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Dates:	06/10/1947 - 01/10/1974
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ISAD Reference Code:	WB IBRD/IDA NURICK-5864S
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File Title	Barcode No.
Legal Memoranda - Articles of Agreement and Powers of the Bank - 1947 to 1974 - Lester Nurick	1850544

Document Date	Document Type	
January 10, 1974	Letter	

Correspondents / Participants

To: The Honorable, The Secretary of the Treasury

From: A. Broches, Vice President and General Counsel

Subject / Title

Rulings received from Treasury Department

Exception(s)

Attorney-Client Privilege

Additional Comments

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.

Withdrawn by	Date
Shiri Alon	September 29, 2021

Record Removal Notice

The World Bank Group Archives & Records Management

File Title	Barcode No.
Legal Memoranda - Articles of Agreement and Powers of the Bank - 1947 to 1974 - Lester Nurick	1850544

Document Date	Document Type	
[undated]	Letter (DRAFT)	

Correspondents / Participants
To: A. Broches, Esq., IBRD
From: Chief, Corporation Tax Branch

Subject / Title
Reply to request for rulings

Exception(s)
Attorney-Client Privilege

Additional Comments

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.

Withdrawn by	Date
Shiri Alon	September 29, 2021

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

FOR THE PRESS — FOR IMMEDIATE RELEASE

Press Release No. 69 — November 25, 1947

The International Bank for Reconstruction and Development announced today that the United States Treasury Department has ruled that interest on bonds of the Bank paid to non-resident aliens, or to foreign corporations not engaged in trade or business in the United States, is not subject to Federal income tax under sections 211(a) and 231(a) of the Internal Revenue Code. The U. S. Treasury ruling stated that such interest, therefore, is not subject to withholding under sections 143 and 144 of the Internal Revenue Code.

This ruling, which had been requested by the Bank some time ago, was communicated to the Bank in a letter from the Acting Secretary of the Treasury.

Text of the letter follows:

"OFFICE OF
THE SECRETARY

TREASURY DEPARTMENT
Washington 25
November 19, 1947

Dear Mr. Garner:

"Your communication of July 1, 1947, relative to the applicability of the Federal income tax on interest paid by the International Bank for Reconstruction and Development on its bonds owned by non-resident alien individuals or foreign corporations not engaged in trade or business in the United States, has been receiving consideration in this office.

"The Bank for Reconstruction and Development is an international organization resident in the United States and is a juridical entity separate and distinct from its member Governments. The Bretton Woods Agreements Act (59 Stat. 512) authorized the President to accept membership for the United States in the Bank and provides that section 9 of Article VII of the Articles of Agreement of the Bank shall have full force and effect in the United States and its Territories and possessions upon acceptance of membership by the United States in the Bank. The President accepted membership for the United States on December 20, 1945. Section 9 of Article VII provides in part as follows:

> " '(c) No taxation of any kind shall be levied on any obligation or security issued by the Bank (including any dividend or interest thereon) by whomsoever held—
>
> '(ii) if the sole jurisdictional basis for such taxation is the place or currency in which it is issued, made payable or paid, or the location of any office or place of business maintained by the Bank.'

"Under the Federal income tax laws, non-resident alien individuals and foreign corporations not engaged in trade or business within the United States are subject to tax under sections 211 (a) and 231 (a) of the Internal Revenue Code on any amounts received as interest from sources within the United States. What constitutes interest from such sources is determined by statutory rules under section 119 (a) (1) of the Code. In general, interest on bonds, notes, or other interest-bearing obligations of residents, corporate or otherwise is treated as being from sources within the United States. However, interest received from a resident foreign corporation or a domestic corporation is not considered income from United States sources, in the hands of non-resident alien individuals or foreign corporations, if less

than 20% of its gross income has been derived from sources within the United States, as determined under the provisions of section 119 of the Code, for the period specified therein.

"Under section 116 (c) of the Code, as amended by the International Organizations Immunities Act, approved December 29, 1945 (Public Law 291, 79th Congress) income of an international organization received from investments in the United States in stocks, bonds, or other domestic securities, owned by such organization, or from interest on deposits in banks in the United States of moneys belonging to such organization, or from any source within the United States, is excluded from gross income and exempt from Federal income tax. For application of such exemption, which is effective only with respect to taxable years beginning after December 31, 1943, section 1 of the International Organizations Immunities Act requires that an international organization be a public international organization in which the United States participates either by treaty or by Act of Congress, and which has been designated by the President through Executive Order as being entitled to enjoy the privileges, exemptions and immunities provided by that Act. On July 11, 1946, the President, in Executive Order 9751, designated the Bank as a public international organization entitled to enjoy the benefits conferred by the International Organizations Immunities Act.

"It is the opinion of this Department that Congress intended that no income tax should be imposed on the interest paid by the Bank on its bonds owned by non-resident alien individuals or by foreign corporations not engaged in trade or business in the United States. Such a result seems to be the intent and purpose of section 9 of Article VII of the Articles of

Agreement. Moreover, since the Bank will have no gross income from United States sources within the meaning of the Internal Revenue Code under section 116 (c) thereof, interest on its bonds cannot be considered from sources within the United States under section 119 (a) (1).

"It is concluded that interest on bonds of the Bank paid to non-resident alien individuals or foreign corporations not engaged in trade or business in the United States is not subject to taxation under sections 211 (a) and 231 (a) of the Internal Revenue Code, respectively, and therefore, such interest is not subject to withholding under sections 143 and 144 thereof.

Very truly yours,

(Signed) A.L.M.WIGGINS

Acting Secretary of the Treasury

Mr. R. L. Garner
Vice President, International Bank
For Reconstruction and Development
Washington 6, D. C."

HOLD FOR RELEASE HOLD FOR RELEASE HOLD FOR RELEASE

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

Washington

FOR THE PRESS

Press Release No. 110

FOR RELEASE
Thursday,
August 5, 1948

The International Bank for Reconstruction and Development announced today that the United States Treasury Department has ruled that interest on the bonds of the Bank paid to foreign corporations engaged in trade or business in the United States (other than interest paid to a foreign life insurance company and attributable, under Section 201 of the Internal Revenue Code, to its life insurance business in the United States) is not subject to taxation under the Internal Revenue Code. The Treasury had previously ruled that interest on bonds of the Bank paid to non-resident aliens, or to foreign corporations not engaged in trade or business in the United States, is not subject to Federal income tax.

The latest ruling is contained in a letter dated July 21, 1948, to the Bank, a copy of which is as follows:

"TREASURY DEPARTMENT
Washington

July 21, 1948

"Mr. R. L. Garner, Vice President
International Bank for Reconstruction
and Development
Washington 25, D. C.

"My dear Mr. Garner:

"Reference is made to your letter dated April 13, 1948, requesting a ruling with respect to the question of whether interest on the bonds of the International Bank for Reconstruction and Development is subject to Federal income taxes when paid to foreign corporations engaged in trade or business in the United States.

"You refer to a ruling by the Treasury Department dated November 19, 1947, in which it was held that interest on bonds of the Bank paid to non-resident alien individuals or foreign corporations not engaged in trade or business in the United States would not be subject to taxation under sections 211(a) and 231(a) of the Internal Revenue Code, due in part to the fact that such interest could not be considered from sources within the United States under section 119(a)(1) of the Code.

"You state that the above-mentioned ruling would seem necessarily to apply equally to foreign corporations (other than insurance companies) which are engaged in trade or business in the United States in view of the provisions of section 231(c) of the Code to the effect that gross income of foreign corporations includes only income from sources within the United States.

"With respect to foreign insurance companies engaged in trade or business within the United States you further state that under your above interpretation no particular problem seems to be presented in the case of foreign mutual insurance companies taxable under section 207(a)(5) of the Code, since such section provides that net income of a foreign mutual insurance company shall be the net income defined therein from sources within the United States, nor in the case of foreign life insurance companies taxable under section 201(a)(2) of the Code since that section provides for a tax on the income of such companies attributable to domestic insurance business regardless of the domestic or foreign source of such income. You conclude, therefore, that the ruling dated November 19, 1947 would apply to mutual insurance companies taxable under section 207 (a)(5) of the Code for the same reasons given for your conclusion with respect to foreign corporations other than insurance companies engaged in trade or business within the United States, but would not apply to foreign life insurance companies taxable under section 201 (a)(2) of the Code and that income on the bonds of the Bank paid to such latter companies would be subject to tax.

"A question is raised, according to your letter, with respect to foreign insurance companies taxable under section 204(a)(2) of the Code, because of the provisions of such section to the effect that the normal tax net income and corporation surtax net income of foreign insurance companies taxable under such section shall be "the net income from sources within the United States" minus certain credits, while the provisions of section 206 of the Code state that the gross income of insurance companies taxed under section 201 or section 204 of the Code "shall not be determined in the manner provided in section 119", which latter section sets forth the rules for determining whether income is derived from sources within or without the United States.

"It is your contention that section 206 should not be read as providing that section 119 is inapplicable in determining whether income is or is not from sources within the United States, but rather as providing merely that section 119 is inapplicable in determining what types of income (irrespective of geographical source) should be included in gross income from sources within the United States, and under this contention it is your opinion that interest on the bonds of the above-named Bank when paid to insurance companies taxable under section 204 of the Code, will not be subject to tax under that section.

