

GMS Flash Alert

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Chile - Income Tax Treaty with U.S.: Final Stage in Chilean Congress

On October 26, 2023, the Chilean government sent to the Congress the income tax treaty with the U.S. for its final stage of legislative discussion¹.

The United States-Chile income tax treaty was signed in February 2010 and was pending ratification in the United States until June 2023, when the U.S. Senate finally approved and made reservations to it. (For related coverage, see the following issues of *GMS Flash Alert*: [2023-133](#) (June 29, 2023) and [2023-114](#) (June 6, 2023).) Although the treaty was approved by the Chilean Congress in September 2015, the document must be passed by the Chilean Senate given the reservations made by their U.S. counterpart.

Expectations are that the Chilean Congress will approve the treaty, and it could be signed by the executive by the end of November of the current year, thus entering into force by January 2024.

WHY THIS MATTERS

The U.S. Senate's approval of the treaty was a significant step forward to fostering an improved business environment – including the movement of globally-mobile employees coming to the United States from Chile or vice versa – between the two countries.

This treaty should help mitigate double taxation that international assignees can be exposed to and may provide further benefits, including relief for contributions to pension plans.

KPMG INSIGHTS

Short-term assignees (known also as “business travelers”) could be exempt from taxation in the host country if their presence is for less than 183 days in any 12-month period, with no charge-back and no payments made locally, thus bringing more flexibility to employers with regards to short-term assignment planning and budgeting as they seek to expand their commercial footprint.

FOOTNOTE:

1 Article published (in Spanish) on the *Ministerio de Hacienda* (Chilean Ministry of Finance) website on October 26 , 2023, at: <https://www.hacienda.cl/noticias-y-eventos/noticias/gobierno-envia-a-tramitacion-acuerdo-que-evita-la-doble-tributacion-con-estados> .

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