

Changes to Publications 515 and 901

Announcement 2000-59

Changes apply to Tables 1 and 2 in Publication 515, *Withholding of Tax on Nonresident Aliens and Foreign Corporations (For Withholding in 2000)*, and in Publication 901, *U.S. Tax Treaties*. These changes are needed to reflect the new income tax treaty with Denmark. The provisions for taxes withheld at source are effective for amounts paid or credited on or after May 1, 2000. For other taxes, the provisions are effective for tax years beginning on or after January 1, 2001.

A person entitled to benefits under the previous treaty with Denmark, can elect to have that treaty apply in its entirety for one year following the date the new treaty would otherwise apply.

Note. The footnotes in the column headings in the Publication 515 tables generally apply to this new treaty.

Table 1. Withholding Tax Rates on Income Other Than Personal Service Income Under Chapter 3, Internal Revenue Code, and Income Tax Treaties—For Withholding in 2000.

Income code number		1	2	3	6	7	9	10	11	12	13	14
Country of residence of payee		Interest paid by U.S. obligors General	Interest on real property mortgages	Interest paid to controlling foreign corporations	Dividends paid by		Capital Gains	Industrial Royalties	Copyright royalties		Real Property Income and Natural Resources Royalties	Pensions and Annuities
Name	Code				U.S. Corporations General	U.S. subsidiaries to foreign parent corporations			Motion Pictures and Television	Other		
Denmark	DA	^{a,b} 0	^{a,b,c} 0	^{a,b} 0	^a 15	^{a,d,e} 5	^f 0	^a 0	^a 0	^a 0	30	^{g,h,i} 30

^a 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 by the recipient, the recipient will be considered as not having a permanent establishment in the United States under IRC section 894(b).

^b The rate is 15% for interest determined with reference to (a) receipts, sales, income, profits or other cash flow of the debtor or a related person, (b) any change in the value of any property of the debtor or a related person, or (c) any dividend, partnership distribution or similar payment made by the debtor to a related party.

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

^d The reduced rate applies to dividends paid by a subsidiary to a foreign parent corporation that has the required percentage of stock ownership.

^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 (a) an individual holding not more than a 10% interest in the REIT, (b) a person holding not more than 5% of any class of the REIT's stock and the dividends are paid on stock that is publicly traded, or (c) a person holding not more than a 10% interest in the REIT and the REIT is diversified.

^f Gain on real property or on personal property attributable to a permanent establishment or a fixed base is subject to U.S. tax. See Publication 515 for when withholding is required.

^g Annuities are exempt.

^h A U.S. government (federal, state, or local) pension paid to an individual who is a resident and a national of Denmark is exempt from U.S. tax.

ⁱ Generally, if the person was receiving pension distributions before March 31, 2000, the distributions continue to be exempt from U.S. tax.

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)				
Denmark	16	Independent personal services ²	No limit	Any contractor	No limit	14
		Public entertainment ³	No limit	Any contractor	\$20,000 p.a. ⁸	17
	17	Dependent personal services ^{4,5}	183 days	Any foreign resident	No limit	15
		Public entertainment ³	183 days	Any foreign resident	\$20,000 p.a. ⁸	17
	19	Studying and training: ^{6,7} Remittances or allowances	3 years ⁹	Any foreign resident	No limit	20

¹ Refers to income code numbers described in Publication 515 and to be reported on Forms 1042-S. Personal services must be performed by a nonresident alien individual who is a resident of the specified treaty country.

² Exemption does not apply to the extent income is attributable to the recipient's fixed U.S. base.

³ 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 *Withholding agreements*, and *Final payment exemption*, under *Pay for independent personal services*, and *Central withholding agreements*, under *Artists and Athletes*, discussed in Publication 515.

⁴ Does not apply to fees of a foreign director of a U.S. corporation.

⁵ The 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 Applies only to full-time student or trainee.

⁸ Exemption does not apply if gross receipts (including reimbursements) exceed this amount during the year.

⁹ The time limit pertains only to an apprentice or business trainee.