GMS Flash Alert

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United States - U.S.-Chile Treaty Enters into Force

On December 19, 2023, the U.S. Treasury Department announced the entry into force of the United States-Chile income tax treaty.[1] With respect to taxes withheld at source, the treaty will have effect for amounts paid or credited on or after February 1, 2024. For all other taxes, the tax treaty will have effect for taxable periods beginning on or after January 1, 2024.

WHY THIS MATTERS

The treaty is expected to facilitate cross-border commerce and investments, including the movement of globally-mobile employees between the United States and Chile, by reducing or eliminating double taxation on the same income.

Confirmation and Treaty Background

The U.S. Senate voted overwhelmingly (95-2) to approve the income tax treaty with Chile in June 2023, and President Biden signed the instrument of ratification earlier in December. The Chilean Senate approved the treaty in November 2023. The treaty entered into force December 19, 2023, when the United States notified Chile that it had satisfied its applicable procedures for bringing the treaty into force.

For a full analysis and overview of the treaty provisions and important details regarding the implications for mobility programs, see *GMS Flash Alert* 2023-133, June 29, 2023.

KPMG INSIGHTS

This new treaty is significant because it is one of only two U.S. treaties in force with a South American country (the other is with Venezuela) and is the first new treaty to be approved by the U.S. Senate in over a decade.

FOOTNOTE:

1 See U.S. Department of the Treasury, Press Release, "Treasury Announces Entry into Force of Income Tax Treaty with Chile" (December 19, 2023).

For related coverage of the treaty, see the following issues of *GMS Flash Alert*: 2023-215 (November 16, 2023) and 2023-133 (June 29, 2023).

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The above information is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230 as the content of this document is issued for general informational purposes only.

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