Mr. BARTH. That is right. Well, he could go to a British bank, he could go to a Swiss bank, he could go to other banks.

Senator TALMADGE. Assuming he desires to transfer it to London, what would his interest rate be there?

Mr. BARTH. He could do that in London and with a foreign bank, not an American bank, he could probably get today, instead of 5½ percent, he probably could get for 1-year money close to 7¼ percent, whereas he would not get this from an American bank operating in London.

Senator TALMADGE. That would be $72,500, he could earn on his money for 1 year.

Mr. BARTH. That is right.

Senator TALMADGE. Would that be tax free?

Mr. BARTH. This would be tax free; yes, sir.

Senator TALMADGE. In other words, if he started off with $55,000 in income, he would be subject to the American tax of $16,500. But by switching his business to a foreign bank in London he could have an income of $72,000; is that correct?

Mr. BARTH. That is about right under today's interest rates.

Senator TALMADGE. Is that the reason why you state that a substantial portion of this $2½ billion might leave the American banks?

Mr. BARTH. Yes, sir.

Senator DOUGLAS. Will the Senator yield?

Senator TALMADGE. Certainly, I am delighted to yield.

Senator DOUGLAS. Mr. Barth, do these foreign countries have income taxes?

Mr. BARTH. They do have. Based upon information we have been able to obtain, the return is not taxable for a nonresident in France nor in Germany. There is no withholding and, in practical effect, no tax in the United Kingdom; Italy and Canada—where in other than Canadian dollars—in Switzerland and Japan interest is taxable.

Senator DOUGLAS. It is taxable?

Mr. BARTH. Yes; in Switzerland, but it is not in London.

Senator DOUGLAS. Would the same provisions apply for foreign depositors as for domestic depositors?

Mr. BARTH. These are for foreign depositors, Senator.

Senator DOUGLAS. Pardon?

Mr. BARTH. These are for foreign depositors.

Senator DOUGLAS. For foreign.

Do you know the rates of taxation in Switzerland and Japan? Aren't they quite heavy?

Mr. BARTH. I believe in Switzerland the withholding tax on interest earned by nonresidents is 27 percent. In Japan I am not certain, but I believe it is 20 percent.

Senator DOUGLAS. You say, however, in England this is not taxable.

Mr. BARTH. No, sir.

Senator DOUGLAS. Is the income of the individual taxable so that while there would not be withholding at the source there would be taxation of the individual, of the recipient?

Mr. BARTH. To the best of my knowledge, if a nonresident of England has an account in England, the interest is not taxable.

Senator DOUGLAS. I wonder if you would consult your legal department on that.

Mr. BARTH. We have.