



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

OFFICE OF
CHIEF COUNSEL

October 12, 2000

CC:INTL:Br1:LRRubenstein
COR-115620-00

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Dear [REDACTED]:

Re: Lump sum pension distributions under the US-Canada income tax treaty

This letter is in response to your letter dated August 9, 2000, pertaining to the taxation of lump sum pension distributions paid to non-resident aliens under Article XVIII of the US-Canada income tax treaty (the "Treaty").

The gross amount of U.S. source income received by a non-resident alien individual from a qualified retirement plan is generally taxable in the United States at a rate of 30-percent under section 871(a). Plan contributions attributable to services performed outside the United States are not U.S. source income and are not subject to taxation in the United States. However, the earnings and accretions portion of a distribution from a qualified plan is treated as U.S. source under Rev. Rul. 79-388, 1979-2 C.B. 270, even if all the services were performed outside the United States.

Paragraph 2(a) of Article XVIII of the Treaty provides that periodic pension payments arising in one country and paid to a resident of the other country may be taxed in the country in which the pension arises, at a rate not exceeding 15-percent.

Paragraph 2 of Article XXII of the Treaty applies to lump sum distributions from a pension plan. Such income may be taxed in the country in which the pension arises, but only to the extent it arises in that country, at a rate not exceeding 15-percent.

This information letter is advisory only and has no binding effect on the Internal Revenue Service. See Rev. Proc. 2000-1, §2.04, 2000-1 I.R.B. 4, 10. If you wish a definitive determination, you may request a ruling under the procedures set forth in Revenue Procedure 2000-1.

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If you have any additional questions, please contact Leslie R. Rubenstein at (202) 622-3880.

Sincerely,

M. Grace Fleeman
Assistant to the Branch Chief, Branch 1
Associate Chief Counsel (International)