

**CONVENTION  
BETWEEN THE REPUBLIC OF CHILE AND THE CZECH REPUBLIC  
FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF  
FISCAL EVASION  
WITH RESPECT TO TAXES ON INCOME AND ON CAPITAL**

The Czech Republic and the Republic of Chile,

desiring to conclude a Convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and on capital;

Have agreed as follows:

**CHAPTER I  
SCOPE OF THE CONVENTION**

*Article 1*

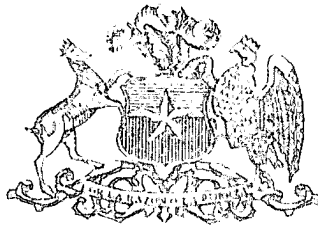
**PERSONS COVERED**

This Convention shall apply to persons who are residents of one or both of the Contracting States.

*Article 2*

**TAXES COVERED**

1. This Convention shall apply to taxes on income and on capital imposed on behalf of a Contracting State or of its political subdivisions or local authorities, irrespective of the manner in which they are levied.
2. There shall be regarded as taxes on income and on capital all taxes imposed on total income, on total capital, or on elements of income or of capital, including taxes on gains from the alienation of movable or immovable property, taxes on the total amount of wages or salaries paid by enterprises, as well as taxes on capital appreciation.



3. The existing taxes to which the Convention shall apply are in particular:
  - a) in the Republic of Chile, the taxes imposed under the Income Tax Act (hereinafter referred to as “Chilean tax”); and
  - b) in the Czech Republic,
    - (i) the tax on income of individuals;
    - (ii) the tax on income of legal persons;
    - (iii) the tax on immovable property;(hereinafter referred to as “Czech tax”).
4. The Convention shall apply also to any identical or substantially similar taxes and to taxes on capital, which are imposed after the date of signature of the Convention in addition to, or in place of, the existing taxes. The competent authorities of the Contracting States shall notify each other of any significant changes, which have been made in their taxation laws.

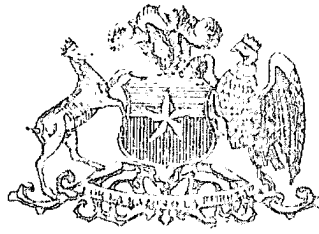
## **CHAPTER II**

### **DEFINITIONS**

#### *Article 3*

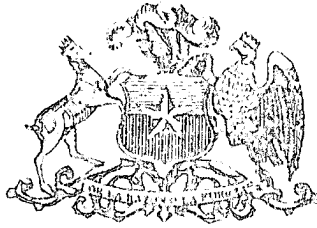
### **GENERAL DEFINITIONS**

1. For the purposes of this Convention, unless the context otherwise requires:
  - a) the term “the Republic of Chile” means the territory of the Republic of Chile;
  - b) the term “the Czech Republic” means the territory of the Czech Republic over which, under the Czech legislation and in accordance with the international law, the sovereign rights of the Czech Republic are exercised;
  - c) the terms “a Contracting State” and “the other Contracting State” mean, as the context requires, the Czech Republic or the Republic of Chile;



- d) the term “person” includes an individual, a company and any other body of persons;
- e) the term “company” means any body corporate or any entity that is treated as a body corporate for tax purposes;
- f) the terms “enterprise of a Contracting State” and “enterprise of the other Contracting State” mean respectively an enterprise carried on by a resident of a Contracting State and an enterprise carried on by a resident of the other Contracting State;
- g) the term “international traffic” means any transport by a ship or aircraft operated by a resident of a Contracting State, except when such transport is solely between places in the other Contracting State;
- h) the term “competent authority” means:
  - (i) in the case of the Republic of Chile, the Minister of Finance or the Commissioner of the Revenue Service or their authorised representatives;
  - (ii) in the case of the Czech Republic, the Minister of Finance or his authorised representative;
- i) the term “national” means:
  - (i) any individual possessing the nationality of a Contracting State;
  - (ii) any legal person or association constituted in accordance with the laws in force in a Contracting State.

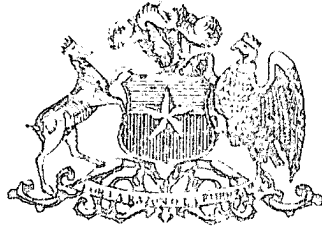
2. As regards the application of the Convention at any time by a Contracting State, any term not defined therein shall, unless the context otherwise requires, have the meaning that it has at that time under the law of that State for the purposes of the taxes to which the Convention applies, any meaning under the applicable tax laws of that State prevailing over a meaning given to the term under other laws of that State.



#### *Article 4*

#### **RESIDENT**

1. For the purposes of this Convention, the term “resident of a Contracting State” means any person who, under the laws of that State, is liable to tax therein by reason of his domicile, residence, place of management, place of incorporation or any other criterion of a similar nature, and also includes that State and any political subdivision or local authority thereof. This term, however, does not include any person who is liable to tax in that State in respect only of income from sources in that State or capital situated therein.
2. Where by reason of the provisions of paragraph 1 an individual is a resident of both Contracting States, then his status shall be determined as follows:
  - a) he shall be deemed to be a resident only of the State in which he has a permanent home available to him; if he has a permanent home available to him in both States, he shall be deemed to be a resident only of the State with which his personal and economic relations are closer (centre of vital interests);
  - b) if the State in which he has his centre of vital interests cannot be determined, or if he has not a permanent home available to him in either State, he shall be deemed to be a resident only of the State in which he has an habitual abode;
  - c) if he has an habitual abode in both States or in neither of them, he shall be deemed to be a resident only of the State of which he is a national;
  - d) if he is a national of both States or of neither of them, the competent authorities of the Contracting States shall settle the question by mutual agreement.
3. Where by reason of the provisions of paragraph 1 a person other than an individual is a resident of both Contracting States, then:
  - a) the person shall be deemed to be a resident only of the State of which the person is a national;