"Section 204(a)(2) of the Code, as stated in your letter, provides that the normal tax net income and the corporation surtax net income shall be the net income from sources within the United States. Gross income from such sources, however, is not limited to the six items specifically mentioned in section 119 of the Code but is broad enough to cover any income from United States sources although not specifically mentioned in that section (Helvering v. Suffolk Co., Ltd., CCA-4, 104 F. (2d) 505), and it has been held, in the case of income from the sale of property, to depend on all the factors of the transaction such as negotiations, the execution of the agreement, the location of the property and the place of payment. (G.C.M. 25131, C.B. 1947-2, p. 85).

"The provisions of section 9 of Article VII of the Bretton Woods Agreements Act, quoted in the previous ruling letter from this Department, dated November 19, 1947, and briefly stated herein, to the effect that no taxation of any kind shall be levied on any obligation or security of the Bank by whomsoever held if the sole jurisdictional basis for such taxation is the place in which it is issued or paid or the location of any office or place of business maintained by the Bank, and the provisions of section 116(c) of the Code, also stated in the previous ruling letter, render the factors of the transactions mentioned above inapplicable with respect to the payment of interest on the bonds of the Bank to insurance companies taxable under section 204 of the Code.

"It is the opinion of this Department that your conclusions as stated above and in your letter dated April 13, 1948 are correct with respect to the fact that interest on the bonds of the International Bank for Reconstruction and Development paid to foreign corporations, other than foreign life insurance companies, engaged in trade or business within the United States is not subject to taxation under the relative sections of the Internal Revenue Code.

"Very truly yours,

/s/ THOMAS J. LYNCH

Acting Secretary of the Treasury"

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File Title	Barcode No.
Legal Memoranda - Articles of Agreement and Powers of the Bank - 1947 to 1974 - Lester Nurick	1850544

Document Date	Document Type	
Sept. 11, 1973	Letter	

Correspondents / Participants
To: Lester Nurick, Esq., IBRD
From: Joseph H. Guttentag

Subject / Title
Tax questions involving U.S. citizens assigned overseas by Bank

Exception(s)
Attorney-Client Privilege

Additional Comments

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.

Withdrawn by	Date
Shiri Alon	September 29, 2021

Record Removal Notice

The World Bank Group Archives & Records Management

File Title	Barcode No.
Legal Memoranda - Articles of Agreement and Powers of the Bank - 1947 to 1974 - Lester Nurick	1850544

Document Date	Document Type	
June 22, 1973	Memorandum	

Correspondents / Participants
To: Lester Nurick
From: Joseph H. Guttentag

Subject / Title
Re: Ruling Requests with respect to United States Taxation of IBRD Bonds and Interest thereon

Exception(s)
Attorney-Client Privilege

Additional Comments

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Withdrawn by	Date
Shiri Alon	September 29, 2021

Record Removal Notice

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Legal Memoranda - Articles of Agreement and Powers of the Bank - 1947 to 1974 - Lester Nurick	1850544

Document Date	Document Type	
[undated]	Letter	

Correspondents / Participants
To: Secretary of the Treasury
From: Aron Broches, general Counsel

Subject / Title
Rulings received from Treasury Department

Exception(s)
Attorney-Client Privilege

Additional Comments

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Withdrawn by	Date
Shiri Alon	September 29, 2021

Aron Broches, Esquire
International Bank for
Reconstruction & Development
Washington, D. C. 20433

Dear Mr. Broches:

This is in reply to your request for rulings dated _____, submitted in your capacity as General Counsel for, and on behalf of, the International Bank for Reconstruction & Development (the "Bank").

The information submitted indicates that the Bank is an international organization created by the Articles of Agreement of the Bank (the "Articles"). The United States became a member of the Bank pursuant to the Bretton Woods Agreements Act, Public Law 79-171, 22 U.S.C. 286-286k-1 (the "Act"). In addition, Executive Order 9751 designates the Bank as a public international organization entitled to enjoy the privileges, exemptions and immunities conferred by the International Organizations Immunities Act.

The Bank sells its obligations in various countries of the world including the United States.

Section 892 of the Internal Revenue Code provides, in relevant part, that the income of foreign governments or international organizations received from any source within the United States shall not be included in gross income and shall be exempt from Federal Income tax.

Section 862 of the Code provides, in relevant part, that interest other than that derived from sources within the United States as provided in section 861(a)(1) shall be treated as income from sources without the United States. Interest paid by the Bank is not described in section 861(a)(1).

Section 2103 of the Code provides that the gross estate of estates of decedent nonresidents of the United States who were not citizens thereof shall be that part of the gross estate situated in the United States.

Section 2104(c) provides, in relevant part, that a debt obligation is deemed situated within the United States if it is a debt obligation of a United States person, the United States, a State or any political subdivision of the United States, or the District of Columbia. The legislative history of that provision states that

debt obligations of obligors other than those described above are not to be deemed property within the United States even though there is located in the United States the written evidence of such obligation which is treated as being the property itself (H.Rept. No. 1450, 89th Congress, 2d Session, 114-115).

Section 9(c)(ii) of Article VII of the Articles states that no member may tax any obligation issued by the Bank, including any interest thereon, if the sole jurisdictional basis for such tax is the place or currency in which such obligation is issued, made payable or paid, or the location of any office or place of business maintained by the Bank. Section 9(a) of Article VII provides, in relevant part, that the Bank shall be immune from liability for the payment or collection of any tax or duty.

Section 11 of the Act provides that Section 9 of Article VII shall have full force and effect in the United States.

Based on the foregoing, it is held that:

1. Interest paid by the Bank to a nonresident alien individual, a foreign corporation, a foreign partnership, or a foreign estate or trust, whether or not such a person is engaged in trade or business within the United States, is not included in the gross income of such persons and is not subject to federal income taxes or withholding taxes, except that, absent any special statutory or treaty exemption, (a) such interest derived by such persons in the active conduct of a banking, financing or similar business within the United States or received by a corporation the principal business of which is trading in stocks or securities for its own account, is subject to federal income tax if such interest is attributable to an office or other fixed place of business of such persons within the United States and certain other conditions exist, and (b) a foreign corporation which is a life insurance company carrying on business is subject to federal income tax on such interest if such interest is attributable to its United States business. Section 9 of Article VII of the Articles and section 864(c)(4).

2. Neither the Bank nor any agent appointed for the purpose of paying interest on or redeeming securities issued by the Bank is required to withhold tax on interest paid by the Bank or on the redemption of securities issued by the Bank. Section 9(a) of Article VII of the Articles.

3. Income earned by the Bank does not constitute gross income under the Code and is exempt from federal income tax. Section 9(a) of Article VII of the Articles and section 892.

4. Interest paid by the Bank constitutes income from sources without the United States. Section 9 of Article VII of the Articles and section 862.

5. Debt obligations of the Bank are deemed to be situated outside of the United States for purposes of the federal estate tax and are not includable in the value of the gross estate for purpose of such tax in the case of the estate of a deceased nonresident of the United States who was not a citizen of the United States.

Chief, Corporation Tax Branch

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

FOR THE PRESS

FOR IMMEDIATE RELEASE

Press Release No. 69

November 25, 1947

The International Bank for Reconstruction and Development announced today that the United States Treasury Department has ruled that interest on bonds of the Bank paid to non-resident aliens, or to foreign corporations not engaged in trade or business in the United States, is not subject to Federal income tax under sections 211(a) and 231(a) of the Internal Revenue Code. The U. S. Treasury ruling stated that such interest, therefore, is not subject to withholding under sections 143 and 144 of the Internal Revenue Code.

This ruling, which had been requested by the Bank some time ago, was communicated to the Bank in a letter from the Acting Secretary of the Treasury.

Text of the letter follows:

"OFFICE OF
THE SECRETARY

TREASURY DEPARTMENT

Washington 25

November 19, 1947

Dear Mr. Garner:

"Your communication of July 1, 1947, relative to the applicability of the Federal income tax on interest paid by the International Bank for Reconstruction and Development on its bonds owned by non-resident alien individuals or foreign corporations not engaged in trade or business in the United States, has been receiving consideration in this office.

"The Bank for Reconstruction and Development is an international organization resident in the United States and is a juridical entity separate and distinct from its member Governments. The Bretton Woods Agreements Act (59 Stat. 512) authorized the President to accept membership for the United States in the Bank and provides that section 9 of Article VII of the Articles of Agreement of the Bank shall have full force and effect in the United States and its Territories and possessions upon acceptance of membership by the United States in the Bank. The President accepted membership for the United States on December 20, 1945. Section 9 of Article VII provides in part as follows:

> " '(c) No taxation of any kind shall be levied on any obligation or security issued by the Bank (including any dividend or interest thereon) by whomsoever held--
>
> '(ii) if the sole jurisdictional basis for such taxation is the place or currency in which it is issued, made payable or paid, or the location of any office or place of business maintained by the Bank.'

"Under the Federal income tax laws, non-resident alien individuals and foreign corporations not engaged in trade or business within the United States are subject to tax under sections 211 (a) and 231 (a) of the Internal Revenue Code on any amounts received as interest from sources within the United States. What constitutes interest from such sources is determined by statutory rules under section 119 (a) (1) of the Code. In general, interest on bonds, notes, or other interest-bearing obligations of residents, corporate or otherwise is treated as being from sources within the United States. However, interest received from a resident foreign corporation or a domestic corporation is not considered income from United States sources, in the hands of non-resident alien individuals or foreign corporations, if less

than 20% of its gross income has been derived from sources within the United States, as determined under the provisions of section 119 of the Code, for the period specified therein.

