

Chile and the Netherlands sign a double tax treaty



On 25 January 2021, Chile and the Netherlands signed a double tax treaty (DTT). This is a welcome addition to the Dutch tax treaty network facilitating Dutch companies with doing business in Chile and vice versa.

The DTT meets the minimum standards of the OECD/G20's Base Erosion and Profit Shifting project against tax avoidance and is in line with the MLI. To allocate taxing rights, the DTT has elements from the model conventions of both the OECD and the UN. As a result, relatively more taxing rights remain in Chile compared to other DTTs that are more aligned with the OECD model convention. Under the DTT with Chile, withholding taxes on interest will be 4% or 10% and on royalty payments either 2% or 10%. For dividend distributions the withholding tax is 5% or 15%. For corporate investors from Chile, the introduction of the DTT means that they will become entitled to the Dutch domestic dividend withholding tax exemption.

Further, pensions may be taxed in the country where they are accrued, and, following its tax treaty policy, the Netherlands may levy tax on income from substantial shareholdings upon emigration. Both countries have also agreed on the exchange of information and mutual administrative assistance in tax matters.

To date, the Netherlands does not provide for a full double taxation relief for source taxation on

dividends, interest, and royalties arising in Chile, because the Dutch Unilateral Decree to avoid double taxation applies only to certain developing countries - and Chile is not considered a developing country. Therefore, Dutch resident taxpayers receiving income from Chile will now be able to obtain a tax credit in the Netherlands. With this in mind, the introduction of the DTT is a very welcome development.

The DTT shall be subject to an approval process in both countries. Further developments will be reported as they occur.

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