kinds of personal service income that may be fully or partially exempt from U.S. tax.

These tables are similar in format to Tables 1 and 2 in the 1997 editions of Publication 515, *Withholding of Tax on Nonresident Aliens and Foreign Corporations*, and Publication 901, *U.S. Tax Treaties*. Taxpayers and withholding agents may use these tables until the Service revises Publications 515 and 901.

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Table 1. Tax Rates on Income Other Than Personal Service Income Under Chapter 3, Internal Revenue Code, and Income Tax Treaties

Country of Residence of Payee	Income Code Number		1	2	3	6		7	9	10	11		12	13	14	21
	Name	Code				Interest Paid by U.S. Obligors General ¹	Interest on Real Property Mortgages ⁴				Interest Paid to Controlling Foreign Corporations ³	U.S. Corporations General ^{5(a),(b)}				
Austria	AU	0 ^p	0 ^p	0 ^p	0 ^p	15 ^e	5 ^e	0 ^{d,g}	0	0	10	0	0	30	0	30
Ireland	EI	0	0	0	15 ^e	5 ^e	0 ^{d,g}	0	0	0	0	0	0	30	0 ^{h,i}	0
So. Africa	SF	0 ^p	0 ^p	0 ^p	15 ^e	5 ^e	0 ^g	0	0	0	0	0	0	30	15 ^{h,m,n}	30
Switzerland	SZ	0 ^q	0 ^q	0 ^q	18 ^e	5 ^e	0 ^g	0	0	0	0	0	0	30	0 ^h	15
Thailand	TH	15 ^r	15 ^r	15 ^r	15 ^e	10 ^e	30	8 ^k	5	15 ^o	5	15 ^o	30	0 ^{h,i}	30	
Turkey	TU	15 ^r	15 ^r	15 ^r	20 ^e	15 ^e	0 ^{d,g}	5 ^k	10	10	10	10	30	0 ^h	30	

^a Under some treaties, the reduced rates of withholding may not apply to a foreign corporation unless a minimum percentage of its owners are citizens or residents of the United States or the treaty country.

^b No U.S. tax is imposed on a percentage of any dividend paid by a U.S. corporation that received at least 80% of its gross income from an active foreign business for the 3-year period before the dividend is declared. (See sections 871(b)(2)(B) and 881(d) of the Internal Revenue Code.)

^c Withholding at a different rate may be required on the disposition of a U.S. real property interest. See Publication 515.

^d The exemption or reduction in rate does not apply if the recipient has a permanent establishment in the United States and the property giving rise to the income is effectively connected with this permanent establishment. The exemption or reduction in rate also does not apply if the property giving rise to the income is effectively connected with a fixed base in the United States from which the recipient performs independent personal services. Even with the treaty, if the income is not effectively connected with a trade or business in the United States, the recipient will be considered as not having a permanent establishment in the United States under section 894(b) of the Internal Revenue Code.

^e The rate in column 6 applies to dividends paid by a regulated investment company (RIC) or real estate investment trust (REIT). However, that rate applies to dividends paid by a REIT only if the beneficial owner of the dividends is an individual holding less than a 10% interest (25% in the case of Thailand) in the REIT.

^f The rate is 10% if the interest is paid on a loan granted by a bank or similar financial institution. For Thailand, the rate is 10% on interest arising from a sale on credit of equipment, merchandise, or services (provided the transaction is an arm's length transaction).

^g Exemption does not apply to gains from the sale of real property.

^h Exemption does not apply to U.S. government (federal, state, or local) pensions and annuities; a 30% rate applies to these pensions and annuities. A U.S. government pension paid to an individual who is a resident and national of the treaty country is exempt from tax.

ⁱ Includes alimony.

^j Exemption or reduced rate does not apply to an excess inclusion for a residual interest in a real estate mortgage investment conduit (REM-IC).

^k This is the rate for royalties for the use of, or the right to use, industrial, commercial, and scientific know-how is subject to the rate in column 12. The rate for royalties for information concerning industrial, commercial, and scientific know-how is subject to the rate in column 12.

^l Applies to 85% of the social security payments received from the U.S. government. The effective rate on the total social security payments received is 85% of the rate shown in the table. These rates also apply to the social security equivalent portion of tier 1 railroad retirement benefits (income code 22) received from the U.S. The remainder of tier 1, all of tier 2, dual, and supplemental railroad retirement benefits (income code 23) are taxed as shown in column 14 of this table.

^m Annuities that were purchased while the annuitant was not a resident of the United States are not taxable in the United States.

ⁿ The reduced rate applies if the distribution is not subject to a penalty for early withdrawal.

^o The rate is 5% for royalties on the use of any copyright of literary, artistic, or scientific work, including software.

^p The rate is 15% for contingent interest that does not qualify as portfolio interest. Generally, this is interest based on receipts, sales, income, or changes in the value of property.

^q The exemption does not apply to contingent interest that does not qualify as portfolio interest. Generally, this is interest based on receipts, sales, income, or changes in the value of property.

^r Contingent interest that does not qualify as portfolio interest is treated as a dividend and is subject to the rates under income codes 6 and 7, as appropriate.

