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U.S. Tax Treaties



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Important Changes

New tax treaties. The United States has exchanged instruments of ratification for new income tax treaties with Denmark, Luxembourg, and Ukraine. The new treaties with Denmark and Luxembourg replace existing treaties. Both the old and new provisions are discussed for those countries. The effective dates of the new treaties are as follows.

Denmark. The provisions for taxes withheld at source are effective for amounts paid or credited on or after May 1, 2000. For other taxes, the provisions are effective for tax years beginning on or after January 1, 2001. If you were entitled to benefits under the previous treaty with Denmark, you can elect to apply the old treaty in its entirety for one year following the date the new treaty would otherwise apply.

Luxembourg. The provisions for taxes withheld at source are effective for amounts paid or credited on or after January 1, 2001. For other taxes, the provisions are effective for tax years beginning on or after January 1, 2001. You can elect to apply the old treaty in its entirety for one year following the date the new treaty would otherwise apply.

Ukraine. The provisions for taxes withheld on interest, dividends, and royalties are effective for amounts paid or credited on or after August 1, 2000. For other taxes, the provisions are effective for tax periods beginning on or after January 1, 2001.

Previously, residents of Ukraine were covered under the treaty between the United States and the former Soviet Union. You can elect to have that treaty apply in its entirety for the first tax year the new treaty would otherwise apply. A person claiming benefits under Article III(1)(d) of the U.S.–Soviet Union treaty can elect to have the treaty apply in its entirety for the duration of

United States as a member of the board of directors of a company that is a resident of the United States.

These exemptions do not apply to income residents of Turkey receive as public entertainers (such as theater, motion picture, radio, or television artists, or musicians) or athletes if their gross receipts are more than \$3,000 during the tax year for their entertainment activities in the United States. If their visit to the United States is substantially supported by a Turkish non-profit organization or from the public funds of Turkey, its political subdivisions, or local authorities, the income is taxed as independent personal services or dependent personal services.

These exemptions do not apply to a resident of Turkey who performs services as a member of the regular complement of a ship or aircraft operated by a United States resident in international traffic.

Ukraine

Note: See the effective dates of the new treaty under *Important Changes* at the beginning of this publication. For information on the old provisions, see *Commonwealth of Independent States*.

Income that residents of Ukraine receive for performing personal services as independent contractors or self-employed individuals (independent personal services) in the United States is exempt from U.S. income tax if the income is not attributable to a fixed base in the United States that is regularly available for performing the services.

Income that residents of Ukraine receive for employment in the United States (dependent personal services) is exempt from U.S. income tax if the following three requirements are met.

- 1) The resident is in the United States for no more than 183 days during the tax year.
- 2) The income is paid by, or on behalf of, an employer who is not a resident of the United States.
- 3) The income is not borne by a permanent establishment or a fixed base that the employer has in the United States.

These exemptions do not apply to directors' fees and similar payments received by a resident of Ukraine for services performed outside of Ukraine as a member of the board of directors of a company that is a resident of the United States.

These exemptions generally do not apply to income received as a public entertainer (such as a theater, motion picture, radio, or television artist, musician, or athlete). However, income of Ukrainian entertainers and sportsmen is exempt from U.S. income tax if their visit to the United States is substantially supported by public funds of Ukraine, its political subdivisions, or local authorities, or the visit is made pursuant to a specific arrangement between the United States and Ukraine.

Income from employment as a member of the regular complement of a ship or aircraft operated in international traffic is exempt from U.S. tax.

United Kingdom

Income that residents of the United Kingdom receive for performing personal services as independent contractors or self-employed individuals (independent personal services) in the United States during the tax year is exempt from U.S. tax if the residents:

- 1) Are in the United States for no more than 183 days during the tax year, and
- 2) Do not have a fixed base regularly available in the United States.

Income that residents of the United Kingdom receive for labor or personal services performed in the United States as employees (dependent personal services) is exempt from U.S. tax if the employees meet three requirements.

- 1) They are in the United States for no more than 183 days.
- 2) Their income is paid by or on behalf of an employer who is not a resident of the United States.
- 3) Their income is not borne by a permanent establishment or a fixed base that the employer has in the United States.

Income for services performed by an employee and member of the regular complement of a ship or aircraft operated in international traffic is taxed by the country of which the employer operating the ship or aircraft is a resident.

