

## Announcement 2008–8

### Supplemental Tables of Income Tax Rates Under New Income Tax Conventions

The United States recently exchanged instruments of ratification for a new income tax treaty with Belgium and new protocols for the income tax treaties with Denmark, Finland, and Germany. The effective dates are as follows:

**Belgium.** The provisions relating to withholding tax at source are effective for amounts paid or credited on or after February 1, 2008. For other taxes, the treaty is effective for tax periods beginning on or after January 1, 2008. A person entitled to benefits under the previous treaty can elect to have that treaty apply in its entirety for a twelve-month period following the date the new treaty would otherwise apply.

**Denmark.** The provisions relating to withholding tax at source are effective for amounts paid or credited on or after February 1, 2008. For all other taxes, the protocol is effective for tax periods beginning on or after January 1, 2008.

**Finland.** The provisions relating to withholding tax at source are effective for amounts paid or credited on or after February 1, 2008. However, the provisions for dividends covered by footnotes d and f in Table 1, are effective January 1, 2007. For all other taxes, the protocol is effective for tax years beginning on or after January 1, 2008.

**Germany.** The provisions relating to withholding tax at source are effective for amounts paid or credited on or after January 1, 2007. For all other taxes, the treaty is effective for tax years beginning on or after January 1, 2008. A person entitled to benefits under the treaty before modification by this protocol can elect to have the unmodified treaty apply in its entirety for a twelve-month period following the date the protocol would otherwise apply.

**Tables 1 and 2.** The following tables can be used to supplement Tables 1 and 2 in Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities (For Withholding in 2007), and Publication 901, U.S. Tax Treaties. The footnotes in those publications that relate to the column headings in these tables generally apply to these entries. The protocols for Denmark and Finland did not change the entries shown in Table 2 of the publications. These tables are intended only as a summary, and the full text of the relevant income tax treaty and protocol should be consulted. The complete text of the Belgium treaty and the Denmark, Finland, and Germany protocols are available on the IRS website at [www.irs.gov](http://www.irs.gov).

**Table 1. Withholding Tax Rates on Income Other Than Personal Service Income**

Income code number		1	2	3	6	7	9	10	11	12	13	14	21
Country/Code													
Belgium	BE	0 a,b	0 a,b,c	0 a,b	15 a,d,e	5 a,d,e,f	0 a	0 a	0 a	0 a	30	0 g,h	30
Denmark	DA	0 a,i	0 a,c,i	0 a,i	15 a,d,e	5 a,d,e,f	0 a	0 a	0 a	0 a	30	0 g,j,k	30
Finland	FI	0 a,i	0 a,c,i	0 a,i	15 a,d,e	5 a,d,e,f	0 a	0 a	0 a	0 a	30	0 g,h	30
Germany	GM	0 a,b	0 a,b,c	0 a,b	15 a,d,e	5 a,d,e,f	0 a	0 a	0 a,l	0 a	30	0 g,h	30

**Income Codes**

- |   |   |
|---|---|
| 1 Interest paid by U.S. obligors — General          | 10 Industrial royalties                                 |
| 2 Interest on real property mortgages               | 11 Copyright royalties — Motion pictures and Television |
| 3 Interest paid to controlling foreign corporations | 12 Copyright royalties — Other                          |
| 6 Dividends paid by U.S. corporations — General     | 13 Real property income and Natural resources royalties |
| 7 Dividends qualifying for direct dividend rate     | 14 Pensions and annuities                               |
| 9 Capital gains                                     | 21 Social security payments                             |

**Footnotes**

- a The exemption or reduction in rate does not apply if the recipient has a permanent establishment in the United States and the income paid is attributable to this permanent establishment. For Denmark and Finland, the exemption or reduction in rate also does not apply if the income is attributable to the performance of independent personal services from a fixed base in the United States.
- b The rate is 15% (30% for Germany) for contingent interest that does not qualify as portfolio interest. Generally, this is interest based on receipts, sales, income, or changes in the value of property.
- c The exemption or reduced rate does not apply to an excess inclusion for a residual interest in a real estate mortgage investment conduit (REMIC).
- d Amounts paid to a pension fund that are not derived from the carrying on of a business by the pension fund (or an associated enterprise for Belgium, Denmark, and Finland) are exempt.
- e The rate in column 6 (or 0% for payments to pension funds described in footnote d) applies to dividends paid by a regulated investment company (RIC) or real estate investment trust (REIT). However, that rate (including 0% for pension funds) applies to dividends paid by a REIT only if the beneficial owner of the dividends is (a) an individual or a pension fund 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 Dividends paid by an 80%-owned corporate subsidiary are exempt if certain conditions are met.