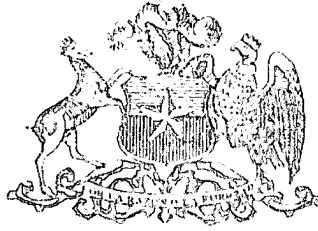


- b) if the person is a national of neither of the States, the competent authorities of the Contracting States shall by mutual agreement endeavour to settle the question and to determine the mode of application of the Convention to such person. In the absence of such agreement, the person shall not be entitled to any relief or exemption from tax provided by the Convention.

#### *Article 5*

### **PERMANENT ESTABLISHMENT**

1. For the purposes of this Convention, the term “permanent establishment” means a fixed place of business through which the business of an enterprise is wholly or partly carried on.
2. The term “permanent establishment” includes especially:
  - a) a place of management;
  - b) a branch;
  - c) an office;
  - d) a factory;
  - e) a workshop; and
  - f) a mine, an oil or gas well, a quarry or any other place relating to the exploration for or the exploitation of natural resources.
3. The term “permanent establishment” shall also include:
  - a) a building site, or a construction, assembly or installation project or supervisory activities in connection therewith, where such site, project or activities last more than 183 days;
  - b) the furnishing of services, including consultancy or managerial services, by an enterprise of a Contracting State through employees or other persons engaged by the enterprise for such purpose, where activities of that nature continue in the territory of the other Contracting State for a



period or periods exceeding in the aggregate 183 days within any twelve month period.

For the purposes of computing the time limits in this paragraph, activities carried on by an enterprise associated with another enterprise according to Article 9 of this Convention shall be regarded as carried on by the enterprise with which it is associated if the activities in question are:

- a) substantially the same as those carried on there by the last-mentioned enterprise, and
- b) concerned with the same project,

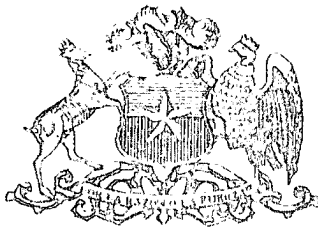
unless the activities are carried on simultaneously.

4. Notwithstanding the preceding provisions of this Article, the term “permanent establishment” shall be deemed not to include:

- a) the use of facilities solely for the purpose of storage, display or delivery of goods or merchandise belonging to the enterprise;
- b) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage, display or delivery;
- c) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise;
- d) the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise or of collecting information, for the enterprise;
- e) the maintenance of a fixed place of business solely for the purpose of advertising, supplying information, carrying out scientific research or similar activity, for the enterprise,

provided the activities mentioned in subparagraphs a) to e) are of a preparatory or auxiliary character.

5. Notwithstanding the provisions of paragraphs 1 and 2 of this Article, where a person (other than an agent of an independent status to whom paragraph 6 of this



Article applies) is acting on behalf of an enterprise and has, and habitually exercises, in a Contracting State an authority to conclude contracts on behalf of the enterprise, that enterprise shall be deemed to have a permanent establishment in that State in respect of any activities which that person undertakes for the enterprise, unless the activities of such person are limited to those mentioned in paragraph 4 which, if exercised through a fixed place of business, would not make this fixed place of business a permanent establishment under the provisions of that paragraph.

6. An enterprise shall not be deemed to have a permanent establishment in a Contracting State merely because it carries on business in that State through a broker, general commission agent or any other agent of an independent status, provided that such persons are acting in the ordinary course of their business. However, when the conditions are made or imposed between that enterprise and the agent in their commercial and financial relations which differ from those which would have been made between independent enterprises, he will not be considered an agent of an independent status within the meaning of this paragraph.

7. The fact that a company which is a resident of a Contracting State controls or is controlled by a company which is a resident of the other Contracting State, or which carries on business in that other State (whether through a permanent establishment or otherwise), shall not of itself constitute either company a permanent establishment of the other.

### **CHAPTER III**

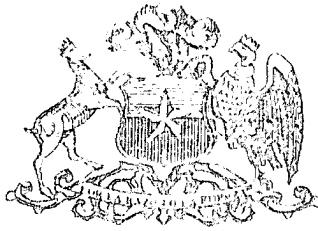
#### **TAXATION OF INCOME**

##### *Article 6*

#### **INCOME FROM IMMOVABLE PROPERTY**

1. Income derived by a resident of a Contracting State from immovable property (including income from agriculture or forestry) situated in the other Contracting State may be taxed in that other State.

2. For the purposes of this Convention, the term "immovable property" shall have the meaning, which it has under the law of the Contracting State in which the property in question is situated. The term shall in any case include property accessory to immovable property, livestock and equipment used in agriculture and



forestry, rights to which the provisions of general law respecting landed property apply, usufruct of immovable property and rights to variable or fixed payments as consideration for the working of, or the right to work, mineral deposits, sources and other natural resources. Ships and aircraft shall not be regarded as immovable property.

3. The provisions of paragraph 1 shall apply to income derived from the direct use, letting, or use in any other form of immovable property.

