



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

OFFICE OF
CHIEF COUNSEL

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CC:INTL:Br2:LHatten-Boyd
COR-115701-01

[REDACTED]

Dear [REDACTED]:

This is in response to your correspondence to Mr. John Staples dated March 6, 2001. You have requested information regarding tax withheld under section 1441 of the Internal Revenue Code on dividends paid to you by [REDACTED]. Specifically, you request information regarding the procedure for requesting a refund of such tax on behalf of your account holders.

Pursuant to the information you submitted, [REDACTED] maintains a nominee account with [REDACTED]. From **January 2000** until **May 2000**, [REDACTED] withheld 30% on U.S. source dividends paid to [REDACTED] on behalf of its [REDACTED] account holders. For payments remitted after **May 2000**, [REDACTED] reduced the withholding rate to 15%.

New regulations have been issued under section 1441, effective 1/1/2001. Because the dividends were paid prior to that date, [REDACTED] should have applied the old rules to determine the proper procedure for withholding on the dividends. Article 10 of the U.S.-[REDACTED] income tax treaty provides that the proper rate of withholding on dividends paid to [REDACTED] residents is 15%.

To claim a refund for the amount overwithheld, [REDACTED] should complete Form 1120F. Specifically, section I of that form should be completed to show the amount of dividends paid, the proper rate of tax, and the amount of tax actually withheld. A copy of the Form 1042-S that was issued to [REDACTED] from [REDACTED] should be attached to the submission. The Form 1120F, and corresponding instructions, can be obtained on the IRS website, www.irs.ustreas.gov.

Finally, it should be noted that [REDACTED] should NOT use its QI-EIN to obtain the refund. If [REDACTED] does not have an EIN (other than its QI-EIN), it will have to apply for one on Form SS-4. Be sure to state clearly on that form that the reason for the EIN

request is to obtain a treaty benefit. Otherwise, reporting requirements will attach to the number issued and [REDACTED] will receive notices in the future for failure to make returns as required by certain foreign entities.

We hope this information is helpful. If you have any further questions regarding this matter, please feel free to contact Laurie Hatten-Boyd of my office at (202) 622-3164.

Sincerely,

Phyllis E. Marcus
Branch Chief, CC:INTL:BR 2
Office of Associate Chief Counsel
(International)