These exemptions do not apply to income received for services performed in the United States as an entertainer, musician, or athlete if the income, including reimbursed expenses, is more than \$15,000 in any tax year.

Venezuela

Income that residents of Venezuela receive for personal services as independent contractors or self-employed individuals (independent personal services) in the United States is exempt from U.S. income tax if they do not have a fixed base regularly available to them in the United States for performing the services. If they have a fixed base available, they are taxed on the income attributable to the fixed base.

Income that residents of Venezuela receive for services performed in the United States as employees (dependent personal services) is exempt from U.S. income tax if the residents meet the following requirements.

- 1) They are in the United States for no more than 183 days in any 12-month period beginning or ending in the tax year.
- 2) Their income is paid by, or on behalf of, an employer who is not a U.S. resident.
- 3) The income is not borne by a permanent establishment or a fixed base that the employer has in the United States.

These exemptions do not apply to directors' fees and similar payments received by a resident of Venezuela for services performed in the United States as a member of the board of directors of a company resident in the United States.

Pay received by a resident of Venezuela for services performed as an employee of a ship or

an aircraft operated in international traffic is exempt from U.S. income tax.

These exemptions do not apply to income residents of Venezuela receive as public entertainers (such as theater, motion picture, radio, or television artists, or musicians) or sportsmen if their gross income, including reimbursed expenses, is more than \$6,000 for their personal activities in the United States during the tax year. Regardless of these limits, income of Venezuelan entertainers or athletes is exempt from U.S. income tax if their visit to the United States is wholly or mainly supported by public funds of Venezuela, its political subdivisions, or local authorities.

Professors, Teachers, and Researchers

Pay of professors and teachers who are residents of the following countries is generally exempt from U.S. income tax for 2 or 3 years if they temporarily visit the United States to teach or do research. The exemption applies to pay earned by the visiting professor or teacher during the applicable period. For most of the following countries, the applicable period begins on the date of arrival in the United States for the purpose of teaching or engaging in research. Furthermore, for most of the following countries, the exemption applies even if the stay in the United States extends beyond the applicable period.

The exemption generally applies to pay received during a second teaching assignment if both are completed within the specified time, even if the second assignment was not arranged until after arrival in the United States on the first assignment. For each of the countries listed, the conditions are stated under which the pay of a professor or teacher from that country is exempt from U.S. income tax.

If you do not meet the requirements for exemption as a teacher or if you are a resident of a treaty country that does not have a special provision for teachers, you may qualify under a personal services income provision discussed earlier.

Belgium

An individual who is a resident of Belgium on the date of arrival in the United States and who is temporarily in the United States at the invitation of the U.S. Government, a university, or other recognized educational institution in the United States primarily to teach or engage in research, or both, at a university or other accredited educational institution is exempt from U.S. income tax on income for the teaching or research for a maximum of 2 years from the date of arrival in the United States.

This exemption does not apply to income from research carried on mainly for the private benefit of any person rather than in the public interest.

China, People's Republic of

An individual who is a resident of the People's Republic of China and who is temporarily in the United States primarily to teach, lecture, or conduct research at a university or other accredited

Philippines

An individual who is a resident of the Philippines on the date of arrival in the United States and who is temporarily in the United States primarily to teach or engage in research, or both, at a university or other recognized educational institution is exempt from U.S. income tax on income from the teaching or research for not more than 2 years from the date of arrival in the United States. The individual must have been invited to the United States for a period not expected to be longer than 2 years by the U.S. Government or a state or local government, or by a university or other recognized educational institution in the United States.

This exemption does not apply to income from research carried on mainly for the private benefit of any person rather than in the public interest.

Poland

An individual who is a resident of Poland on the date of arrival in the United States and who is temporarily in the United States at the invitation of the U.S. Government, a university, or other recognized educational institution in the United States primarily to teach or engage in research, or both, at a university or other recognized educational institution is exempt from U.S. income tax on income for the teaching or research for a maximum of 2 years from the date of arrival in the United States.

This exemption does not apply to income from research carried on mainly for the private benefit of any person rather than in the public interest.