4. The provisions of paragraphs 1 and 3 shall also apply to the income from immovable property of an enterprise and to income from immovable property used for the performance of independent personal services.

#### *Article 7*

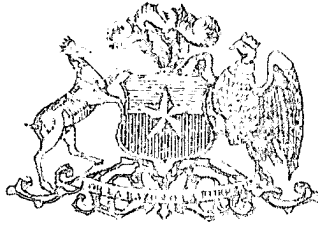
### **BUSINESS PROFITS**

1. The profits of an enterprise of a Contracting State shall be taxable only in that State unless the enterprise carries on or has carried on business in the other Contracting State through a permanent establishment situated therein. If the enterprise carries on or has carried on business as aforesaid, the profits of the enterprise may be taxed in the other State but only so much of them as is attributable to that permanent establishment.

2. Subject to the provisions of paragraph 3, where an enterprise of a Contracting State carries on or has carried on business in the other Contracting State through a permanent establishment situated therein, there shall in each Contracting State be attributed to that permanent establishment the profits which it might be expected to make if it were a distinct and separate enterprise engaged in the same or similar activities under the same or similar conditions and dealing wholly independently with the enterprise of which it is a permanent establishment.

3. In determining the profits of a permanent establishment, there shall be allowed as deductions those expenses which are in accordance with domestic law deductible and which are incurred for the purposes of the permanent establishment, including executive and general administrative expenses so incurred, whether in the State in which the permanent establishment is situated or elsewhere.





4. Insofar as it has been customary in a Contracting State to determine the profits to be attributed to a permanent establishment on the basis of an apportionment of the total profits of the enterprise to its various parts, nothing in paragraph 2 shall preclude that Contracting State from determining the profits to be taxed by such an apportionment as may be customary; the method of apportionment adopted shall, however, be such that the result shall be in accordance with the principles contained in this Article.

5. No profits shall be attributed to a permanent establishment by reason of the mere purchase by that permanent establishment of goods or merchandise for the enterprise.

6. For the purposes of the preceding paragraphs, the profits to be attributed to the permanent establishment shall be determined by the same method year by year unless there is good and sufficient reason to the contrary.

7. Where profits include items of income, which are dealt with separately in other Articles of this Convention, then the provisions of those Articles shall not be affected by the provisions of this Article.

8. Nothing in this Convention shall affect the taxation in the Republic of Chile of a resident of the Czech Republic in respect of profits attributable to a permanent establishment situated in the Republic of Chile, under both the first category tax and the additional tax but only as long as the first category tax is fully creditable in computing the amount of the additional tax.

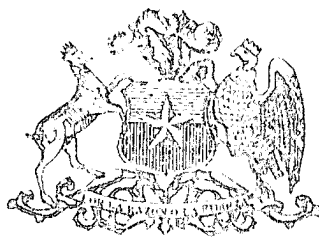
9. Nothing in this Article shall affect any provision of the laws of either Contracting State as they affect the taxation of income or profits of an insurer providing any form of insurance.

#### *Article 8*

#### **SHIPPING AND AIR TRANSPORT**

1. Profits of a resident of a Contracting State from the operation of ships or aircraft in international traffic shall be taxable only in that State.

2. For the purposes of this Article, profits from the operation of ships or aircraft in international traffic include:



- a) profits from the rental on a bare boat basis of ships and aircraft, and
- b) profits from the use, maintenance or rental of containers (including equipment for the transport of containers) used for the transport of goods,

where such rental activities or such use or maintenance, as the case may be, are incidental to the operation of ships or aircraft in international traffic.

3. The provisions of paragraph 1 shall also apply to profits from the participation in a pool, a joint business or an international operating agency.

#### *Article 9*

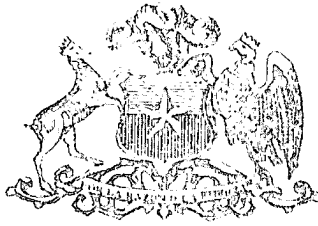
### **ASSOCIATED ENTERPRISES**

1. Where

- a) an enterprise of a Contracting State participates directly or indirectly in the management, control or capital of an enterprise of the other Contracting State, or
- b) the same persons participate directly or indirectly in the management, control or capital of an enterprise of a Contracting State and an enterprise of the other Contracting State,

and in either case conditions are made or imposed between the two enterprises in their commercial or financial relations which differ from those which would be made between independent enterprises, then any profits which would, but for those conditions, have accrued to one of the enterprises, but, by reason of those conditions, have not so accrued, may be included in the profits of that enterprise and taxed accordingly.

2. Where a Contracting State includes in the profits of an enterprise of that State - and taxes accordingly - profits on which an enterprise of the other Contracting State has been charged to tax in that other State and the profits so included are profits which would have accrued to the enterprise of the first-mentioned State if the conditions made between the two enterprises had been



those which would have been made between independent enterprises, then that other State, if it agrees that the adjustment made by the first-mentioned State is justified both in principle and as regards the amount, shall make an appropriate adjustment to the amount of the tax charged therein on those profits. In determining such adjustment, due regard shall be had to the other provisions of this Convention and the competent authorities of the Contracting States shall if necessary consult each other.

3. It is understood that the provisions of paragraph 2 shall not apply in the case of fraud, gross negligence or willful default.

