

September 30, 2005

Excellency:

I have the honor to refer to the Protocol Amending the Convention between the Government of the United States of America and the Government of Sweden for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, which was signed today, and to confirm, on behalf of the Government of the United States of America, the following understandings reached between our two Governments.

1. With reference to clause ii) of subparagraph e) of paragraph 2 of Article 17 (Limitation on Benefits) of the Convention

It is understood that in applying clause ii) of subparagraph e) of paragraph 2 of Article 17 (Limitation on Benefits) in the case of Sweden the amount of a person's deductible payments and gross income for the taxable year shall be

His Excellency

Gunnar Lund,

Ambassador of Sweden.

reduced by the amount of group contributions paid to a Swedish resident or Swedish permanent establishment.

2. With reference to paragraph 6 of Article 17 (Limitation on Benefits) of the Convention

It is understood that in applying paragraph 6 of Article 17 (Limitation on Benefits), the legal requirements for the facilitation of the free flow of capital and persons within the European Union, together with the differing internal income tax systems, tax incentive regimes, and existing tax treaty policies among member states of the European Union, will be considered. Under that paragraph, the competent authority is instructed to consider as its guideline whether the establishment, acquisition or maintenance of a company or the conduct of its operations has or had as one of its principal purposes the obtaining of benefits under this Convention. The competent authority may, therefore, determine, under a given set of facts, that a change in circumstances that would cause a company to cease to qualify for treaty benefits under paragraphs 2 and 3 of Article 17 need not necessarily result in a denial of benefits. Such changed circumstances may include a change in the state of residence of a major shareholder of a company, the sale of part of the stock of a Swedish company to a person resident in another member state of the European Union, or an expansion of a company's activities in other member states of the European Union, all under ordinary business conditions. The competent authority will consider these changed circumstances (in addition to other relevant factors

normally considered under paragraph 6 of Article 17) in determining whether such a company will remain qualified for treaty benefits with respect to income received from United States sources. If these changed circumstances are not attributable to tax avoidance motives, this also will be considered by the competent authority to be a factor weighing in favor of continued qualification under paragraph 6 of Article 17.

3. With reference to Article 26 (Exchange of Information) of the Convention

It is understood that the powers of each Contracting State's competent authorities to obtain information include powers to obtain information held by financial institutions, nominees, or persons acting in an agency or fiduciary capacity (not including information that would reveal confidential communications between a client and an attorney, solicitor or other legal representative, where the client seeks legal advice), and information relating to the ownership of legal persons, and that each Contracting State's competent authority is able to exchange such information in accordance with the Article.

If this is in accordance with your understanding, I would appreciate an acknowledgment from you to that effect.

Accept, Excellency, the renewed assurances of my highest consideration.

For the Secretary of State: