

Global Tax Alert

News from EY Americas Tax

Chile and the Netherlands sign double tax treaty

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On 25 January 2021, Chile's Ministry of Finance [announced](#) the new double tax treaty (DTT) between Chile and the Netherlands was signed. The DTT is duly aligned with the OECD¹ model and BEPS² guidance.

The DTT will enter into force after parliamentary ratification and the exchange of ratification instruments.

No immediate effects in Chile for dividend distributions

According to Chilean domestic regulations, residents in the Netherlands will still be subject to the partially integrated regime (i.e., deemed as non-treaty investors, regardless of the signing status) because the treaty is not yet in force. As such, only 65% of the corporate income tax may be creditable against the 35% dividend withholding tax, resulting in an effective tax burden of 44.45% for dividend repatriation out of Chile to Dutch investors.

Investors resident in countries with a DTT in force, however, may fully credit the corporate income tax against the 35% dividend withholding tax, resulting in a 35% effective tax burden.

Also, due to a transitory domestic provision, the ability to fully credit the corporate income tax against the dividend withholding tax temporarily applies until 2026 to investors resident in countries with DTTs signed with Chile before 2020 that are not yet in force, including the United States (US)-Chile DTT (2010) and United Arab Emirates (UAE)-Chile DTT (2019). This special regime, however, does not extend to residents in the Netherlands.

Chile’s current DTTs network

Currently, Chile has 33 DTTs signed and in force and 4 pending ratification.

The following list includes the countries with DTTs in force with Chile:

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

The DTTs pending ratification and not yet enforceable are those with the US, UAE, India and the Netherlands.

Endnotes

1. Organisation for Economic Co-operation and Development.
2. Base Erosion and Profit Shifting.

For additional information with respect to this Alert, please contact the following:

EY Chile, Santiago

- ▶ Felipe Espina felipe.espina@cl.ey.com
- ▶ Juan Pablo Navarrete juan.navarrete@cl.ey.com
- ▶ Victor Fenner victor.fenner@cl.ey.com
- ▶ Janice Stein janice.stein@cl.ey.com

Ernst & Young LLP (United States), Latin American Business Center, New York

- ▶ Pablo Wejcman pablo.wejcman@ey.com
- ▶ Mariela Gonzalez mariela.gonzalez@ey.com
- ▶ Ana Mingramm ana.mingramm@ey.com
- ▶ Enrique Perez Grovas enrique.perezgrovas@ey.com

Ernst & Young LLP (United Kingdom), Latin American Business Center, London

- ▶ Ignacio Perez ignacio.perez@uk.ey.com
- ▶ Lourdes Libreros lourdes.libreros@uk.ey.com

Ernst & Young Abogados, Latin American Business Center, Madrid

- ▶ Jaime Vargas jaime.vargas.c@es.ey.com

Ernst & Young Tax Co., Latin American Business Center, Japan & Asia Pacific

- ▶ Raul Moreno, *Tokyo* raul.moreno@jp.ey.com
- ▶ Luis Coronado, *Singapore* luis.coronado@sg.ey.com

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