#### *Article 10*

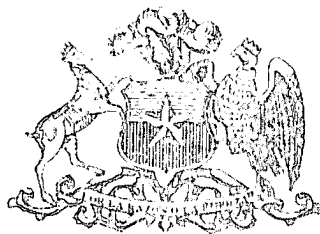
#### **DIVIDENDS**

1. Dividends paid by a company which is a resident of a Contracting State to a resident of the other Contracting State may be taxed in that other State.
2. However, such dividends may also be taxed in the Contracting State of which the company paying the dividends is a resident and according to the laws of that State, but if the beneficial owner of the dividends is a resident of the other Contracting State, the tax so charged shall not exceed 15 per cent of the gross amount of the dividends.

The provisions of this paragraph shall not affect the taxation of the company in respect of the profits out of which the dividends are paid.

The provisions of this paragraph shall not limit application of the additional tax payable in the Republic of Chile provided that the first category tax is fully creditable in computing the amount of the additional tax.

3. The term "dividends" as used in this Article means income from shares or other rights, not being debt-claims, participating in profits, as well as other income which is subjected to the same taxation treatment as income from shares by the laws of the State of which the company making the distribution or payment is a resident.
4. The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the dividends, being a resident of a Contracting State, carries on business in the



other Contracting State of which the company paying the dividends is a resident, through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the holding in respect of which the dividends are paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14, as the case may be, shall apply.

5. Where a company which is a resident of a Contracting State derives profits or income from the other Contracting State, that other State may not impose any tax on the dividends paid by the company, except insofar as such dividends are paid to a resident of that other State or insofar as the holding in respect of which the dividends are paid is effectively connected with a permanent establishment or a fixed base situated in that other State, nor subject the company's undistributed profits to a tax on the undistributed profits, even if the dividends paid or the undistributed profits consist wholly or partly of profits or income arising in such other State.

#### *Article 11*

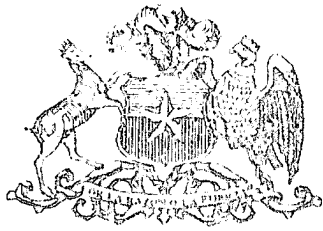
#### **INTEREST**

1. Interest arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State.

2. However, such interest may also be taxed in the Contracting State in which it arises and according to the laws of that State, but if the beneficial owner of the interest is a resident of the other Contracting State, the tax so charged shall not exceed:

- a) 5 per cent of the gross amount of the interest derived from loans or credits granted by banks or insurance companies;
- b) 15 per cent of the gross amount of the interest in all other cases.

3. The term "interest" as used in this Article means income from debt-claims of every kind, whether or not secured by mortgage, and in particular, income from government securities and income from bonds or debentures, as well as income which is subjected to the same taxation treatment as income from money lent by the



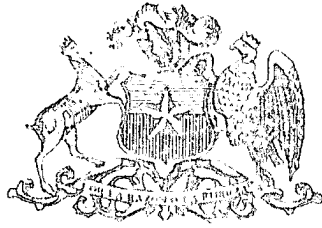
laws of the State in which the income arises. The term "interest" shall not include income dealt with in Article 10.

4. The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the interest, being a resident of a Contracting State, carries on business in the other Contracting State in which the interest arises, through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the debt-claim in respect of which the interest is paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14, as the case may be, shall apply.

5. Interest shall be deemed to arise in a Contracting State when the payer is a resident of that State. Where, however, the person paying the interest, whether a resident of a Contracting State or not, has in a Contracting State a permanent establishment or a fixed base in connection with which the indebtedness on which the interest is paid was incurred, and such interest is borne by such permanent establishment or fixed base, then such interest shall be deemed to arise in the State in which the permanent establishment or fixed base is situated.

6. Where there is a special relationship between the payer and the beneficial owner or between both of them and some other person and the amount of the interest exceeds, for whatever reason, the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case, the excess part of the payments shall remain taxable according to the laws of each Contracting State, due regard being had to the other provisions of this Convention.

7. If in any agreement or convention between Chile and a third State which is a member of the Organization for Economic Cooperation and Development, Chile agrees to exempt from tax interest (either generally or in respect of specific categories of interest) arising in Chile, or to limit the rate of tax on such interest (either generally or in respect of specific categories of interest) to a rate lower than the rates provided for in paragraph 2 of Article 11 of this Convention, such exemption or lower rate shall automatically apply (either generally or in respect of specific categories of interest) under this Convention as if such exemption or lower rate has been specified in this Convention, with effect from the date on which those provisions of that agreement or convention become effective. The competent

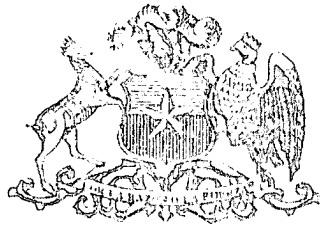


authority of Chile shall inform the competent authority of the Czech Republic without delay that the conditions for the application of this provision have been met.

### *Article 12*

### **ROYALTIES**

1. Royalties arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State.
2. However, such royalties may also be taxed in the Contracting State in which they arise and according to the laws of that State, but if the beneficial owner of the royalties is a resident of the other Contracting State, the tax so charged shall not exceed:
  - a) 5 per cent of the gross amount of the royalties for the use of, or the right to use, any industrial, commercial or scientific equipment;
  - b) 10 per cent of the gross amount of the royalties in all other cases.
3. The term "royalties" as used in this Article means payments of any kind received as a consideration for the use of, or the right to use, any copyright of literary, artistic or scientific work, including cinematographic films or films, tapes and other means of image or sound reproduction, patent, trade mark, design or model, plan, secret formula (including payments for the use of, or the right to use, tailor made software) or process, or other like right or property, or for the use of, or the right to use, industrial, commercial or scientific equipment, or for information concerning industrial, commercial or scientific experience. However, the term "royalties" does not include income from the rental of ships, aircraft and containers (including equipment for the transport of containers) if dealt with in Article 8.
4. The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the royalties, being a resident of a Contracting State, carries on business in the other Contracting State in which the royalties arise, through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the right or property in respect of which the royalties are paid is effectively connected with such permanent establishment or fixed base.