"Under section 116 (c) of the Code, as amended by the International Organizations Immunities Act, approved December 29, 1945 (Public Law 291, 79th Congress) income of an international organization received from investments in the United States in stocks, bonds, or other domestic securities, owned by such organization, or from interest on deposits in banks in the United States of moneys belonging to such organization, or from any source within the United States, is excluded from gross income and exempt from Federal income tax. For application of such exemption, which is effective only with respect to taxable years beginning after December 31, 1943, section 1 of the International Organizations Immunities Act requires that an international organization be a public international organization in which the United States participates either by treaty or by Act of Congress, and which has been designated by the President through Executive Order as being entitled to enjoy the privileges, exemptions and immunities provided by that Act. On July 11, 1946, the President, in Executive Order 9751, designated the Bank as a public international organization entitled to enjoy the benefits conferred by the International Organizations Immunities Act.

"It is the opinion of this Department that Congress intended that no income tax should be imposed on the interest paid by the Bank on its bonds owned by non-resident alien individuals or by foreign corporations not engaged in trade or business in the United States. Such a result seems to be the intent and purpose of section 9 of Article VII of the Articles of

(1)

Agreement. Moreover, since the Bank will have no gross income from United States sources within the meaning of the Internal Revenue Code under section 116 (c) thereof, interest on its bonds cannot be considered from sources within the United States under section 119 (a) (1).

(2)

"It is concluded that interest on bonds of the Bank paid to non-resident alien individuals or foreign corporations not engaged in trade or business in the United States is not subject to taxation under sections 211 (a) and 231 (a) of the Internal Revenue Code, respectively, and therefore, such interest is not subject to withholding under sections 143 and 144 thereof.

Very truly yours,

(Signed) A.L.M.WIGGINS

Acting Secretary of the Treasury

Mr. R. L. Garner
Vice President, International Bank
For Reconstruction and Development
Washington 6, D. C."

HOLD FOR RELEASE HOLD FOR RELEASE HOLD FOR RELEASE

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

Washington

FOR THE PRESS

FOR RELEASE
Thursday,
August 5, 1948

Press Release No. 110

The International Bank for Reconstruction and Development announced today that the United States Treasury Department has ruled that interest on the bonds of the Bank paid to foreign corporations engaged in trade or business in the United States (other than interest paid to a foreign life insurance company and attributable, under Section 201 of the Internal Revenue Code, to its life insurance business in the United States) is not subject to taxation under the Internal Revenue Code. The Treasury had previously ruled that interest on bonds of the Bank paid to non-resident aliens, or to foreign corporations not engaged in trade or business in the United States, is not subject to Federal income tax.

The latest ruling is contained in a letter dated July 21, 1948, to the Bank, a copy of which is as follows:

"TREASURY DEPARTMENT
Washington

July 21, 1948

"Mr. S. D. Garner, Vice President
International Bank for Reconstruction
and Development
Washington 25, D. C.

"My dear Mr. Garner:

"Reference is made to your letter dated April 13, 1948, requesting a ruling with respect to the question of whether interest on the bonds of the International Bank for Reconstruction and Development is subject to Federal income taxes when paid to foreign corporations engaged in trade or business in the United States.

"You refer to a ruling by the Treasury Department dated November 19, 1947, in which it was held that interest on bonds of the Bank paid to non-resident alien individuals or foreign corporations not engaged in trade or business in the United States would not be subject to taxation under sections 211(a) and 231(a) of the Internal Revenue Code, due in part to the fact that such interest could not be considered from sources within the United States under section 119(a)(1) of the Code. (2)

"You state that the above-mentioned ruling would seem necessarily to apply equally to foreign corporations (other than insurance companies) which are engaged in trade or business in the United States in view of the provisions of section 231(c) of the Code to the effect that gross income of foreign corporations includes only income from sources within the United States.

"With respect to foreign insurance companies engaged in trade or business within the United States you further state that under your above interpretation no particular problem seems to be presented in the case of foreign mutual insurance companies taxable under section 207(a)(5) of the Code, since such section provides that net income of a foreign mutual insurance company shall be the net income defined therein from sources within the United States, nor in the case of foreign life insurance companies taxable under section 201(a)(2) of the Code since that section provides for a tax on the income of such companies attributable to domestic insurance business regardless of the domestic or foreign source of such income. You conclude, therefore, that the ruling dated November 19, 1947 would apply to mutual insurance companies taxable under section 207 (a)(5) of the Code for the same reasons given for your conclusion with respect to foreign corporations other than insurance companies engaged in trade or business within the United States, but would not apply to foreign life insurance companies taxable under section 201 (a)(2) of the Code and that income on the bonds of the Bank paid to such latter companies would be subject to tax.

"A question is raised, according to your letter, with respect to foreign insurance companies taxable under section 204(a)(2) of the Code, because of the provisions of such section to the effect that the normal tax net income and corporation surtax net income of foreign insurance companies taxable under such section shall be "the net income from sources within the United States" minus certain credits, while the provisions of section 206 of the Code state that the gross income of insurance companies taxed under section 201 or section 204 of the Code "shall not be determined in the manner provided in section 119", which latter section sets forth the rules for determining whether income is derived from sources within or without the United States.

"It is your contention that section 206 should not be read as providing that section 119 is inapplicable in determining whether income is or is not from sources within the United States, but rather as providing merely that section 119 is inapplicable in determining what types of income (irrespective of geographical source) should be included in gross income from sources within the United States, and under this contention it is your opinion that interest on the bonds of the above-named Bank when paid to insurance companies taxable under section 204 of the Code, will not be subject to tax under that section.

"Section 204(a)(2) of the Code, as stated in your letter, provides that the normal tax net income and the corporation surtax net income shall be the net income from sources within the United States. Gross income from such sources, however, is not limited to the six items specifically mentioned in section 119 of the Code but is broad enough to cover any income from United States sources although not specifically mentioned in that section (Helvering v. Suffolk Co., Ltd., CCA-4, 104 F. (2d) 505), and it has been held, in the case of income from the sale of property, to depend on all the factors of the transaction such as negotiations, the execution of the agreement, the location of the property and the place of payment. (G.C.M. 25131, C.B. 1947-2, p. 85).

"The provisions of section 9 of Article VII of the Bretton Woods Agreements Act, quoted in the previous ruling letter from this Department, dated November 19, 1947, and briefly stated herein, to the effect that no taxation of any kind shall be levied on any obligation or security of the Bank by whomsoever held if the sole jurisdictional basis for such taxation is the place in which it is issued or paid or the location of any office or place of business maintained by the Bank, and the provisions of section 116(c) of the Code, also stated in the previous ruling letter, render the factors of the transactions mentioned above inapplicable with respect to the payment of interest on the bonds of the Bank to insurance companies taxable under section 204 of the Code.

"It is the opinion of this Department that your conclusions as stated above and in your letter dated April 13, 1948 are correct with respect to the fact that interest on the bonds of the International Bank for Reconstruction and Development paid to foreign corporations, other than foreign life insurance companies, engaged in trade or business within the United States is not subject to taxation under the relative sections of the Internal Revenue Code.

"Very truly yours,

/s/ THOMAS J. LYNCH

Acting Secretary of the Treasury"

Negative Pledge Covenant

So long as any of the Notes shall be outstanding and unpaid, the Bank will not cause or permit to be created on any of its property or assets any mortgage, pledge or other lien or charge as security for any notes, bonds or other evidences of indebtedness heretofore or hereafter issued, assumed or guaranteed by the Bank for money borrowed (other than purchase money mortgages, pledges or liens on property purchased by the Bank as security for all or part of the purchase price thereof), unless the Notes shall be secured by such mortgage, pledge or other lien or charge equally and ratably with such other notes, bonds or evidences of indebtedness.

Remedy on Default

If the Bank shall default in the payment of the principal of, or interest on, or in the performance of any covenant in respect of a purchase fund or a sinking fund in, any notes (including the Notes), bonds or similar obligations which shall have been issued, assumed or guaranteed by the Bank, and such default shall continue for a period of 90 days, then at any time thereafter and during the continuance of such default the holder of any of the Notes may deliver or cause to be delivered to the Bank at its principal office in the City of Washington, District of Columbia, United States of America, written notice that such holder elects to declare the principal of all Notes held by him (the serial numbers and denominations of which shall be set forth in such notice) to be due and payable, and on the thirtieth day after such notice shall be so delivered to the Bank the principal of such Notes shall become due and payable, unless prior to that time all such defaults theretofore existing shall have been cured.

Tax Status

The Notes and the interest thereon will not be exempt from taxation generally.

Under the Articles, the Notes and the interest thereon are not subject to any tax by a member (a) which tax discriminates against the Notes solely because they are issued by the Bank, or (b) the sole jurisdictional basis for which is the place or currency in which the Notes are issued, made payable or paid, or the location of any office or place of business maintained by the Bank. Also, under the Articles, the Bank is not under any obligation to withhold or pay any tax on the interest on the Notes.