Portugal

An individual who is a resident of Portugal on the date of arrival in the United States and who is temporarily in the United States at the invitation of the U.S. Government, a university, other accredited educational institution, or recognized research institution in the United States, or under an official cultural exchange program, only to teach or engage in research, or both, at a university or educational institution is exempt from U.S. income tax on income from teaching or research for a maximum of 2 years from the date of arrival in the United States. An individual is entitled to these benefits only once. However, these benefits, and the benefits described later under *Students and Apprentices* cannot be claimed either simultaneously or consecutively.

This exemption does not apply to income from research carried on mainly for the private benefit of any person rather than in the public interest.

Romania

An individual who is a resident of Romania on the date of arrival in the United States and who is temporarily in the United States at the invitation of the U.S. Government, a university, or other recognized educational institution in the United States primarily to teach or engage in research, or both, at a university or other recognized educational institution is exempt from U.S. income tax on income for the teaching or re-

search for a maximum of 2 years from the date of arrival in the United States.

This exemption does not apply to income from research carried on mainly for the private benefit of any person rather than in the public interest.

Slovak Republic

An individual is exempt from U.S. income tax on income for teaching or research for up to 2 years if he or she:

- 1) Is a resident of the Slovak Republic immediately before visiting the United States, and
- 2) Is in the United States primarily to teach or conduct research at a university, college, school, or other accredited educational or research institution.

A Slovak resident is entitled to these benefits only once. However, the exemption does not apply if:

- 1) The resident claimed during the immediate preceding period the benefits described later under *Students and Apprentices*, or
- 2) The income is from research undertaken primarily for the private benefit of a specific person or persons.

Thailand

An individual who is a resident of Thailand on the date of arrival in the United States and who is in the United States for not longer than 2 years primarily to teach or engage in research at a university, college, school, or other recognized educational institution is exempt from U.S. income tax on income for the teaching or research. The exemption from tax applies only if the visit does not exceed two years from the date the individual first visits the United States for the purpose of engaging in teaching or research.

This exemption does not apply to income from research carried on mainly for the private benefit of any person rather than in the public interest. This exemption does not apply if, during the immediately preceding period, the benefits described in treaty Article 22(1), pertaining to students, were claimed.

Trinidad and Tobago

An individual who is a resident of Trinidad and Tobago on the date of arrival in the United States and who is temporarily in the United States at the invitation of the U.S. Government, a university, or other accredited educational institution in the United States primarily to teach or engage in research, or both, at a university or other accredited educational institution is exempt from U.S. income tax on the income received for the teaching or research for a maximum of 2 years from the date of arrival in the United States.

This exemption does not apply to income from research carried on mainly for the private benefit of any person rather than in the public interest. Nor does the exemption apply to in-

come if an agreement exists between the Governments of Trinidad and Tobago and the United States for providing the services of these individuals.

Turkey

An individual who was a resident of Turkey immediately before visiting the United States who is in the United States for not longer than 2 years for the purpose of teaching or engaging in scientific research is exempt from U.S. income tax on payments received from outside the United States for teaching or research.

Ukraine

Note: See the effective dates of the new treaty under *Important Changes* at the beginning of this publication. For information on the old provisions, see *Commonwealth of Independent States*.

New treaty. There is no special provision for professors or teachers.

United Kingdom

A professor or teacher who is a resident of the United Kingdom on the date of arrival in the United States and who is in the United States for not longer than 2 years primarily to teach or engage in research at a university, college, or other recognized educational institution is exempt from U.S. income tax on income for the teaching or research. If the individual's 2-year period is exceeded, the exemption is lost for the entire visit, including the 2-year period.

The exemption does not apply to income from research carried on mainly for the private benefit of any person rather than in the public interest.

Venezuela

An individual who is a resident of Venezuela on the date of arrival in the United States and who temporarily visits the United States to teach or engage in research at a recognized educational or research institution is exempt from U.S. income tax on the income received for the teaching or research for not more than 2 years from the date of arrival in the United States. This benefit can be claimed for no more than 5 years.

The exemption does not apply to income from research carried on mainly for the private benefit of any person rather than in the public interest.

Students and Apprentices

Residents of the following countries who are in the United States to study or acquire technical experience are exempt from U.S. income tax, under certain conditions, on amounts received from abroad for their maintenance and studies.