In such case the provisions of Article 7 or Article 14, as the case may be, shall apply.

5. Royalties shall be deemed to arise in a Contracting State when the payer is a resident of that State. Where, however, the person paying the royalties, whether a resident of a Contracting State or not, has in a Contracting State a permanent establishment or a fixed base in connection with which the obligation to pay the royalties was incurred, and such royalties are borne by such permanent establishment or fixed base, then such royalties shall be deemed to arise in the State in which the permanent establishment or fixed base is situated.

6. Where there is a special relationship between the payer and the beneficial owner or between both of them and some other person and the amount of the royalties exceeds, for whatever reason, the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case, the excess part of the payments shall remain taxable according to the laws of each Contracting State, due regard being had to the other provisions of this Convention.

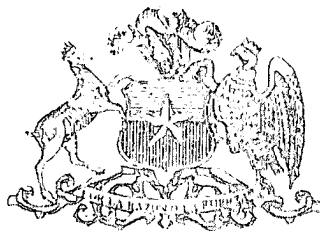
### *Article 13*

#### **CAPITAL GAINS**

1. Gains derived by a resident of a Contracting State from the alienation of immovable property situated in the other Contracting State may be taxed in that other State.

2. Gains from the alienation of movable property forming part of the business property of a permanent establishment which an enterprise of a Contracting State has in the other Contracting State or of movable property pertaining to a fixed base available to a resident of a Contracting State in the other Contracting State for the purpose of performing independent personal services, including such gains from the alienation of such a permanent establishment (alone or with the whole enterprise) or of such fixed base, may be taxed in that other State.

3. Gains derived by a resident of a Contracting State from the alienation of ships or aircraft operated in international traffic or of movable property pertaining to the operation of such ships or aircraft shall be taxable only in that Contracting State.



4. Gains derived by a resident of a Contracting State from the direct or indirect alienation of shares, comparable interests or other rights in a company which is a resident of the other Contracting State may be taxed in that other State.

5. Gains from the alienation of any property, other than that referred to in paragraphs 1, 2, 3 and 4, shall be taxable only in the Contracting State of which the alienator is a resident.

#### *Article 14*

#### **INDEPENDENT PERSONAL SERVICES**

1. Income derived by an individual who is a resident of a Contracting State in respect of professional services or other activities of an independent character shall be taxable only in that Contracting State. However, such income may also be taxed in the other Contracting State if:

- a) he has a fixed base regularly available to him in the other Contracting State for the purpose of performing his activities; in that case, only so much of the income as is attributable to that fixed base may be taxed in that other State; or
- b) he is present in the other Contracting State for a period or periods exceeding in the aggregate 183 days in any twelve month period commencing or ending in the fiscal year concerned; in that case, only so much of the income as is derived from the activities performed in that other State may be taxed in that other State.

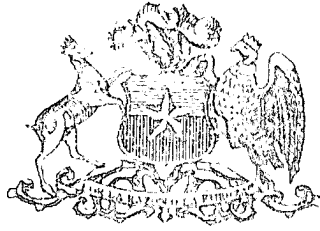
2. The term "professional services" includes especially independent scientific, literary, artistic, educational or teaching activities as well as the independent activities of physicians, lawyers, engineers, architects, dentists and accountants.

#### *Article 15*

#### **DEPENDENT PERSONAL SERVICES**

1. Subject to the provisions of Articles 16, 18 and 19, remuneration derived by a resident of a Contracting State in respect of an employment shall be taxable only in





that State unless the employment is exercised in the other Contracting State. If the employment is so exercised, such remuneration as is derived therefrom may be taxed in that other State.

2. Notwithstanding the provisions of paragraph 1, remuneration derived by a resident of a Contracting State in respect of an employment exercised in the other Contracting State shall be taxable only in the first-mentioned State if:

- a) the recipient is present in the other State for a period or periods not exceeding in the aggregate 183 days in any twelve month period commencing or ending in the fiscal year concerned, and
- b) the remuneration is paid by, or on behalf of, a person being an employer who is not a resident of the other State, and
- c) the remuneration is not borne by a permanent establishment or a fixed base that the person being an employer has in the other State.

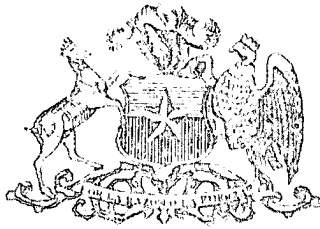
3. It is understood that the term "employer" has the meaning, which it has under the law of the Contracting State in which the employment is exercised. The term shall, in any case, include the person having right on the work produced and bearing the responsibility and risk connected with the performance of the work.

4. Notwithstanding the preceding provisions of this Article, remuneration derived in respect of an employment exercised aboard a ship or aircraft operated by a resident of a Contracting State in international traffic, may be taxed in that State.

#### *Article 16*

#### **DIRECTORS' FEES**

Directors' fees and other similar payments derived by a resident of a Contracting State in his capacity as a member of the board of directors or a similar organ of a company which is a resident of the other Contracting State may be taxed in that other State.