As regards United States taxation, the United States Treasury Department has ruled that interest on securities issued by the Bank is exempt from United States income taxes, including withholding taxes, if paid to a non-resident alien individual or to a foreign corporation, whether or not such corporation is engaged in trade or business in the United States, unless the corporation is a life insurance company and the interest is attributable to the corporation's insurance business in the United States. That ruling was issued prior to the enactment by the United States of the Foreign Investors Tax Act of 1966 and is affected by that Act, except as modified by tax conventions, in the case of a non-resident alien individual, or foreign corporation, having an office or other fixed place of business within the United States. Under that Act, in the case of such persons, such interest when derived in the active conduct of a banking, financing or similar business within the United States or when received by a corporation the principal business of which is trading in stock or securities for its own account, is subject to United States income tax if such interest is attributable to such office or fixed place of business and certain other conditions exist; and a foreign corporation which is a life insurance company carrying on a United States insurance business is subject to Federal income tax on interest on securities of the Bank if such interest is attributable to its United States business.

The Notes are not subject to the tax on foreign securities acquired by United States persons imposed by the Interest Equalization Tax Act.

Legal Opinions

The legality of the Notes will be passed upon by the General Counsel or the Associate General Counsel of the Bank and by Messrs. Sullivan & Cromwell, counsel for the Underwriters, who, with respect to certain matters, will rely upon the opinion of the counsel of the Bank.

IBRD PROSPECTUS DATED 1/14/71
ATTACHMENT B

Department of the Treasury

Internal Revenue Service
Washington, DC 20224

Date: APR 9 1971

In reply refer to:
T:I:C:3:1

Mr. Lewis Carroll
Cleary, Gottlieb, Steen & Hamilton
52 Wall Street
New York, New York 10005

In re: Asian Development Bank

Dear Mr. Carroll:

This is in reply to your request for rulings dated February 19, 1971, as supplemented by letter dated March 12, 1971, submitted in your capacity as General Counsel for, and on behalf of, the Asian Development Bank ("the Bank"). The ruling request concerns the exemption from United States Federal income taxation on income received by the Bank on investments in the United States, and the exemption from income and withholding tax on interest paid by the Bank to certain nonresident alien individuals, foreign corporations or foreign partnerships.

The information submitted indicates that the Bank is an international organization created by the Agreement Establishing the Asian Development Bank (the Agreement) which became effective on August 22, 1966. United States membership in the Bank was authorized by the Asian Development Bank Act, Public Law 89-369, 17 UST 1418, which was enacted March 16, 1966 (the Act). In addition, Executive Order 11334 designates the Bank as a public international organization entitled to enjoy the privileges, exemptions and immunities conferred by the International Organizations Immunities Act.

The Bank's activities in the United States are limited to maintaining bank accounts and investments in short-term money market obligations, the offer, sale and qualification for investment of its obligations, and the designation of a fiscal agent in connection with the issuance of such obligations.

The Bank is presently contemplating the offer and sale of its obligations in the United States in the near future.

Section 892 of the Internal Revenue Code provides, in relevant part, that the income of foreign governments or international

ATTACHMENT C

organizations received from any source within the United States shall not be included in gross income and shall be exempt from Federal income tax.

Section 871(a)(1) and section 881(a)(1) provide in relevant part, that there is imposed for each taxable year a tax of 30 percent of the amount received from sources within the United States by a non-resident alien or a foreign corporation as interest, but only to the extent the amount so received is not effectively connected with the conduct of a trade or business within the U.S.

Section 864(c)(4)(A) provides, in relevant part, that income derived from sources without the United States will not be treated as effectively connected with the conduct of a trade or business within the United States, except as provided in section 864(c)(4)(B) and (C).

Section 862 of the Code provides, in relevant part, that interest other than that derived from sources within the United States as provided in section 861(a)(1) shall be treated as income from sources without the United States.

Section 861(a)(1)(C) of the Code provides, in relevant part, that interest received from a foreign corporation shall not be treated as income from sources within the United States, when it is shown to the satisfaction of the Secretary or his delegate that less than 50 percent of the gross income from all sources of such foreign corporation for the 3-year period ending with the close of its taxable year preceding the payment of such interest (or for such part of such period as the corporation has been in existence) was effectively connected with the conduct of a trade or business within the United States.

Paragraph 3(ii) of Article 56 of the Agreement, states that no member may tax any obligation issued by the Bank, including any interest thereon, if the sole jurisdictional basis for such tax is the place or currency in which such obligation is issued, made payable or paid, or the location of any office or place of business of the Bank. Section 9 of the Act provides that the Agreement, and particularly Articles 49 through 56, shall have full force and effect in the United States.

Paragraph 1 of Article 56 of the Agreement provides, in relevant part, that the Bank shall be exempt from any obligation for the payment, withholding or collection of any tax or duty.

Mr. Lewis Carroll

Based upon the facts and circumstances presented in the request for rulings, it is held that.

(1) The income received by the Bank on investments in the United States is exempt from United States Federal income taxation. Section 892.

(2) Based upon the provisions of paragraph 3(ii) of Article 56 of the Agreement, interest paid by the Bank to a non-resident alien individual or to a foreign corporation is not included in the gross income of such persons and is not subject to United States Federal income tax except that, absent any special statutory or treaty exemption, (a) such interest derived by such persons in the active conduct of a banking, financing or similar business within the United States or received by a corporation the principal business of which is trading in stocks or securities for its own account, is subject to United States Federal income tax if such interest is attributable to an office or other fixed place of business of such persons within the United States and (b) a foreign corporation which is a life insurance company carrying on a United States insurance business is subject to United States Federal income tax on such interest if such interest is attributable to its United States business. Section 864(c)(4).

(3) No United States Federal income tax is required to be withheld on interest paid by the Bank or its United States fiscal agent to nonresident alien individuals, foreign partnerships or foreign corporations. Paragraph 1 of Article 56 of the Agreement.

Sincerely yours,

Asst. John P. Adair
Chief, Corporation Tax Branch

Department of the Treasury

Internal Revenue Service

Washington, D.C. 20224

Date: DEC 14 1972

In reply refer to: T:I:C:3:1

Export-Import Bank of the United States
811 Vermont Avenue, N.W.
Washington, D.C. 20571

Attention: William P. Streng
Deputy General Counsel

Gentlemen:

This is in reply to your letter dated November 6, 1972 in which reference was made to our ruling letter dated October 6, 1972 concerning the source of interest income from debentures ("Debentures") of the Eximbank. Your letter of November 6, 1972 indicates that as a result of our October 6, 1972 ruling letter, which was described in the prospectus issued for the sale of $300 million of Debentures sold by Eximbank on November 1, 1972, you have had several inquiries concerning the withholding tax aspects of interest payments on the Debentures made by Eximbank. Accordingly, you have requested that we issue a further ruling with respect to such withholding tax aspects. For purposes of this letter the facts and representations contained in our October 6, 1972 letter are incorporated by reference herein.

Based upon the foregoing, and provided that Eximbank continues to meet the gross income requirements of section 861(a)(1)(B) of the Internal Revenue Code, interest payments by Eximbank on its Debentures will be exempt from the withholding requirements imposed by section 1441 and 1442 of the Code.

Sincerely yours,

J. Fiebel

Chief, Corporation Tax Branch

ATTACHMENT D

Department of the Treasury

Internal Revenue Service
Washington, DC 20224

Date: OCT 6 1972

In reply refer to: T:I:C:3:1

Export-Import Bank of the
United States
811 Vermont Avenue, N. W.
Washington, D. C. 20571

Attention: William P. Streng
Deputy General Counsel

Gentlemen:

This is in reply to your letter dated September 29, 1972, in which you requested a ruling that interest income from debentures of the Eximbank will be treated as foreign source income under section 861(a)(1)(B) of the Internal Revenue Code. Following are the relevant facts and representations submitted in connection with such letter and in connection with your letter dated July 28, 1972 in which you requested that a Revenue Ruling be published on this subject.

The Export-Import Bank of the United States ("Eximbank") is an independent agency of the United States Government, corporate in form, all of whose authorized and issued capital stock is held by the Secretary of the Treasury. Its purpose is to aid in financing exports and imports of goods and services between the United States and foreign countries. The Export-Import Bank Act of 1945, as amended, under which the Eximbank was founded, vests broad banking powers in Eximbank, including the power to borrow and lend, to guarantee and insure loans and to purchase or guarantee negotiable instruments, evidences of indebtedness and other securities. Eximbank exercises these powers chiefly by making long term dollar loans, repayable in dollars, directly to foreign buyers (public and private) of United States goods and services, by assuming the political and credit risk on short and medium term export transactions through the issuance of insurance to United States exporters, by the issuances of guaranties to United States commercial banks on debt obligations arising out of export transactions, and by lending to United States commercial banks against their holdings of export debt obligations.

Interest paid by Eximbank is primarily paid on debentures ("Debentures") issued by it to raise essential funds for its lending operations. Eximbank issued $300 million of Debentures on December 1, 1971, a similar amount of Debentures on February 3, 1972, $200 million of Debentures on May 3, 1972, $400 million of Debentures on August 2, 1972 and an unspecified amount of Debentures in late October or early November 1972. Eximbank contemplates issuing Debentures in the future on a periodic basis and in comparable amounts.

Export-Import Bank of the
United

Eximbank's gross income consists of interest on regular loans to foreign buyers of United States goods and services, interest on discount loans, commitment fees from foreign borrowers, guarantee fees and FCIA fees. Eximbank's annual statement of income and expenses, which is prepared on the accrual basis, indicates that for each of the three fiscal years preceding the current fiscal year, interest on regular loans, which is entirely foreign source income, has constituted over 90 percent of Eximbank's total gross income for such fiscal years. In addition, Eximbank has represented that more than 80 percent of the gross income of Eximbank for the three preceding fiscal years is foreign source income by application of the rules of sections 861 through 864 of the Code.