- g A 30% rate applies to U.S. government pensions (federal, state, or local); however, pensions paid to an individual who is both a resident and national of the treaty country are exempt from U.S. tax.
- h Includes alimony.
- i The rate is 15% for interest determined with reference to (a) receipts, sales, income, profits or other cash flow of the debtor or 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 person.
- j Generally, if the person was receiving pension distributions before March 31, 2000, the distributions continue to be exempt from U.S. tax.
- k Annuities are exempt.
- l The exemption does not apply to cinematographic items, or works on film, tape, or other means of reproduction for use in radio or television broadcasting.

**Table 2. Compensation for Personal Services Performed in United States Exempt from Withholding and U.S. Income Tax Under Income Tax Treaties**

Country	Code	Category of personal services	Maximum presence in U.S.	Required Employer or Payer	Maximum Amount of Compensation	Article No.
		Purpose				
Belgium	16	Independent personal services <sup>1</sup>				
	17	Dependent personal services <sup>4,5</sup>	183 days	Any foreign resident	No limit	14
	20	Public entertainment	No limit	Any U.S. or foreign resident	\$20,000 p.a. <sup>6</sup>	16
	18	Teaching <sup>2</sup>	2 years	U.S. educational or research institution	No limit	19(2)
	19	Studying and Training <sup>11</sup>				
		Remittances or allowances	No limit <sup>3</sup>	Any foreign resident	No limit	19(1)(a)
		Compensation during study or training	No limit <sup>3</sup>	Any U.S. or foreign resident	\$9,000 p.a.	19(1)(b)

Country	Code	Category of personal services	Maximum presence in U.S.	Required Employer or Payer	Maximum Amount of Compensation	Article No.	
		Purpose					
Germany	15	Scholarship or fellowship grant	No limit	Any U.S. or foreign resident <sup>7</sup>	No limit	20(3)	
	16	Independent personal services <sup>1</sup>					
	17	Dependent personal services <sup>4,5</sup>	183 days	Any foreign resident	No limit	15	
	20	Public entertainment	No limit	Any U.S. or foreign resident	\$20,000 p.a. <sup>6</sup>	17	
	18	Teaching <sup>2,8</sup>	2 years	U.S. educational or research institution	No limit	20(1)	
	19		Studying and Training <sup>11</sup>				
			Remittances or allowances	No limit	Any foreign resident	No limit	20(2)
		Compensation during study or training	4 years	Any U.S. or foreign resident	\$9,000 p.a.	20(4)	
		Compensation while gaining experience <sup>9</sup>	1 year	Any foreign resident	\$10,000 <sup>10</sup>	20(5)	

### Footnotes

- 1 Treated as business profits under Article 7 of the treaty.
- 2 Does not apply to income from research work primarily for private benefit.
- 3 Two years in the case of a business trainee.
- 4 Fees paid to a resident of the treaty country for services performed in the United States as a director of a U.S. corporation are subject to U.S. tax.
- 5 The exemption does not apply if the employee's compensation is borne by a permanent establishment that the employer has in the United States.

- 6 The exemption does not apply if gross receipts (including reimbursements) exceed this amount during the year. For Germany, income is fully exempt if visit is substantially supported by public funds of Germany or its political subdivisions or local authorities.
- 7 Grant must be from a nonprofit organization.
- 8 The exemption does not apply if during the immediately preceding period, the individual claimed the benefit of Article 20(2), (3), or (4).
- 9 Applies only if training or experience is received from a person other than the individual's employer.
- 10 The exemption does not apply if compensation exceeds this amount.
- 11 Applies only to full-time student or trainee.