#### *Article 17*

### **ARTISTES AND SPORTSMEN**

1. Notwithstanding the provisions of Articles 14 and 15, income derived by a resident of a Contracting State as an entertainer, such as a theatre, motion picture, radio or television artiste, or a musician, or as a sportsman, from his personal activities as such exercised in the other Contracting State, may be taxed in that other State.
2. Notwithstanding the provisions of Articles 7, 14 and 15, where income in respect of personal activities exercised by an entertainer or a sportsman in his capacity as such accrues not to the entertainer or sportsman himself but to another person, that income may be taxed in the Contracting State in which the activities of the entertainer or sportsman are exercised.

#### *Article 18*

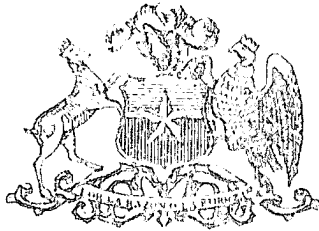
### **PENSIONS**

Pensions arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State. However, such pensions may also be taxed in the Contracting State in which they arise and according to the laws of that State, but if the beneficial owner of the pensions is a resident of the other Contracting State, the tax so charged shall not exceed 15 per cent of the gross amount of the pensions.

#### *Article 19*

### **GOVERNMENT SERVICE**

1.
  - a) Remuneration, other than a pension, paid by a Contracting State or a political subdivision or a local authority thereof to an individual in respect of services rendered to that State or subdivision or authority shall be taxable only in that State.
  - b) However, such remuneration shall be taxable only in the other Contracting State if the services are rendered in that State and the individual is a resident of that State who:



- (i) is a national of that State; or
- (ii) did not become a resident of that State solely for the purpose of rendering the services.

2. The provisions of Articles 15, 16 and 17 shall apply to remuneration in respect of services rendered in connection with a business carried on by a Contracting State or a political subdivision or a local authority thereof.

#### *Article 20*

### **STUDENTS**

Payments which a student or business apprentice who is or was immediately before visiting a Contracting State a resident of the other Contracting State and who is present in the first-mentioned State solely for the purpose of his education or training receives for the purpose of his maintenance, education or training shall not be taxed in that State, provided that such payments arise from sources outside that State.

#### *Article 21*

### **OTHER INCOME**

Items of income of a resident of a Contracting State not dealt with in the foregoing Articles of this Convention and arising in the other Contracting State may also be taxed in that other State.

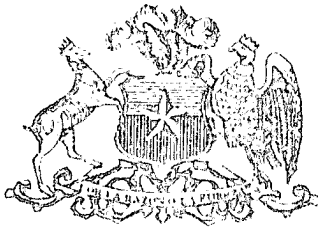
## **CHAPTER IV**

### **TAXATION OF CAPITAL**

#### *Article 22*

### **CAPITAL**

1. Capital represented by immovable property owned by a resident of a Contracting State and situated in the other Contracting State, may be taxed in that other State.



2. Capital represented by movable property forming part of the business property of a permanent establishment which an enterprise of a Contracting State has in the other Contracting State or by movable property pertaining to a fixed base available to a resident of a Contracting State in the other Contracting State for the purpose of performing independent personal services, may be taxed in that other State.
3. Capital represented by ships and aircraft owned by a resident of a Contracting State and operated by that resident in international traffic, and by movable property pertaining to the operation of such ships or aircraft, shall be taxable only in that Contracting State.
4. All other elements of capital of a resident of a Contracting State shall be taxable only in that State.

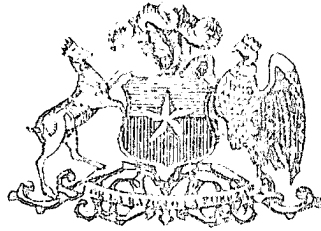
## **CHAPTER V**

### **METHODS FOR AVOIDANCE OF DOUBLE TAXATION**

#### *Article 23*

#### **AVOIDANCE OF DOUBLE TAXATION**

1. In the Republic of Chile, double taxation shall be avoided as follows:
  - a) residents of the Republic of Chile, obtaining income, which may, in accordance with the provisions of this Convention be subject to taxation in the Czech Republic, may credit the tax so paid against the Chilean tax payable in respect of the same income, subject to the applicable provisions of the law of the Republic of Chile. This paragraph shall apply to all income referred to in this Convention;
  - b) residents of the Republic of Chile who own capital which in accordance with the provisions of this Convention, may be taxed in the Czech Republic, may credit the tax so paid against the Chilean tax payable (if applicable) in respect of the same capital.



2. In the case of a resident of the Czech Republic, double taxation shall be avoided as follows:

The Czech Republic, when imposing taxes on its residents, may include in the tax base upon which such taxes are imposed the items of income or of capital which according to the provisions of this Convention may also be taxed in the Republic of Chile, but shall allow as a deduction from the amount of tax computed on such a base an amount equal to the tax paid in the Republic of Chile. Such deduction shall not, however, exceed that part of the Czech tax, as computed before the deduction is given, which is appropriate to the income or capital which, in accordance with the provisions of this Convention, may be taxed in the Republic of Chile.

3. Where in accordance with any provision of the Convention income derived or capital owned by a resident of a Contracting State is exempt from tax in that State, such State may nevertheless, in calculating the amount of tax on the remaining income or capital of such resident, take into account the exempted income or capital.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Article, the exemption method may also be applicable in a Contracting State provided that its domestic laws allow so and in accordance with these laws.

