

1 (c) *WITHHOLDING OF TAX ON FOREIGN CORPORA-*
 2 *TIONS.*—Section 1442 (relating to withholding of tax on
 3 foreign corporations) is amended to read as follows:

4 “SEC. 1442. *WITHHOLDING OF TAX ON FOREIGN CORPO-*
 5 *RATIONS.*

6 “(a) *GENERAL RULE.*—In the case of foreign corpora-
 7 tions subject to taxation under this subtitle, there shall be
 8 deducted and withheld at the source in the same manner and
 9 on the same items of income as is provided in section 1441
 10 or section 1451 a tax equal to 30 percent thereof; except
 11 that, in the case of interest described in section 1451 (relat-
 12 ing to tax-free covenant bonds), the deduction and with-
 13 holding shall be at the rate specified therein. For purposes
 14 of the preceding sentence, the references in section 1441(b)
 15 to sections 871(a)(1) (C) and (D) shall be treated as re-
 16 ferring to sections 881(a) (3) and (4), the reference in
 17 section 1441(c)(1) to section 871(b)(1) shall be treated
 18 as referring to section 842 or section 882(a), as the case
 19 may be, and the reference in section 1441(c)(5) to section
 20 871(a)(1)(D) shall be treated as referring to section
 21 881(a)(4).

22 “(b) *EXEMPTION.*—Subject to such terms and condi-
 23 tions as may be provided by regulations prescribed by the
 24 Secretary or his delegate, subsection (a) shall not apply in
 25 the case of a foreign corporation engaged in trade or business