

[In percent]

Country	Dividends	Interest	Royalties	Real estate rentals and natural resource royalties
Australia.....	2 6 15	NE	1 E	4 NE
Austria.....	1 3 15	1 E	1 E	4 NE
Belgium.....	1 15	1 15	1 E	4 NE
Canada.....	1 15	1 15	1 15	1 3 15
Denmark.....	1 3 15	1 E	1 E	4 NE
Finland.....	3 6 15	1 E	1 E	4 NE
France.....	1 15	1 15	1 E	4 NE
Germany.....	1 15	1 E	1 E	4 NE
Greece.....	NE	1 E	1 E	4 NE
Honduras.....	NE	1 E	1 E	4 NE
Ireland.....	2 3 6 15	2 E	2 E	2 4 15
Italy.....	1 3 15	NE	1 E	4 NE
Japan.....	NE	1 15	1 15	4 NE
Netherlands.....	1 3 15	1 E	1 E	4 NE
Netherlands Antilles.....	1 3 15	1 E	1 E	4 NE
New Zealand.....	1 3 6 15	NE	NE	NE
Norway.....	1 3 15	1 E	1 E	4 NE
Pakistan.....	1 7 15	NE	1 E	NE
South Africa.....	NE	NE	NE	4 NE
Sweden.....	15	1 E	E	NE
Switzerland.....	1 3 15	1 5	1 E	4 NE
United Kingdom.....	2 3 15	2 E	E	2 4 15
United Kingdom colonies.....	2 3 15	2 E	E	2 4 15

Definitions:

E—Exempt.

NE—Not exempt: Tax to be withheld at the statutory rate prescribed by secs. 1441 and 1442 of the Internal Revenue Code of 1954 (generally 30 percent).

¹ Applicable if no permanent establishment in the United States.

² Applicable if no permanent establishment in the United States and subject to tax of the other contracting party.

³ The rate is 5 percent on dividends paid by domestic subsidiary corporations subject to prescribed conditions.

⁴ Recipient may elect to be subject to tax on a net basis by filing form 1040-B.

⁵ Recipient may elect to be subject to tax on a net basis but only on real property by filing form 1040-B.

⁶ Applicable to a nonresident alien not engaged in a trade or business in the United States.

⁷ Applicable only when certain Pakistani corporations are the recipients.

2. Foreign corporations and investment income

The Treasury recommends that corporations engaged in business in the United States be denied the 95-percent dividends received deduction; be subject to the 30-percent statutory rate or the treaty rate (whichever is lesser) on income from stock investments; and be exempt from tax on their capital gains from investment in U.S. stocks. For determining the applicability of treaty rates, the corporation will be deemed not to have a permanent establishment in this country. The Fowler task force made no comparable recommendations.

The special 15-percent treaty rates applicable for dividends (see chart above) are generally applicable to corporations receiving dividends. In the case of Australia, Denmark, Finland, Ireland, Italy, Netherlands, Netherlands Antilles, New Zealand, Norway, Switzerland, United Kingdom, and United Kingdom colonies, the rate is 5 percent on dividends paid by domestic subsidiary corporations under certain prescribed conditions.

3. Engaging in a trade or business

Both the Fowler task force and the Treasury recommendations would clarify the definition of engaging in a trade or business to make it clear that a nonresident alien investing in the United States will not be deemed engaged in a trade or business because of activity in an investment account or by granting a discretionary investment power to a U.S. banker, broker, or adviser. The Fowler task force also recommended adoption of a provision making it clear that a nonresident alien individual or foreign corporation will not be deemed engaged in a trade or business by reason of the mere ownership of real property, by reason of a strict net lease, or by reason of an agent's activity in connection with a selection of real estate investments in the United States. The Treasury did not act on this recommendation.