

Global Tax Alert

News from EY Americas Tax

Chile deposits *Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS*

EY Tax News Update: Global Edition

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Following the Chilean Congress's recent ratification of the *Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting* (MLI), Chile deposited its instrument of approval with the Organisation for Economic Co-operation and Development (OECD) on 26 November 2020. It also submitted its MLI positions and reservations and the list of covered tax agreements (CTAs).

For more information related to the ratification of the MLI, see EY Global Tax Alert, [Chile ratifies Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS](#), dated 13 July 2020.

MLI - Entry into force

The MLI will enter into force on 1 March 2021 (i.e., the first day of the month following the expiration of a three-month period after the deposit of the MLI ratification).

Once in force, the MLI will generally apply to CTAs if the counterparty ratified the MLI. For CTAs for which the MLI is already in force, the MLI will apply in Chile:

- ▶ For taxes withheld at source on amounts paid or credited to nonresidents on or after 1 January 2022 (i.e., first day of the next calendar year).
- ▶ For all other taxes levied in tax periods beginning on or after 1 January 2022.

For its own application of the MLI for other taxes, Chile has opted to have the MLI apply for tax periods beginning on or after 1 January of the next calendar year following a six-month period after the MLI's entry into force.

Effects of the MLI in Chile

With the enforcement of the MLI, more than 33 double tax treaties (DTTs) will be upgraded by incorporating, in some cases, higher standards than the existing ones to claim treaty benefits. These new standards will be relevant to cases in which withholding tax (WHT) may be eliminated or reduced by application of a DTT (e.g., payment of services or insurance abroad without WHT, or payment of royalties and interest with reduced WHT rates).

Current DTTs

Currently, Chile has the following 33 DTTs in force:

Argentina	Mexico
Australia	Norway
Austria	New Zealand
Belgium	Paraguay
Brazil	Peru
Canada	Poland
Colombia	Portugal
China	Russia
Croatia	South Africa
Czech Republic	South Korea
Denmark	Spain
Ecuador	Sweden
France	Switzerland
Ireland	Thailand
Italy	United Kingdom
Japan	Uruguay
Malaysia	

DTTs with the United States, United Arab Emirates and India have been signed but are still pending ratification.

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