Section 861(a)(1)(B) of the Code provides, in part and in effect, that interest received from a domestic corporation shall be treated as income from sources without the United States, when it is shown to the satisfaction of the Secretary or his delegate that less than 20 percent of the gross income from all sources of such corporation has been derived from sources within the United States, as determined under the provisions of this part, for the 3-year period ending with the close of the taxable year of such corporation preceding the payment of such interest, or for such part of such period as may be applicable.

Section 7701(a)(4) of the Code provides that the term "domestic" when applied to a corporation or partnership means created or organized in the United States or under the law of the United States or of any State or Territory.

Export-Import Bank of the
United States

Based upon the foregoing facts, representations and provisions, and provided that Eximbank continues to meet the gross income requirements of section 861(a)(1)(B) of the Code, it is held that interest received from Eximbank on its Debentures will be treated as gross income from sources without the United States under section 861(a)(1)(B) of the Code.

Sincerely yours,

A. Fiebel

Chief, Corporation Tax Branch

U.S-17

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June 10, 1947

My dear Mr. Snyder:

The International Bank for Reconstruction and Development is contemplating the issuance and sale of its bonds in the United States.

In connection therewith, the Bank desires a ruling from the United States Government as to the applicability to such bonds of the stamp taxes imposed by the United States Internal Revenue Code on the issuance and transfer of corporate securities. As you know, Section 1801 of the Internal Revenue Code imposes a tax, at the rate of 11 cents per $100 face value, in the issuance of "bonds, debentures, or certificates of indebtedness issued by any corporation, and all instruments, however termed, issued by any corporation with interest coupons or in registered form, known generally as corporate securities." Section 3481 of the Internal Revenue Code imposes a tax, at the rate of five cents per $100 face value, on the sale or transfer of "any of the instruments mentioned or described in Section 1801 and of a kind the issue of which is taxable thereunder."

Section 9 (a) of Article VII of the Articles of Agreement of the Bank provides in part that:

> "The Bank, its assets, property, income, and its operations and transactions authorized by this Agreement, shall be immune from all taxation and from all customs duties."

Honorable John W. Snyder, Chairman
National Advisory Council on International
Monetary and Financial Problems
Room 3330, Treasury Department
Washington, D. C.

Section 11 of the Bretton Woods Agreement Act (59 Stat. 516; 22 U.S.C. 286 (h) provides, among other things, that the above-quoted provision of the Articles of Agreement of the Bank "shall have full force and effect in the United States and its territories and possessions."

Among other operations of the Bank, it is authorized to borrow funds with the approval of the member in whose markets the funds are raised. (Articles of Agreement, Article IV, Section 1) In fact, as you know, the Bank is so constituted that it must look to the private investment markets of its members for most of the funds which it will need in its lending operations. The Bank is also authorized, with the approval of the member in whose territories the securities are bought and sold, to buy and sell securities which it has issued. (Articles of Agreement, Article IV, Section 8)

It seems to me that the issuance by the Bank in the United States of bonds or other securities of the Bank is an operation or transaction of the Bank which is immune from taxation under its Articles of Agreement and the Bretton Woods Agreements Act. It also seems to me that the negotiability of the bonds and other securities issued by the Bank is an essential attribute of the Bank's borrowing function and that a tax on the transfer of such bonds and other securities would in essence be a tax on an operation or transaction of the Bank.

The courts of the United States have said, with respect to the taxes in question, that the "object of the stamp tax provisions of the Revenue Laws is evidently to place a tax on the carrying on of a corporate function." United States vs. Powell (C.C.A. 4th, 1938) 95 F. (2d) 753, Cert. Den. 305 U.S. 619 (1939); United States vs. Pollard, (C.C.A. 5th, 1940) 115 F. (2d) 134.

Apart from any question as to the Bank's immunity under its Articles of Agreement and the Bretton Woods Agreements Act, I think that it may be questioned whether, for the purposes of Section 1801 of the United States Internal Revenue Code, bonds issued by the Bank may be deemed to be bonds issued by a corporation or instruments "known generally as corporate securities." United States vs. Powell, supra; Wilkinson vs. Mutual Building and Savings Association, (C.C.A., 7th, 1926) 13 F. (2d) 997; Mitten Bank Securities Corporation vs. United States, (D.C. Pa., 1938) 24 F. Supp. 198. In view of the international character

of the Bank, and especially the fact that all its members are sovereign governments, it would seem that securities issued by it partake more of the character of government securities than of private corporate securities.

As you know, the Internal Revenue Code exempts from the above-mentioned taxes bonds issued by the United States or by a foreign government. (Internal Revenue Code, Section 1806; Regulations 71, Section 113.120) Since the Bank is in effect an instrumentality of and owned by its forty-four member governments, it would seem that securities issued by it might properly be held to fall within that exemption.

That the matter is of considerable importance to the Bank is shown by the fact that on an issue of $250,000,000, principal amount, of bonds the issue tax would amount to $275,000 and the transfer tax on one transfer would amount to $125,000. If, for example, the bonds should be offered for sale through dealers at a commission to the dealer of 1/2 of 1% of the amount of bonds sold through him, the transfer tax would amount to 10% of his commission. Thus in determining the amount of the commission which it shall offer to dealers, the Bank must take into account the amount of the transfer tax, if any, payable on a sale by the dealer.

In order that there may not be any doubt as to the status of bonds or other securities which shall be issued by the Bank in so far as concerns the taxes imposed by the above-mentioned sections of the Internal Revenue Code, I shall appreciate it if you will furnish me with a ruling of the proper authority of the United States Government as to whether or not such bonds or other securities are subject to the taxes imposed by such sections on the issuance and transfer of the securities therein mentioned. Since the Bank expects to make an offering of its bonds in the near future, I shall appreciate such a ruling at the earliest possible date.

Very truly yours,

/S/ John J. McCloy
President

ARBITRATION
WAS CONDUCTED
IN ACCORDANCE
W/ AAA
RULES

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To the US-17

COPY

TREASURY DEPARTMENT
WASHINGTON 25

OFFICE OF

COMMISSIONER OF INTERNAL REVENUE

June 19, 1947.

ADDRESS REPLY TO
COMMISSIONER OF INTERNAL REVENUE
AND REFER TO

MT-DC 342

Honorable John J. McCloy
President, International Bank for
Reconstruction and Development
Washington 6, D.C.

My dear Mr. McCloy:

Further reference is made to your letter of June 10, 1947, requesting a ruling upon the applicability of the documentary stamp taxes to issues and transfers of bonds of the International Bank for Reconstruction and Development.

Under the authority of Article IV, Section 8, of the Articles of Agreement creating the International Bank for Reconstruction and Development, the Bank is making arrangements for a public offering of its own bonds in an apparentl substantial but undisclosed amount. The status of the bonds for stamp tax purposes must be taken into consideration in arrangements now being made, and for that reason, a ruling is requested whether the bonds will be subject to the issue tax imposed by section 1801, or the transfer tax imposed by section 3481 of the Internal Revenue Code.

To illustrate the importance of the question, your letter refers to the fact that on an issue of bonds in the principal amount of $250,000,000, the issue tax would amount to $275,000; while the transfer tax on one transfer of the entire issue would amount to $125,000. Hence, if the bonds should be offered for sale through dealers at a commission to the dealer at one-half of one per cent of the amount of bonds sold through him, the transfer tax would amount to ten per cent of his commission. Therefore, in determining the amount of commission to be offered to dealers, the Bank must take into account the amount of the transfer tax, if any, payable on a sale by a dealer.

As a possible basis for exempting the bonds from both the issue tax and the transfer tax, you refer to Section 9 (a) of Article VII of the Articles of Agreement, which reads in part as follows:

"The Bank, its assets, property, income, and its operations and transactions authorized by this Agreement, shall be immune from all taxation and from all customs duties."

As a further possible basis of exemption, you refer to section 1808 of the Internal Revenue Code, which provides for certain specific exemptions from the documentary stamp taxes, and insofar as is here material, reads as follows:

"There shall not be taxed under this subchapter--
(a) Government and State Obligations.-- Any bond, note, or other instrument, issued by the United States, or by any foreign Government ***".

From the standpoint of the documentary stamp taxes, the exemption under the Articles of Agreement is not as broad in scope as the exemption under the Internal Revenue Code. The former could be applied only to transactions to which the Bank is a party, and hence would not exempt sales of the bonds by dealers to other parties. The latter would exempt all transactions otherwise subject to a stamp tax, regardless of whether the Bank is a party to the particular transaction. Accordingly, if the exemption under the Internal Revenue Code is applicable, it does not appear necessary to give any further consideration to the possible application of the exemption under the Articles of Agreement.

Inasmuch as the Bank is a wholly-owned instrumentality of its forty-four member Governments, including the United States, and was created to carry out the particular governmental functions delegated to it, the Bureau is of the opinion that bonds issued by the Bank constitute obligations of the United States and of a foreign Government within the purview of the exemption authorized by section 1808 (a) of the Internal Revenue Code.

It is held, therefore, that neither the issue tax imposed by section 1801, nor the transfer tax imposed by section 3481 of the Internal Revenue Code will apply to the bonds to be issued by the Bank, and that such exemptions are effective as to all transactions involving such bonds, irrespective of whether the Bank is a party to the particular transaction so exempted.

