No. 7686

UNITED STATES OF AMERICA
and
SWEDEN

Supplementary Convention relating to income and other taxes. Signed at Stockholm, on 22 October 1963

Official texts: English and Swedish.

Registered by the United States of America on 14 April 1965.

ÉTATS-UNIS D'AMÉRIQUE
et
SUÈDE

Convention complémentaire relative à l'impôt sur le revenu et à d'autres impôts. Signée à Stockholm, le 22 octobre 1963

Textes officiels anglais et suédois.

Enregistrée par les États-Unis d'Amérique le 14 avril 1965.

No. 7686. SUPPLEMENTARY CONVENTION[1] BETWEEN THE UNITED STATES OF AMERICA AND THE KINGDOM OF SWEDEN RELATING TO INCOME AND OTHER TAXES. SIGNED AT STOCKHOLM, ON 22 OCTOBER 1963

The President of the United States of America and His Majesty the King of Sweden, being desirous of modifying and supplementing in certain respects the Convention and accompanying Protocol for the avoidance of double taxation and the establishment of rules of reciprocal administrative assistance in the case of income and other taxes, signed at Washington on March 23, 1939,[2] have decided to conclude a supplementary Convention and for that purpose have appointed as their respective Plenipotentiaries :

The President of the United States of America : His Ambassador Extraordinary and Plenipotentiary J. Graham Parsons ;

His Majesty the King of Sweden : His Minister of Foreign Affairs Torsten Nilsson ;

who, having communicated to one another their full powers, found in good and due form, have agreed as follows :

Article I

The provisions of the Convention between the President of the United States of America and His Majesty the King of Sweden, signed at Washington on March 23, 1939, are modified or supplemented—

(*a*) By striking out Article VII and inserting in lieu thereof the following :

"Article VII

"1. Dividends received from sources within one of the contracting States by a resident, corporation, or other entity of the other State not having a permanent establishment in the former State shall be subject to tax by such former State at a rate not in excess of 15 percent of the amount of such dividends : *Provided, however,* that such rate of tax shall not exceed 5 percent of the amount of such dividends paid by a corporation of such former State to a corporation of such other State if—

[1] Came into force on 11 September 1964, the date of the exchange of the instruments of ratification at Washington, and became operative retroactively in accordance with the provisions of Article III.

[2] League of Nations, *Treaty Series*, Vol. CXCIX, p. 17.

"(*a*) During the part of the payer corporation's taxable year preceding the payment of the dividend and during the whole of the prior taxable year at least 50 percent of the voting stock of such corporation was owned by the recipient corporation either alone or in association with not more than three other corporations of such other State and at least 10 percent of the voting stock of the payer corporation was owned by each such recipient corporation ; and

"(*b*) Not more than 25 percent of the gross income of the payer corporation (other than a corporation the principal business of which is the making of loans) for such prior taxable year is derived from interest and dividends other than interest and dividends received from a corporation in which it owns at least 50 percent of the voting stock.

"2. When a Swedish corporation or other entity derives dividends from a United States corporation or other entity the dividends thus derived shall be exempt from Swedish tax ; provided that in accordance with the laws of Sweden the dividends would be exempt from tax if both corporations or entities had been Swedish corporations or entities."

(*b*) By striking out Article VIII and inserting in lieu thereof the following :

"Article VIII

"Interest on bonds, debentures, other securities and notes, or on any other form of indebtedness received from sources within one of the contracting States by a resident or corporation or other entity of the other State not having a permanent establishment in the former State shall be exempt from tax by such former State."

(*c*) By striking out Article XII and inserting in lieu thereof the following :

"Article XII

"1. A resident of one of the contracting States who is temporarily present in the other contracting State solely—

"(*a*) As a student at a recognized university, college, or school situated in the other contracting State, or

"(*b*) As a business apprentice, or

"(*c*) As the recipient of a grant, allowance, or award which is for the primary purpose of study or research from a religious, charitable, scientific, or educational organization,