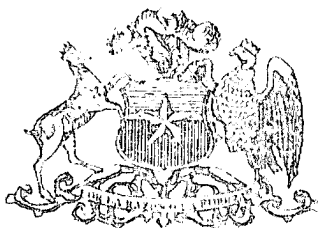
## **CHAPTER VI**

### **SPECIAL PROVISIONS**

#### *Article 24*

### **NON-DISCRIMINATION**

1. Nationals of a Contracting State shall not be subjected in the other Contracting State to any taxation or any requirement connected therewith, which is other or more burdensome than the taxation and connected requirements to which nationals of that other State in the same circumstances, in particular with respect to residence, are or may be subjected. This provision shall, notwithstanding the provisions of Article 1, also apply to persons who are not residents of one or both of the Contracting States.



2. The taxation on a permanent establishment which an enterprise of a Contracting State has in the other Contracting State or a fixed base available to a resident of a Contracting State in the other Contracting State shall not be less favourably levied in that other State than the taxation levied on enterprises or residents of that other State carrying on the same activities.

3. Nothing in this Article shall be construed as obliging a Contracting State to grant to residents of the other Contracting State any personal allowances, reliefs and reductions for taxation purposes on account of civil status or family responsibilities that it grants to its own residents.

4. Except where the provisions of paragraph 1 of Article 9, paragraph 6 of Article 11, or paragraph 6 of Article 12, apply, interest, royalties and other disbursements paid by an enterprise of a Contracting State to a resident of the other Contracting State shall, for the purpose of determining the taxable profits of such enterprise, be deductible under the same conditions as if they had been paid to a resident of the first-mentioned State. Similarly, any debts of an enterprise of a Contracting State to a resident of the other Contracting State shall, for the purpose of determining the taxable capital of such enterprise, be deductible under the same conditions as if they had been contracted to a resident of the first-mentioned State.

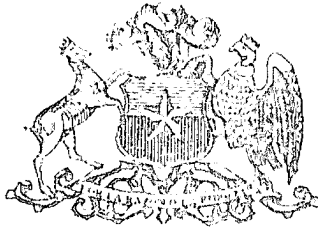
5. Companies which are residents of a Contracting State, the capital of which is wholly or partly owned or controlled, directly or indirectly, by one or more residents of the other Contracting State, shall not be subjected in the first-mentioned State to any taxation or any requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which other similar companies which are residents of the first-mentioned State are or may be subjected.

6. In this Article, the term "taxation" only relates to taxes covered by the Convention.

#### *Article 25*

#### **MUTUAL AGREEMENT PROCEDURE**

1. Where a person considers that the actions of one or both of the Contracting States result or will result for him in taxation not in accordance with the provisions of this Convention, he may, irrespective of the remedies provided by the domestic



law of those States, present his case to the competent authority of the Contracting State of which he is a resident or, if his case comes under paragraph 1 of Article 24, to that of the Contracting State of which he is a national. The case must be presented within three years from the first notification of the action resulting in taxation not in accordance with the provisions of the Convention.

2. The competent authority shall endeavour, if the objection appears to it to be justified and if it is not itself able to arrive at a satisfactory solution, to resolve the case by mutual agreement with the competent authority of the other Contracting State, with a view to the avoidance of taxation, which is not in accordance with the Convention.

3. The competent authorities of the Contracting States shall endeavour to resolve by mutual agreement any difficulties or doubts arising as to the interpretation or application of the Convention.

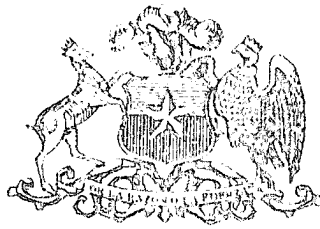
4. The competent authorities of the Contracting States may communicate with each other directly for the purpose of reaching an agreement in the sense of the preceding paragraphs.

#### *Article 26*

### **EXCHANGE OF INFORMATION**

1. The competent authorities of the Contracting States shall exchange such information as is foreseeably relevant for carrying out the provisions of this Convention or to the administration or enforcement of the domestic laws concerning taxes of every kind and description imposed on behalf of the Contracting States, or of their political subdivisions or local authorities, insofar as the taxation thereunder is not contrary to the Convention. The exchange of information is not restricted by Articles 1 and 2.

2. Any information received under paragraph 1 by a Contracting State shall be treated as secret in the same manner as information obtained under the domestic laws of that State and shall be disclosed only to persons or authorities (including courts and administrative bodies) concerned with the assessment or collection of, the enforcement or prosecution in respect of, the determination of appeals in relation to



the taxes referred to in paragraph 1, or the oversight of the above. Such persons or authorities shall use the information only for such purposes. They may disclose the information in public court proceedings or in judicial decisions. Notwithstanding the foregoing, information received by a Contracting State may be used for other purposes when such information may be used for such other purposes under the laws of both States and the competent authority of the supplying State authorises such use.

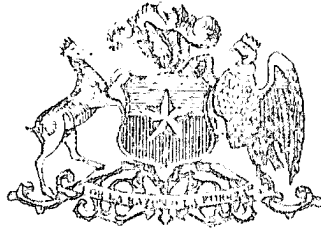
3. In no case shall the provisions of paragraphs 1 and 2 be construed so as to impose on a Contracting State the obligation:

- a) to carry out administrative measures at variance with the laws and the administrative practice of that or of the other Contracting State;
- b) to supply information which is not obtainable under the laws or in the normal course of the administration of that or of the other Contracting State;
- c) to supply information which would disclose any trade, business, industrial, commercial or professional secret or trade process, or information, the disclosure of which would be contrary to public policy (*ordre public*).