Very truly yours,

(Signed) Joseph D. Nunan, Jr.
Commissioner

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

FOR THE PRESS — FOR IMMEDIATE RELEASE

Press Release No. 69 — November 25, 1947

The International Bank for Reconstruction and Development announced today that the United States Treasury Department has ruled that interest on bonds of the Bank paid to non-resident aliens, or to foreign corporations not engaged in trade or business in the United States, is not subject to Federal income tax under sections 211(a) and 231(a) of the Internal Revenue Code. The U. S. Treasury ruling stated that such interest, therefore, is not subject to withholding under sections 143 and 144 of the Internal Revenue Code.

This ruling, which had been requested by the Bank some time ago, was communicated to the Bank in a letter from the Acting Secretary of the Treasury.

Text of the letter follows:

"OFFICE OF
THE SECRETARY

TREASURY DEPARTMENT
Washington 25
November 19, 1947

Dear Mr. Garner:

"Your communication of July 1, 1947, relative to the applicability of the Federal income tax on interest paid by the International Bank for Reconstruction and Development on its bonds owned by non-resident alien individuals or foreign corporations not engaged in trade or business in the United States, has been receiving consideration in this office.

"The Bank for Reconstruction and Development is an international organization resident in the United States and is a juridical entity separate and distinct from its member Governments. The Bretton Woods Agreements Act (59 Stat. 512) authorized the President to accept membership for the United States in the Bank and provides that section 9 of Article VII of the Articles of Agreement of the Bank shall have full force and effect in the United States and its Territories and possessions upon acceptance of membership by the United States in the Bank. The President accepted membership for the United States on December 20, 1945. Section 9 of Article VII provides in part as follows:

> " '(c) No taxation of any kind shall be levied on any obligation or security issued by the Bank (including any dividend or interest thereon) by whomsoever held--
>
> '(ii) if the sole jurisdictional basis for such taxation is the place or currency in which it is issued, made payable or paid, or the location of any office or place of business maintained by the Bank.'

"Under the Federal income tax laws, non-resident alien individuals and foreign corporations not engaged in trade or business within the United States are subject to tax under sections 211 (a) and 231 (a) of the Internal Revenue Code on any amounts received as interest from sources within the United States. What constitutes interest from such sources is determined by statutory rules under section 119 (a) (1) of the Code. In general, interest on bonds, notes, or other interest-bearing obligations of residents, corporate or otherwise is treated as being from sources within the United States. However, interest received from a resident foreign corporation or a domestic corporation is not considered income from United States sources, in the hands of non-resident alien individuals or foreign corporations, if less

than 20% of its gross income has been derived from sources within the United States, as determined under the provisions of section 119 of the Code, for the period specified therein.

"Under section 116 (c) of the Code, as amended by the International Organizations Immunities Act, approved December 29, 1945 (Public Law 291, 79th Congress) income of an international organization received from investments in the United States in stocks, bonds, or other domestic securities, owned by such organization, or from interest on deposits in banks in the United States of moneys belonging to such organization, or from any source within the United States, is excluded from gross income and exempt from Federal income tax. For application of such exemption, which is effective only with respect to taxable years beginning after December 31, 1943, section 1 of the International Organizations Immunities Act requires that an international organization be a public international organization in which the United States participates either by treaty or by Act of Congress, and which has been designated by the President through Executive Order as being entitled to enjoy the privileges, exemptions and immunities provided by that Act. On July 11, 1946, the President, in Executive Order 9751, designated the Bank as a public international organization entitled to enjoy the benefits conferred by the International Organizations Immunities Act.

"It is the opinion of this Department that Congress intended that no income tax should be imposed on the interest paid by the Bank on its bonds owned by non-resident alien individuals or by foreign corporations not engaged in trade or business in the United States. Such a result seems to be the intent and purpose of section 9 of Article VII of the Articles of

Agreement. Moreover, since the Bank will have no gross income from United States sources within the meaning of the Internal Revenue Code under section 116 (c) thereof, interest on its bonds cannot be considered from sources within the United States under section 119 (a) (1).

"It is concluded that interest on bonds of the Bank paid to non-resident alien individuals or foreign corporations not engaged in trade or business in the United States is not subject to taxation under sections 211 (a) and 231 (a) of the Internal Revenue Code, respectively, and therefore, such interest is not subject to withholding under sections 143 and 144 thereof.

Very truly yours,

(Signed) A.L.M.WIGGINS

Acting Secretary of the Treasury

Mr. R. L. Garner
Vice President, International Bank
For Reconstruction and Development
Washington 6, D. C."

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U.S-14

April 13, 1948

My dear Mr. Snyder:

On July 1, 1947, this Bank requested a ruling from the United States Government as to the applicability to interest paid on the Bank's bonds, when they are owned by non-resident aliens or by foreign corporations not engaged in trade or business in the United States, of the provisions of Sections 143, 144, 211 and 231 of the Internal Revenue Code. By letter dated November 19, 1947, Mr. A. L. M. Wiggins, Acting Secretary of the Treasury, ruled that "interest on bonds of the Bank paid to non-resident alien individuals or foreign corporations not engaged in trade or business in the United States is not subject to taxation under sections 211(a) and 231(a) of the Internal Revenue Code, respectively, and therefore, such interest is not subject to withholding under sections 143 and 144 thereof." One of the bases for this ruling was that interest on the Bank's bonds "cannot be considered from sources within the United States under section 119(a)(1)".

Since the receipt of the above ruling, the question has arisen whether interest paid on the Bank's bonds to foreign corporations engaged in trade or business in the United States is subject to Federal income taxes. The purpose of this letter is to request a ruling from the United States Government on that question.

The ruling contained in the letter dated November 19, 1947 from Mr. Wiggins, although confined to non-resident alien individuals and to foreign corporations not engaged in trade or business in the United States, would seem necessarily to apply equally to foreign corporations (other than insurance companies) which are engaged in trade or business in the United States. Section 231(c) provides

Honorable John W. Snyder, Chairman
National Advisory Council on International
Monetary and Financial Problems
Room 3330, Treasury Department
Washington, D.C.

that gross income of foreign corporations includes only income from sources within the United States; Section 119 defines interest from sources within the United States; and the ruling was that interest on the Bank's bonds cannot be considered income from sources within the United States under Section 119(a)(1).

Foreign insurance companies not engaged in an insurance business in the United States, but engaged in other trade or business in the United States, are taxed in the same way as other foreign corporations. They therefore would seem to be covered by the Treasury's ruling and such interest paid to them should likewise be exempt from tax. I.R.C. Secs. 201(a)(3), 204(a)(3) and 207(a)(6).

Foreign insurance companies doing an insurance business in the United States raise a somewhat different problem. Insurance corporations, foreign or domestic, doing an insurance business in the United States are not subject to tax under the sections of the Code applicable to domestic or foreign corporations generally, but under special provisions imposing taxes on life insurance companies (Section 201), on mutual insurance companies other than mutual life insurance companies and specified types of mutual marine and fire insurance companies (Section 207), and on other insurance companies (Section 204).

No special difficulty is presented by the case of mutual companies taxable under Section 207. Section 207 provides that in the case of a foreign mutual company taxed under that section net income shall be net income from sources within the United States and that the gross amount of income from interest, dividends, rents and net premiums shall be the amount of such income from sources within the United States. Thus it seems clear that interest received by such mutual companies on the Bank's bonds is not subject to tax, on the grounds stated above in the third paragraph of this letter.

With respect to life insurance companies taxed under Section 201, there is also no difficulty. Section 201 imposes a tax on income of domestic life insurance companies and on income of foreign life insurance companies attributable to domestic insurance business, regardless in either case of the domestic or foreign source of such income. For the purposes of Section 201, therefore, the question whether income is from sources within or without the United States is immaterial. Accordingly, the Treasury ruling has no application to interest on the Bank's bonds attributable, under that section, to the

domestic life insurance business of a life insurance company and such income is clearly subject to tax.

Insurance companies taxed under Section 204 fall into a separate category. Sub-section (a)(2) of Section 204 provides that in the case of foreign insurance companies taxed under Section 204 normal tax net income and corporation surtax net income shall be "the net income from sources within the United States" minus certain credits. Section 206 provides that the gross income of insurance companies taxed under Section 201 or Section 204 "shall not be determined in the manner provided in Section 119." At first reading, this might appear to mean that interest on the Bank's bonds paid to such companies would be taxable as income from sources within the United States since it would not be affected by Section 119(a)(1)(B) excluding from "income from sources within the United States" interest paid by a corporation less than 20% of whose gross income is from sources within the United States. Further study of the Sections shows, however, that such a result is not intended. Section 206 should not be read as providing that Section 119 is inapplicable in determining whether income is or is not from sources within the United States, but rather as providing merely that Section 119 is inapplicable in determining what types of income (irrespective of geographical source) should be included in gross income from sources within the United States.

There are types of income which under Section 119 cannot be included in gross income from sources within the United States regardless of their source; yet under Section 204, these same types of income are taxable if they are from sources within the United States. Section 206 was intended to provide that Section 119 shall not exclude these types of income from the classification of gross income, regardless of the source of such income. However, Section 206 was not intended to prevent the application of Section 119 in determining whether particular items of gross income of those types are from sources within the United States. This conclusion is supported by the following reasons:

(a) Section 206 provides that Section 119 shall be inapplicable in determining "gross income", not "gross income from sources within the United States".

