

“(B) a transfer of property by a nonresident alien individual, a foreign estate or trust, or a foreign partnership, to a domestic corporation in exchange for stock or securities in such corporation in a transaction to which section 351 applies.”

(k) **COLLECTION OF INCOME TAX AT SOURCE ON WAGES.**—Subsection (a) of section 3401 (relating to definition of wages for purposes of collection of income tax at source) is amended by striking out paragraphs (6) and (7) and inserting in lieu thereof the following:

“(6) for such services, performed by a nonresident alien individual, as may be designated by regulations prescribed by the Secretary or his delegate; or”.

(l) **DEFINITION OF FOREIGN ESTATE OR TRUST.**—Section 7701(a) (31) (defining foreign estate or trust) is amended by striking out “from sources without the United States” and inserting in lieu thereof “, from sources without the United States which is not effectively connected with the conduct of a trade or business within the United States,”.

(m) **CONFORMING AMENDMENT.**—The first sentence of section 932(a) (relating to citizens of possessions of the United States) is amended to read as follows: “Any individual who is a citizen of any possession of the United States (but not otherwise a citizen of the United States) and who is not a resident of the United States shall be subject to taxation under this subtitle in the same manner and subject to the same conditions as in the case of a nonresident alien individual.”

(n) **EFFECTIVE DATES.**—

(1) The amendments made by this section (other than the amendments made by subsections (g), (h), and (k)) shall apply with respect to taxable years beginning after December 31, 1965.

(2) The amendments made by subsections (g) and (h) shall apply with respect to payments occurring after December 31, 1965.

(3) The amendments made by subsection (k) shall apply with respect to remuneration paid after December 31, 1965.

SEC. 4. FOREIGN CORPORATIONS.

(a) **TAX ON INCOME NOT CONNECTED WITH UNITED STATES BUSINESS.**—Section 881 (relating to tax on foreign corporations not engaged in business in the United States) is amended to read as follows:

“SEC. 881. INCOME OF FOREIGN CORPORATIONS NOT CONNECTED WITH UNITED STATES BUSINESS.

“(a) **IMPOSITION OF TAX.**—There is hereby imposed for each taxable year a tax of 30 percent of the amount received from sources within the United States by a foreign corporation as—

“(1) interest, dividends, rents, salaries, wages, premiums, annuities, compensations, remunerations, emoluments, and other fixed or determinable annual or periodical gains, profits, and income,

“(2) gains described in section 631 (b) or (c), and

“(3) amounts which under section 341, or under section 1232 (in the case of bonds or other evidences of indebtedness issued after September 28, 1965), are treated as gains from the sale or exchange of property which is not a capital asset,