

Supplemental Tables of Income Tax Rates Under New Income Tax Convention With Sri Lanka

Announcement 2004–81

The United States recently exchanged instruments of ratification for a new income tax treaty with Sri Lanka.

Effective dates. The provisions relating to withholding tax at source are effective for amounts paid or credited on or after September 1, 2004. For all other taxes, the treaty is effective for tax periods beginning on or after January 1, 2004.

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 2004*) and Publication 901, *U.S. Tax Treaties*. The footnotes in Publication 901 that relate to the column headings in these tables generally apply to these new entries.

Table 1. 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												
Sri Lanka CE	10 a,b	10 a,b,c	10 a,b	15 a,d	15 a,d	0 a,g	10 a	10 a	10 a,e	30	0 f,h	30

Income Codes

- 1 Interest paid by U.S. obligors — General
- 2 Interest on real property mortgages
- 3 Interest paid to controlling foreign corporations
- 6 Dividends paid by U.S. corporations — General
- 7 Dividends qualifying for direct dividend rate
- 9 Capital gains

- 10 Industrial royalties
- 11 Copyright royalties — Motion pictures and Television
- 12 Copyright royalties — Other
- 13 Real property income and Natural resources royalties
- 14 Pensions and annuities
- 21 Social security payment

Footnotes

- a The reduction in rate does not apply if the recipient has a permanent establishment in the United States and the property giving rise to the income is effectively connected with this permanent establishment. The reduction in rate also does not apply if the property giving rise to the income is effectively connected with a fixed base in the United States from which the recipient performs independent personal services.
- b The rate is 15% 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 reduced rate does not apply to an excess inclusion for a residual interest in a real estate mortgage investment conduit (REMIC).
- d The rate applies to dividends paid by a real estate investment trust (REIT) only if the beneficial owner of the dividends is (a) an individual holding less 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.
- e The rate is 5% for the rental of tangible personal property.
- f Exemption does not apply to U.S. Government (federal, state, or local) pensions and annuities; a 30% rate applies to these pensions and annuities.
- g The exemption does not apply to a sale of a U.S. company's stock representing ownership of 50% or more.
- h Does not apply to annuities.

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				
Sri Lanka	16	Independent personal services ^{2,3}	183 days	Any contractor	No limit	15
	20	Public entertainment ³	183 days	Any contractor	\$6,000 p.a. ⁴	18
	17	Dependent personal services ^{1,2}	183 days	Any foreign resident	No limit	16
	20	Public entertainment ¹	183 days	Any foreign resident	\$6,000 p.a. ⁴	18
	19	Studying and training: Remittances or allowances ⁵	No limit	Any foreign resident	No limit	21(1)
		Compensation while gaining experience ⁶	1 year	Sri Lankan resident ⁷	\$6,000	21(2)

Footnotes

- 1 The exemption does not apply if the employee's compensation is borne by a permanent establishment or fixed base that the employer has in the United States.
- 2 Fees paid to a resident of Sri Lanka for services performed in the United States as a director of a U.S. corporation are subject to U.S. tax.
- 3 Exemption does not apply to the extent income is attributable to the recipient's fixed U.S. base.
- 4 Does not apply if the gross receipts (including reimbursements) exceed this amount during the year. Income is fully exempt if visit is wholly or substantially supported by public funds of the United States or Sri Lanka or their political subdivisions or local authorities.
- 5 Applies only to a full-time student or trainee.
- 6 Applies only if the training or experience is received from a person other than the alien's employer.
- 7 Applies also to a participant in a program sponsored by the U.S. government or an international organization.