

**Legal Alert | Tax**

The double taxation avoidance treaty in the U.S.  
moves forward



**Guillermo Fonseca**  
Partner, Tax  
[gfonseca@bofillmir.cl](mailto:gfonseca@bofillmir.cl)



**Jorge Valenzuela**  
Partner, Tax  
[jvalenzuela@bofillmir.cl](mailto:jvalenzuela@bofillmir.cl)

## The double taxation avoidance treaty in the U.S. moves forward

On Thursday, June 22, the United States (U.S.) Senate approved, by 95 votes in favor and 2 opposing, the treaty to avoid international double taxation, signed between the Republic of Chile and the United States of America on February 4, 2010.

Thus, the document must be finally formalized by the President, Joe Biden. In Chile, even though the processing of the treaty was completely finalized in September 2015, after confirmation by the Chilean Senate and its enactment, the reservations that were made to the document must be approved.

### These reservations were:

- 1) **The provisions of the treaty cannot be interpreted as an impediment to the application of BEAT** (Tax on Base Erosion Payments of Taxpayers with Substantial Gross Receipts). This rule, which imposes a tax on income produced by American companies in their transactions with related parties in other contracting states, provided that such income is attributable to a permanent establishment in the U.S.
- 2) **To modify the first paragraph of Article 23 of the treaty**, which regulates the means to avoid double taxation from the U.S. perspective, so that U.S. residents who pay income tax in Chile can use such expenses as a credit against their U.S. income tax liability.

The approval of the agreement is important because it considers the reduction of the tax rates of dividends obtained by residents of a State, for activities carried out in the other State; in addition to limiting the application of the capital gains tax, among other benefits. Furthermore, provisions on the exchange of information between the tax authorities of the United States and Chile are contemplated.

This legal alert was prepared by the Tax team of Bofill Mir Abogados for informational purposes and should not be considered legal advice.



If you have any questions or comments regarding this information, please contact our Tax partners:



**Guillermo Fonseca**  
Partner, Tax  
[gfonseca@bofillmir.cl](mailto:gfonseca@bofillmir.cl)



**Jorge Valenzuela**  
Partner, Tax  
[jvalenzuela@bofillmir.cl](mailto:jvalenzuela@bofillmir.cl)

