

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 octo-
bre 1963**

Textes officiels anglais et suédois.

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

No. 7686. SUPPLEMENTARY CONVENTION¹ 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,

shall be exempt from tax by the other State on his remittances from abroad derived as remuneration for employment or for the purposes of his maintenance, education, or training.

“2. A resident of one of the contracting States who is temporarily present in the other contracting State, solely for the purpose of training, research, or study, under arrangements with the Government of the other State, shall be exempt from tax by the other State on his remuneration for services directly related to such training, research, or study (including any emoluments or remuneration from his employer abroad), if the amount of such remuneration does not exceed \$10,000.

“3. (a) A resident of one of the contracting States who, at the invitation of a university, college, school or other recognized educational institution situated in the other contracting State, is temporarily present in the other State solely for the purpose of teaching, or engaging in research, or both, at that educational institution shall, for a period not exceeding two years from the date of his arrival in such other State, be exempt from tax by the other State on his remuneration for such teaching or research.

“(b) The preceding subparagraph shall not apply to any remuneration for research carried on for the benefit of any person using or disseminating the results of such research for purposes of profit.

“4. An individual who qualifies for exemption under more than one provision of the preceding paragraphs of this Article shall be entitled to claim the exemption most favourable to him.”

(d) By striking out Article XIV (b) and inserting in lieu thereof the following :

“(b) (1) Sweden, in determining its taxes specified in Article I of this Convention, shall exclude from the basis upon which its taxes are imposed such items of income and property as are exempt from taxation in Sweden under the provisions of this Convention ; but the income and property thus excluded may be taken into account by Sweden in the determination of the graduated rate of Swedish tax to be imposed on Swedish residents or corporations or other entities.

“(2) There shall also be allowed by Sweden from its income taxes a deduction offsetting the tax imposed in accordance with this Convention by the United States of America upon such income from sources therein which is not exempt from taxation in Sweden, but in an amount not exceeding that proportion of the Swedish taxes which such income bears to the entire income subject to tax by Sweden.”

Article II

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

(a) By striking out subparagraph (a) of paragraph 1 and inserting in lieu thereof the following :

“(a) The term ‘permanent establishment’ means a fixed place of business in which the business of the enterprise is wholly or partly carried on. A permanent establishment shall include especially a place of management ; a branch ; an office ; a factory ; a workshop ; a mine, quarry, or other place of extraction of natural resources ; a building site, or construction or assembly project, which exists for more than twelve months.

“The term ‘permanent establishment’ shall not be deemed to include :

- “(i) The use of facilities solely for the purpose of storage, display, or delivery of goods or merchandise belonging to the enterprise ;
- “(ii) The maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage, display, or delivery ;
- “(iii) The maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise ;
- “(iv) The maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise or for collecting information, for the enterprise ;
- “(v) The maintenance of a fixed place of business solely for the purpose of advertising, for the supply of information, for scientific research or for similar activities which have a preparatory or auxiliary character, for the enterprise.

“A person acting in one of the contracting States on behalf of an enterprise of the other State, other than an agent of an independent status to whom the following sentence applies, shall be deemed to be a permanent establishment in the former State if he has, and habitually exercises in that State, an authority to conclude contracts in the name of the enterprise, unless his activities are limited to the purchase of goods or merchandise for the enterprise.

“An enterprise of one of the contracting States shall not be deemed to have a permanent establishment in the other State merely because it carries on business in that other State through a broker, general commission agent, or any other agent of an independent status, where such persons are acting in the ordinary course of their business.

“The fact that a corporation of one of the contracting States controls or is controlled by a corporation which is a corporation of the other State, or which carries on business in that other State (whether through a permanent establish-

ment or otherwise), shall not of itself constitute either corporation a permanent establishment of the other.”

(b) By striking out the second and third sentences of paragraph 6 and inserting in lieu thereof the following :

“In the application of the provisions of this Convention the benefits of the internal revenue laws of United States, relating to credits for foreign taxes, shall be accorded.”

(c) By striking out paragraph 7 and inserting in lieu thereof the following :

“7. The citizens of one of the contracting States shall not, while resident in the other State, be subject therein to other or more burdensome taxes than are citizens of that other State residing in its territory. The term ‘citizens’ as used in this paragraph, includes also all legal persons, partnerships, and associations created or organized under the laws in force in the respective contracting State. In this paragraph the word ‘taxes’ means taxes of every kind or description, whether Federal State, or municipal.”

(d) By striking out paragraph 13 and inserting in lieu thereof the following :

“13. As used in this Convention the term ‘competent authority’ or ‘competent authorities’ means, in the case of the United States of America, the Secretary of the Treasury or his authorized representative and, in the case of Sweden, the Minister of Finance or his authorized representative.”

Article III

(1) The present supplementary Convention shall be ratified and the instruments of ratification shall be exchanged at Washington as soon as possible.

(2) The provisions of the present supplementary Convention (other than Article I (a) thereof) shall become effective with respect to taxable years beginning on or after January 1, 1963. Article VII of the Convention of March 23, 1939, as revised by Article I (a) of the present supplementary Convention, shall become effective for taxable years beginning on or after the first day of January following the exchange of the instruments of ratification.

(3) The present supplementary Convention shall continue effective indefinitely as though it were an integral part of the Convention and Protocol signed on March 23, 1939, but subject to the provisions of Article XXII of that Convention with respect to termination.

IN WITNESS WHEREOF, the above-named Plenipotentiaries have signed the present supplementary Convention and have affixed thereto their respective seals.

DONE at Stockholm, in duplicate, in the English and Swedish languages, both texts being equally authentic, this 22nd day of October, 1963.

For the President of the United States of America :

J. Graham PARSONS
