

17 December 2020

# Global Tax Alert

News from EY Americas Tax

## Chilean tax authorities released regulations for foreign pass-through investment vehicles

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*Foreign investors that use pass-through investment vehicles may not completely credit the payment of corporate income tax against the dividend withholding tax, unless the investors may claim residence for purposes of applying a double tax treaty (DTT).*

On 9 December 2020, the Chilean tax authorities issued [Resolution Ex. No. 151 of 2020](#) (the Resolution), which includes regulations for foreign investors that use pass-through investment vehicles located in countries that have DTTs in force with Chile. The Resolution also consolidates the regulations that require foreign taxpayers to prove tax residence to claim benefits under DTTs and the regulations that allow taxpayers to fully offset dividend withholding tax with the corporate income tax paid.

### Background

Chilean domestic regulations limit the amount of corporate income tax that may be credited against dividend withholding tax to 65% for dividend distributions made to foreign investors that are not treaty resident, which results in an effective tax burden of 44.45% in Chile.

Foreign investors resident in countries with a DTT, however, are excluded from this limitation and may fully credit the corporate income tax against the 35% dividend withholding tax, resulting in a 35% effective tax burden. The same benefit temporarily applies until 2026 to foreign investors resident in countries with treaties that are signed but not yet in force (i.e., the US-Chile and UAE-Chile treaties).

## Resolution

The Resolution does not allow pass-through investment vehicles to completely offset the payment of the corporate income tax against the 35% dividend withholding tax because it treats those investment vehicles as non-treaty residents, even if they are located in treaty countries. However, investors of the pass-through vehicles might be entitled to completely offset the corporate income tax paid against the dividend withholding tax if they are treaty residents.

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EYG no. 008860-20GbI

1508-1600216 NY  
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