Table 2. Compensation for Personal Services Performed in United States Exempt From Withholding and U.S. Income Tax Under Income Tax Treaties

Country (1)	Code' (2)	Category of Personal Services		Maximum Presence in U.S. (4)	Required Employer or Payer (5)	Maximum Amount of Compensation (6)	Treaty Article Citation (7)
		Purpose (3)					
Austria	16	Independent personal services ²	No limit	Any contractor	No limit	14	
	20	Public entertainment ⁷	No limit	Any contractor	\$20,000 ⁴	17	
	17	Dependent personal services ⁵	183 days	Any foreign resident	No limit	15	
	20	Public entertainment ⁷	No limit	Any U.S. or foreign resident	\$20,000 ⁴	17	
	19	Studying and training: ¹⁰ Remittances and allowances	3 years ¹³	Any foreign resident	No limit	20	
Ireland	16	Independent personal services ²	No limit	Any contractor	No limit	14	
	20	Public entertainment ⁷	No limit	Any contractor	\$20,000 ⁴	17	
	17	Dependent personal services ^{5,11}	183 days	Any foreign resident	No limit	15	
	20	Public entertainment ⁷	No limit	Any U.S. or foreign resident	\$20,000 ⁴	17	
	19	Studying and training: ¹⁰ Remittances and allowances	1 year ¹⁴	Any foreign resident	No limit	20	
So. Africa	16	Independent personal services ^{2,7}	183 days	Any contractor	No limit	14	
	20	Public entertainment ⁷	No limit	Any contractor	\$7,500 ⁸	17	
	17	Dependent personal services ^{5,11}	183 days	Any foreign resident	No limit	15	
	20	Public entertainment ⁷	No limit	Any U.S. or foreign resident	\$7,500 ⁸	17	
	19	Studying and training: ¹⁰ Remittances and allowances	1 year ¹⁴	Any foreign resident	No limit	20	
Switzerland	16	Independent personal services ²	No limit	Any contractor	No limit	14	
	20	Public entertainment ⁷	No limit	Any contractor	\$10,000 ⁴	17	
	17	Dependent personal services ^{5,11}	183 days	Any foreign resident	No limit	15	
	20	Public entertainment ⁷	No limit	Any U.S. or foreign resident	\$10,000 ⁴	17	
	19	Studying and training: ¹⁰ Remittances and allowances	No limit	Any foreign resident	No limit	20	
Thailand	15	Scholarship fellowship grant	5 years	Any U.S. or foreign resident ¹⁹	No limit	22(1)	
	16	Independent personal services ^{2,7}	89 days	Any U.S. resident	\$10,000	15	
	20	Public entertainment ⁷	89 days	Any foreign contractor	No limit ¹⁵	15	
	17	Dependent personal services ^{5,16}	No limit	Any contractor ²⁰	\$100 per day or \$3,000 p.a.	19	
	20	Public entertainment ⁷	183 days	Any foreign resident	No limit	16	
	18	Teaching or research ^{6,9}	No limit	Any U.S. or foreign resident ²⁰	\$100 per day or \$3,000 p.a.	19	
19	Studying and training: Remittances and allowances	2 years	Any U.S. or foreign resident	No limit	23		
		Compensation during training experience	5 years	Any foreign resident	No limit	22(1)	
		Government program	5 years	Any U.S. or foreign resident	\$3,000 p.a.	22(1)	
		Compensation while under U.S. Government program	12 consec. mos.	Thai resident ¹⁸	\$7,500	22(2)	
			1 year	U.S. Government	\$10,000 ¹²	22(3)	
Turkey	16	Independent personal services ²	183 days	Any contractor	No limit	14	
	20	Public entertainment ^{7,21}	No limit	Any contractor	\$3,000 ³	17	
	17	Dependent personal services ^{5,17}	183 days	Any foreign resident	No limit	15	
	20	Public entertainment ^{7,21}	No limit	Any U.S. or foreign resident	\$3,000 ³	17	
	18	Teaching or research	2 years	Any foreign resident	No limit	20(2)	
	19	Studying and training: ¹⁰ Remittances and allowances	No limit	Any foreign resident	No limit	20(1)	

- ¹ Refers to income codes described in Publication 515 and to be reported on Forms 1042-S.
- ² Exemption does not apply to the extent income is attributable to the recipient's fixed U.S. base.
- ³ Exemption does not apply if gross receipts exceed this amount.
- ⁴ Exemption does not apply if gross receipts, including reimbursements, exceed this amount during the tax year.
- ⁵ Exemption does not apply if the employee's compensation is borne by a permanent establishment or a fixed base that the employer has in the United States.
- ⁶ Does not apply to compensation for research work primarily for private benefit.
- ⁷ Withholding at 30% may be required because the factors on which the treaty exemption is based may not be determinable until after the close of the tax year. However, see the discussions on withholding agreements in Publication 515.
- ⁸ Exemption does not apply if gross receipts, including reimbursements, exceed this amount during the year. Income is fully exempt if visit to the United States is substantially supported by public funds of the treaty country or its political subdivisions or local authorities.
- ⁹ Exemption does not apply if during the immediately preceding period the individual claimed any benefit under Article 22(1).
- ¹⁰ Applies only to full-time student or trainee.
- ¹¹ Does not apply to fees of a foreign director of a U.S. corporation.

- ¹² Exemption applies only to compensation for personal services performed in connection with, or incidental to, the individual's study, research, or training.
- ¹³ The 3-year limit pertains only to an apprentice or business trainee.
- ¹⁴ The 1-year limit pertains only to an apprentice or business trainee.
- ¹⁵ A \$10,000 limit applies if the expense is borne by a permanent establishment or a fixed base in the United States.
- ¹⁶ Fees paid to a resident of Thailand for services as a director of a U.S. corporation are subject to U.S. tax, unless the services are performed in Thailand.
- ¹⁷ Fees paid to a resident of Turkey for services performed in the United States as a director of a U.S. corporation are subject to U.S. tax.
- ¹⁸ Applies only if training or experience is received from a person other than alien's employer.
- ¹⁹ Grant must be from a nonprofit organization.
- ²⁰ This provision does not apply if visit to the United States is substantially supported by public funds of the treaty country or its political subdivisions or local authorities.
- ²¹ This provision does not apply if these activities are substantially supported by a nonprofit organization of the treaty country or by public funds of the treaty country or its political subdivisions or local authorities.