This exemption does not apply to the salary paid by a foreign corporation to one of its executives, a citizen and resident of a foreign country who is temporarily in the United States to study a particular industry for an employer. That amount

Table 2. (Continued)

Country (1)	Code ¹ (2)	Category of Personal Services (3)		Maximum Presence in U.S. (4)	Required Employer or Payer (5)	Maximum of Compensation (6)	Treaty Article Citation (7)
		Purpose (3)					
Trinidad and Tobago	15	Scholarship or fellowship grant ¹³		5 years	Any U.S. or foreign resident ⁵	No limit	19(1)
	16	Independent personal services ¹³		183 days	Any foreign resident contractor	No limit	17
	17	Dependent personal services ¹³		183 days	Any U.S. contractor	\$3,000 ⁶	17
	18	Teaching ⁴		183 days	Any foreign resident	No limit	17
	19	Studying and training: Remittances or allowances Compensation during training Compensation while gaining experience ² Compensation under U.S. Government program		2 years	U.S. educational institution or U.S. Government	\$3,000 ⁶	18
Tunisia	15	Scholarship or fellowship grant ¹⁰		5 years	Any foreign resident	No limit	19(1)
	16	Independent personal services ²²		5 years	U.S. or any foreign resident	\$2,000 p.a. ⁶	19(1)
	20	Public entertainment ¹⁵		5 years	U.S. or any foreign resident	\$5,000 p.a. ⁶	19(1)
	17	Dependent personal services ¹⁵		1 year	Trinidad—Tobago resident	\$5,000 ⁶	19(2)
	20	Public entertainment ¹⁰		1 year	U.S. Government or its contractor	\$10,000 ⁶	19(3)
	19	Studying and training: ¹⁰ Remittances or allowances Compensation during training		1 year	U.S. Government or its contractor	\$10,000 ⁶	19(3)
Turkey	15	Scholarship or fellowship grant ¹⁰		5 years	Any U.S. or foreign resident ⁵	No limit	20
	20	Independent personal services ²²		183 days	Any U.S. or foreign resident contractor	\$7,500 p.a. ²⁵	14
	17	Public entertainment ⁶		No limit	Any contractor	\$7,500 p.a. ²⁵	17
	20	Dependent personal services ^{15,24}		183 days	Any foreign resident	No limit	15
	18	Public entertainment ⁴⁶		No limit	Any U.S. or foreign resident	No limit	17
	19	Teaching or research Studying and training: ¹⁰ Remittances or allowances		2 years	Any U.S. or foreign resident	\$7,500 p.a. ²⁵	20(2)
Ukraine (New Treaty)	15	Scholarship or fellowship grant ⁴⁴		5 years	Any foreign resident	No limit	20(1)
	16	Independent personal services ^{22,50}		5 years ³¹	Any U.S. or foreign resident ⁵	No limit	20
	17	Dependent personal services ^{3,15,30}		No limit	Any contractor	No limit	14
	19	Studying and training: ¹⁰ Remittances or allowances		183 days	Any foreign resident	No limit	15
United Kingdom	15	Scholarship or fellowship grant ⁴⁴		5 years ³¹	Any foreign resident	No limit	20
	16	Independent personal services ²²		5 years	Any U.S. or foreign resident ⁵	No limit ¹²	14
	17	Dependent personal services ¹⁵		183 days	Any contractor	No limit ¹²	15
	18	Teaching ⁴		2 years	Any foreign resident	No limit	20
	19	Studying and training: ¹⁰ Remittances or allowances		5 years	U.S. educational institution	No limit	20
Venezuela	15	Scholarship or fellowship grants ⁴		No limit	Any foreign resident	No limit	21
	16	Independent personal services ^{7,22}		183 days	Any U.S. or foreign resident ⁵	No limit	21(1)
	20	Public entertainment ^{7,15}		183 days	Any contractor	No limit	14
	17	Dependent personal services ^{7,15}		No limit	Any foreign resident	\$6,000 ³⁰	18
	20	Public entertainment ⁴		No limit ⁴⁸	Any U.S. or foreign resident	\$6,000 ³⁰	15
	18	Teaching ⁴		2 years	Any U.S. or foreign resident	No limit	18
	19	Studying and training: ⁴ Remittances or allowances Compensation during training		5 years ⁴⁷	Any foreign resident	No limit	21(1)
		Compensation while gaining experience ²		12 mos., ⁴⁷ 5 years ⁴⁷	Venezuelan resident Other foreign or U.S. resident	\$8,000 \$5,000 p.a.	21(2) 21(1)
				12 mos.	Venezuelan resident	\$8,000	21(2)