(b) As set forth above, Section 201 imposes

a tax on income of domestic life insurance companies and income of foreign life insurance companies attributable to domestic business whether in either case the source of the income is within or without the United States. With respect to Section 201, therefore, Section 206 must be read as referring to categories of income, not as referring to the distinction between income from sources within and from sources without the United States. There is no reason for believing that Section 206 was intended to have a different effect in relation to Section 204 than in relation to Section 201.

(c) Section 206 does not apply to corporations taxed under Section 207. Since the distinction between income from sources within and sources without the United States is relevant for the purposes of Section 207, one would expect that if Section 206 were intended to relate to that distinction, it would have been made applicable to corporations taxed under Section 207. The fact that it is not so applicable indicates that it was intended to relate to the different categories of income rather than to geographical sources of income.

(d) Section 204 taxes only income from sources within the United States and is expressly made subject to Section 206. Nevertheless, even under Section 204, taken by itself, an interpretation that Section 206 relates to the source of income as well as to the types of income would be unreasonable. Such an interpretation would mean that Section 204 taxes income from sources within the United States without providing any rule for determining what income is to be considered income from sources within the United States, since the only rule for making such a determination is contained in Section 119. Moreover, Section 204(d) provides that deductions allowed in Section 204 are allowed to the extent provided in Supplement I (Sections 231 to 237) and Section 232 provides that apportionment and allocation of such deductions with respect to sources within and without the United States

shall be determined as provided in Section 119, under rules and regulations prescribed by the Commissioner with the approval of the Secretary. It seems obvious that it cannot have been intended that Section 119 should govern for the purpose of allocating deductions from income but should be irrelevant for the purpose of determining what that income is.

(d) Sections 201 and 204 apply to both domestic and foreign corporations. Presumably, therefore, Section 206 was intended to deal with questions of types of income, which are relevant in regard to domestic and foreign corporations, rather than with questions of sources of income which would be entirely irrelevant in regard to domestic corporations.

From the foregoing analysis, it is clear that Section 119 is applicable, notwithstanding Section 206, in determining whether income is from sources within the United States for the purposes of Section 204.

Thus, the answer to the question raised above would seem to be that interest paid on the Bank's bonds to foreign corporations engaged in trade or business in the United States is taxable only if it is received by a foreign life insurance company and is attributable, under Section 201 of the Internal Revenue Code, to such company's domestic life insurance business.

The question raised by this letter has been discussed by members of the Bank's staff with officials of the Bureau of Internal Revenue who are already familiar with the Bank's views. Therefore, it would be appreciated if a ruling could be given at an early date.

Very truly yours,

Vice President

U.S-14

HOLD FOR RELEASE HOLD FOR RELEASE HOLD FOR RELEASE

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

Washington

FOR THE PRESS

Press Release No. 110

FOR RELEASE
Thursday,
August 5, 1948

The International Bank for Reconstruction and Development announced today that the United States Treasury Department has ruled that interest on the bonds of the Bank paid to foreign corporations engaged in trade or business in the United States (other than interest paid to a foreign life insurance company and attributable, under Section 201 of the Internal Revenue Code, to its life insurance business in the United States) is not subject to taxation under the Internal Revenue Code. The Treasury had previously ruled that interest on bonds of the Bank paid to non-resident aliens, or to foreign corporations not engaged in trade or business in the United States, is not subject to Federal income tax.

The latest ruling is contained in a letter dated July 21, 1948, to the Bank, a copy of which is as follows:

"TREASURY DEPARTMENT
Washington

July 21, 1948

"Mr. R. L. Garner, Vice President
International Bank for Reconstruction
and Development
Washington 25, D. C.

"My dear Mr. Garner:

"Reference is made to your letter dated April 13, 1948, requesting a ruling with respect to the question of whether interest on the bonds of the International Bank for Reconstruction and Development is subject to Federal income taxes when paid to foreign corporations engaged in trade or business in the United States.

"You refer to a ruling by the Treasury Department dated November 19, 1947, in which it was held that interest on bonds of the Bank paid to non-resident alien individuals or foreign corporations not engaged in trade or business in the United States would not be subject to taxation under sections 211(a) and 231(a) of the Internal Revenue Code, due in part to the fact that such interest could not be considered from sources within the United States under section 119(a)(1) of the Code.

"You state that the above-mentioned ruling would seem necessarily to apply equally to foreign corporations (other than insurance companies) which are engaged in trade or business in the United States in view of the provisions of section 231(c) of the Code to the effect that gross income of foreign corporations includes only income from sources within the United States.

"With respect to foreign insurance companies engaged in trade or business within the United States you further state that under your above interpretation no particular problem seems to be presented in the case of foreign mutual insurance companies taxable under section 207(a)(5) of the Code, since such section provides that net income of a foreign mutual insurance company shall be the net income defined therein from sources within the United States, nor in the case of foreign life insurance companies taxable under section 201(a)(2) of the Code since that section provides for a tax on the income of such companies attributable to domestic insurance business regardless of the domestic or foreign source of such income. You conclude, therefore, that the ruling dated November 19, 1947 would apply to mutual insurance companies taxable under section 207 (a)(5) of the Code for the same reasons given for your conclusion with respect to foreign corporations other than insurance companies engaged in trade or business within the United States, but would not apply to foreign life insurance companies taxable under section 201 (a)(2) of the Code and that income on the bonds of the Bank paid to such latter companies would be subject to tax.

"A question is raised, according to your letter, with respect to foreign insurance companies taxable under section 204(a)(2) of the Code, because of the provisions of such section to the effect that the normal tax net income and corporation surtax net income of foreign insurance companies taxable under such section shall be "the net income from sources within the United States" minus certain credits, while the provisions of section 206 of the Code state that the gross income of insurance companies taxed under section 201 or section 204 of the Code "shall not be determined in the manner provided in section 119", which latter section sets forth the rules for determining whether income is derived from sources within or without the United States.

"It is your contention that section 206 should not be read as providing that section 119 is inapplicable in determining whether income is or is not from sources within the United States, but rather as providing merely that section 119 is inapplicable in determining what types of income (irrespective of geographical source) should be included in gross income from sources within the United States, and under this contention it is your opinion that interest on the bonds of the above-named Bank when paid to insurance companies taxable under section 204 of the Code, will not be subject to tax under that section.

"Section 204(a)(2) of the Code, as stated in your letter, provides that the normal tax net income and the corporation surtax net income shall be the net income from sources within the United States. Gross income from such sources, however, is not limited to the six items specifically mentioned in section 119 of the Code but is broad enough to cover any income from United States sources although not specifically mentioned in that section (Helvering v. Suffolk Co., Ltd., CCA-4, 104 F. (2d) 505), and it has been held, in the case of income from the sale of property, to depend on all the factors of the transaction such as negotiations, the execution of the agreement, the location of the property and the place of payment. (G.C.M. 25131, C.B. 1947-2, p. 85).

"The provisions of section 9 of Article VII of the Bretton Woods Agreements Act, quoted in the previous ruling letter from this Department, dated November 19, 1947, and briefly stated herein, to the effect that no taxation of any kind shall be levied on any obligation or security of the Bank by whomsoever held if the sole jurisdictional basis for such taxation is the place in which it is issued or paid or the location of any office or place of business maintained by the Bank, and the provisions of section 116(c) of the Code, also stated in the previous ruling letter, render the factors of the transactions mentioned above inapplicable with respect to the payment of interest on the bonds of the Bank to insurance companies taxable under section 204 of the Code.

"It is the opinion of this Department that your conclusions as stated above and in your letter dated April 13, 1948 are correct with respect to the fact that interest on the bonds of the International Bank for Reconstruction and Development paid to foreign corporations, other than foreign life insurance companies, engaged in trade or business within the United States is not subject to taxation under the relative sections of the Internal Revenue Code.

"Very truly yours,

/s/ THOMAS J. LYNCH

Acting Secretary of the Treasury"

Record Removal Notice

The World Bank Group Archives & Records Management

File Title	Barcode No.
Legal Memoranda - Articles of Agreement and Powers of the Bank - 1947 to 1974 - Lester Nurick	1850544

Document Date	Document Type	
August 4, 1949	Letter	

Correspondents / Participants
To: Mr. Walter C. Thompson, Office of the Assessor, District of Colombia
From: Davidson Sommers, Assistant General Counsel

Subject / Title
IBRD requests ruling related to tax exemptions

Exception(s)
Attorney-Client Privilege

Additional Comments

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.

Withdrawn by	Date
Shiri Alon	September 29, 2021

US-23

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE ASSESSOR

SALES AND USE TAX DIVISION
DISTRICT BUILDING
14TH AND E STREETS, N. W.
WASHINGTON 4, D. C.

August 5, 1949

International Bank for Reconstruction
and Development
Washington 25, D.C.

Dear Sir:

This is in reference to your communication dated August 4, 1949 addressed to Mr. Walter C. Thompson, Office of the Assessor, District of Columbia, Wash.,D.C.

On the basis of the information submitted in your letter and other evidence before this Department, you are hereby advised that the International Bank for Reconstruction and Development is exempt from the imposition of the Sales Tax on sales or purchases made to it, by it or from it and the use, storage or consumption of any tangible personal property and services so sold or purchased in the District of Columbia.

You may submit a copy of this letter to vendors when claiming exemption from the tax as provided herein.

Very truly yours,

W. C. Thompson

W. C. Thompson
Asst. Administrator

CA-3

BORDEN, ELLIOT, KELLEY, PALMER & SANKEY

Barristers and Solicitors

The Canadian Bank of Commerce Building
25 King Street West
Toronto 1 March 15, 1951.

