

# TAX POP - UP

June 22, 2023

## CONVENTION FOR THE AVOIDANCE OF DOUBLE TAXATION

### BETWEEN CHILE AND THE UNITED STATES

#### What is its status?

The Convention between Chile and the United States for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and Capital ("Double Tax Treaty"- DTT) was signed in February 2010. Later, both countries exchanged notes for its correction, the last ones dating back to 2012.



#### What progress was made?

After a 12 years-long wait for the upper chamber vote, the United States Senate plenary passed a resolution of advice in favor of a DTT and a "Resolution of Ratification" issued by the Foreign Relations Committee, by a vote of 95 in favor, 2 against, and 3 absents.



#### What reservations were incorporated by the United States?



- 1 The DTT cannot prevent the United States from applying the Base Erosion Anti-Abuse Tax (BEAT) to a resident corporation or a permanent establishment located in the United States, and,
- 2 As a result of legal amendments in the United States after the signing of the DTT, the language used to refer to the exemptions is "updated", without altering the general principles it contains.

#### When does it enter into force?

When both countries have notified each other that the procedures required for its entry into force are completed.

It will be effective for taxes withheld at the source country, for amounts paid or credited on or after the first day of the second month following its entry into force.

In respect of other taxes, it will become effective on January 1st of the calendar year following the date it enters into force.

#### What is pending?

The DTT must be ratified by the US President, thereby completing the process in that country.

On the Chilean side, the DTT had been waiting for enactment since 2015. As a result of the reservations incorporated by the United States, it will again require the approval of the Chilean Congress, to then be enacted by the President of the Republic.