L. Nurick, Esq.,
International Bank for Reconstruction
and Development,
1818 H Street, N. W.,
WASHINGTON 25, D.C.

Dear Lester:

I enclose a copy of Bill Kelley's letter of the 8th instant to the Deputy Minister of Taxation requesting a ruling with respect to Canadian income tax upon bond interest paid to non-residents, and a copy of Mr. Gavsie's reply dated the 12th instant.

Part II of The Income Tax Act referred to in Mr. Gavsie's letter is the part which imposes a Canadian income tax upon dividend and interest income derived by non-residents of Canada and which in certain circumstances requires the paying company in Canada to withhold payment of the tax. Accordingly, Mr. Gavsie's reply seems to cover the point.

Yours sincerely,

/s/ I. Wahn

IGW:DM
Encs.

Copy - Ordinary mail.

cA-3

BORDEN, ELLIOT, KELLEY, PALMER & SANKEY

Barristers and Solicitors

The Canadian Bank of Commerce Building
25 King Street West
Toronto 1

March 8, 1951.

Deputy Minister (Taxation),
Department of National Revenue,
444 Sussex Street,
Ottawa, Ontario.

Dear Mr. Scully,

International Bank for Reconstruction and Development proposes to issue and sell in Canada $10,000,000 principal amount of its bonds payable in Canadian funds. These bonds will be sold to a group of Canadian underwriters who will re-sell the bonds, as principals, to institutions and other investors in Canada.

The Bank is an international institution, the members of which are governments. At the present time the Bank has forty-nine member countries. The Bank was established, and is operating, under Articles of Agreement accepted by its member governments.

The principal office of the Bank is in Washington, D.C.

The Articles of Agreement of the Bank have been approved in Canada pursuant to The Bretton Woods Agreements Act, 1945 (Statutes of Canada, 1945, Cap. II).

The Articles provide that the Bank may borrow funds and sell its securities only with the consent of the member country in whose markets the funds are raised and the member in whose currency the loan is denominated. Accordingly, the consent of the Government of Canada is required before these bonds can be sold. I am advised that steps are being taken by the Bank to obtain this consent.

The Bank of Canada will be appointed as fiscal agent of International Bank for Reconstruction and Development for the purpose, inter alia, of making payments of principal, interest, and redemption premium, if any, on these Canadian Dollar Bonds,

and for registering, transferring and exchanging the bonds.

Article VII, Section 9(a) and (c) of the Articles of Agreement of the Bank provide, inter alia, as follows:

> (a) The Bank, its assets, property, income and its operations and transactions authorized by this Agreement, shall be immune from all taxation and from all customs duties. The Bank shall also be immune from liability for the collection or payment of any tax or duty.
>
> (c) No taxation of any kind shall be levied on any obligation or security issued by the Bank (including any dividend or interest thereon) by whomsoever held--
> (i) which discriminates against such obligation or security solely because it is issued by the Bank; or
> (ii) if the sole jurisdictional basis for such taxation is the place or currency in which it is issued, made payable or paid, or the location of any office or place of business maintained by the Bank.

I have advised the Bank that, by reason of the Articles of Agreement of the Bank and of the provisions of the Income Tax Act, no Canadian income tax, withholding or otherwise, will be imposed upon or payable by a holder of the bonds resident outside of Canada in respect of interest, redemption premium, or other payments made on these bonds. Would you please be good enough to advise me if this is in accordance with your view of the situation?

Yours faithfully,

"W.A.G. Kelley"

WAGK:M

CA-3

DEPARTMENT OF

(CREST)

NATIONAL REVENUE

CANADA

Office of the
Deputy Minister of National
Revenue
(Taxation)

OTTAWA, 12th March, 1951.

W.A.G. Kelley, Esq., K.C.,
Borden, Elliot, Kelley, Palmer & Sankey,
Barristers and Solicitors,
The Canadian Bank of Commerce Building,
25 King Street West,
Toronto 1, Ontario.

Dear Mr. Kelley,

International Bank for Reconstruction
and Development

In reply to your letter of the 8th March, please be advised that in our opinion the provisions of Part II of The Income Tax Act are not applicable in connection with the bonds of the above bank.

Yours faithfully,

"Charles Gavsie"
Charles Gavsie,
Assistant Deputy Minister.

RGD/TED

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

X-ref -

filed under master file:
Letter of May 6, 1953 from Atty
Gen'l of U.S. to Sec. of State
re McCarran act waivers.

PLG

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

X-ref

filed under Master File

letter July 13, 1953

U.S. State Tax Comm
to alexandria Collector
re case of U.S. Staffer
stating non-U.S. citizens
are exempt from State income
tax on Bank salaries

Record Removal Notice

The World Bank Group Archives & Records Management

File Title	Barcode No.
Legal Memoranda - Articles of Agreement and Powers of the Bank - 1947 to 1974 - Lester Nurick	1850544

Document Date	Document Type	
February 17, 1954	Memorandum	

Correspondents / Participants
To: All Attorneys
From: Virginia Morsey

Subject / Title
"Activities" of AEC Exempt from Taxation

Exception(s)
Attorney-Client Privilege

Additional Comments

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.

Withdrawn by	Date
Shiri Alon	September 29, 2021

DEPARTMENT OF THE TREASURY
Internal Revenue Service

(26 CFR Part 39)

Income Tax; Taxable Years Beginning
After December 31, 1951

Exemptions Granted to Income of Foreign
Governments, International Organizations
and their Employees

Notice is hereby given, pursuant to the Administrative Procedure Act, approved June 11, 1946, that the regulations set forth in tentative form below are proposed to be prescribed by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury. Prior to the final adoption of such regulations, consideration will be given to any data, views, or arguments pertaining thereto which are submitted in writing in duplicate to the Commissioner of Internal Revenue, Washington 25, D. C., within the period of 30 days from the date of publication of this notice in the FEDERAL REGISTER. The proposed regulations are to be issued under the authority contained in sections 62 and 3791 of the Internal Revenue Code (53 Stat. 32, 467; 26 U.S.C. 62, 3791).

T. Coleman Andrews
(seal) Commissioner of Internal Revenue

In order to conform Regulations 118 (26 CFR Part 39) to the provisions of section 247 of the Immigration and Nationality Act, enacted June 27, 1952, such regulations are amended as follows:

Paragraph 1. Section 39.116-2 is amended as follows:

(A) By striking "All" at the beginning of paragraph (a)(2) and inserting in lieu thereof the following: "Except to the extent that the exemption is limited by the execution and filing of the waiver provided for in section 247 (b) of the Immigration and Nationality Act, all"

(B) By adding at the end of paragraph (a) (2) the following: "Section 247 (b) of the Immigration and Nationality Act provides as follows:

(b) The adjustment of status required by subsection (a) /of the Immigration and Nationality Act/ shall not be applicable in the case of any alien who requests that he be permitted to retain his status as an immigrant and who, in such form as the Attorney General may require, executes and files with the Attorney General a written waiver of all rights, privileges, exemptions, and immunities under any law or any executive order which would otherwise accrue to him because of the acquisition of an occupational status entitling him to a nonimmigrant status under paragraph (15) (A), (15) (E), or (15) (G) of section 101 (a).

An employee of a foreign government who executes and files with the Attornew General the waiver provided for in section 247 (b) of the Immigration and Nationality Act thereby waives the exemption conferred by section 116 (h) of the Code. As a consequence, such exemption does not apply to income received by such alien after the date of filing of the waiver."

(C) By striking "Subject to" at the beginning of paragraph (b) (2) and inserting in lieu thereof the following: "Except to the extent that the exemption is limited by the execution and filing of the waiver provided for in section 247 (b) of the Immigration and Nationality Act, and subject to"

(D) By adding a subparagraph (4) to paragraph (b) and a new paragraph (c) (following the text of section 9 of the International Organizations Immunities Act) as follows:

(4) An officer or employee of an international organization who executed and files with the Attorney General the waiver provided for in section 247 (b) of the Immigration and Nationality Act thereby waives the exemption conferred by section 116 (h) of the Code. As a consequence, such exemption does not apply to income received after the date of filing of the waiver.

(c) Tax conventions, consular conventions, and international agreements. A tax convention or consular convention between the United States and a foreign country, which provides that the United States may include in the tax base of its residents all income taxable under the internal revenue laws, and which makes no specific exception for the income of the employees of that foreign government, does not provide any exemption (with respect to residents of the United States) beyond that which is provided by the internal revenue laws. Accordingly, the effect of the execution and filing of a waiver under section 247 (b) of the Immigration and Nationality Act by an employee of a foreign government which is a party to such a convention is to subject the employee to tax to the same extent as provided in paragraph (a) of this section with respect to the waiver of exemption under section 116 (h). On the other hand, if a tax convention, consular convention, or international agreement provides that compensation paid by the foreign government or international organization to its employees is exempt from Federal income tax, and the application of this exemption is not dependent upon the provisions of the internal revenue laws, the exemption so conferred is not affected by the execution and filing of a waiver under section 247(b) of the Immigration and Nationality Act. For examples of exemptions which are not affected by the Immigration and Nationality Act, see Article X of the British Tax Convention, Article IX, section 9(b) of the Articles of Agreement of the International Monetary Fund (60 Stat. 1401), and Article VII, Section 9 (b) of the Articles of Agreement of the International Bank for Reconstruction and Development (60 Stat. 1440).

(Source: FEDERAL REGISTER, Friday, February 19, 1954.)