4. If information is requested by a Contracting State in accordance with this Article, the other Contracting State shall use its information gathering measures to obtain the requested information, even though that other State may not need such information for its own tax purposes. The obligation contained in the preceding sentence is subject to the limitations of paragraph 3 but in no case shall such limitations be construed to permit a Contracting State to decline to supply information solely because it has no domestic interest in such information.

5. In no case shall the provisions of paragraph 3 be construed to permit a Contracting State to decline to supply information solely because the information is held by a bank, other financial institution, nominee or person acting in an agency or a fiduciary capacity or because it relates to ownership interests in a person.





#### *Article 27*

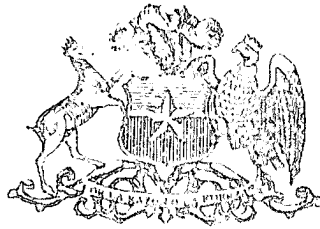
### **MEMBERS OF DIPLOMATIC MISSIONS AND CONSULAR POSTS**

Nothing in this Convention shall affect the fiscal privileges of members of diplomatic missions or consular posts under the general rules of international law or under the provisions of special agreements.

#### *Article 28*

### **MISCELLANEOUS RULES**

1. The provisions of this Convention shall not be interpreted to restrict imposition by the Republic of Chile of the tax on remittances from pooled investment accounts or funds (as for instance the existing Foreign Capital Investment Fund) required to be administered by a resident of the Republic of Chile and to be invested in assets in the Republic of Chile.
2. For the purposes of paragraph 3 of Article XXII (Consultation) of the General Agreement on Trade in Services, the Contracting States agree that, notwithstanding that paragraph, any dispute between them as to whether a measure falls within the scope of this Convention may be brought before the Council for Trade in Services, as provided by that paragraph, only with the consent of both Contracting States. Any doubt as to the interpretation of this paragraph shall be resolved under paragraph 3 of Article 25 or, failing agreement under that procedure, pursuant to any other procedure agreed to by both Contracting States.
3. Nothing in this Convention shall affect the application of the existing provisions of the Chilean Foreign Investment Statute as they are in force at the time of signature of this Convention and as they may be amended from time to time without changing the general principle thereof.
4. The provisions of Articles 10, 11 and 12 shall not apply if it was the main purpose or one of the main purposes of any person concerned with the creation or assignment of a right or debt-claim in respect of which dividends, interest or



royalties are paid to take advantage of those Articles by means of that creation or assignment.

5. Where an enterprise of a Contracting State derives income from the other Contracting State, and that income is attributable to a permanent establishment which that enterprise has in a third State or jurisdiction, the tax benefits that would otherwise apply under other provisions of the Convention will not apply to that income if total tax that is actually paid with respect to such income in the first-mentioned Contracting State and in the third State or jurisdiction is less than 60 per cent of the tax that would be imposed in the first-mentioned Contracting State if the income were earned or received in that Contracting State by the enterprise and were not attributable to the permanent establishment in the third State or jurisdiction. Any income to which the provisions of this paragraph apply shall be subject to tax under the provisions of the domestic law of the other State, notwithstanding any other provision of the Convention.

6. Considering that the main aim of the Convention is to avoid international double taxation, the Contracting States agree that, in the event the provisions of the Convention are used in such a manner as to provide benefits not contemplated or not intended, the competent authorities of the Contracting States shall, under the mutual agreement procedure of Article 25, recommend specific amendments to be made to the Convention. The Contracting States further agree that any such recommendation will be considered and discussed in an expeditious manner with a view to amending the Convention, where necessary.

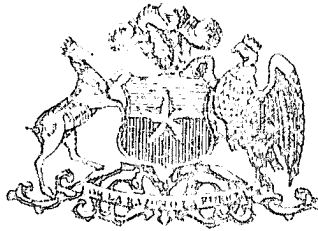
## **CHAPTER VII**

### **FINAL PROVISIONS**

#### *Article 29*

### **ENTRY INTO FORCE**

1. Each of the Contracting States shall notify the other, through diplomatic channels, of the completion of the procedures required by law for the bringing into force of this Convention. This Convention shall enter into force on the date of the later of these notifications.



2. The provisions of this Convention shall have effect:

a) in the Republic of Chile,

- (i) in respect of taxes on income obtained and amounts paid, credited to an account, put at the disposal or accounted as an expense, on or after the first day of January in the calendar year next following that in which this Convention enters into force; and
- (ii) in respect of taxes on capital, if and to the extent such taxes will be imposed by the Republic of Chile, for taxes levied in relation to capital owned on or after the first day of January in the calendar year next following that in which this Convention enters into force, if such taxes are imposed at that time, if not, on or after the first day of January of the year in which capital taxes have been introduced in the Republic of Chile; and

b) in the Czech Republic,

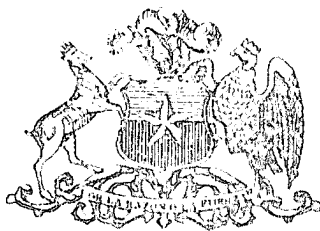
- (i) in respect of taxes withheld at source, to income paid or credited on or after the first day of January in the calendar year next following that in which this Convention enters into force; and
- (ii) in respect of other taxes on income and taxes on capital, to income or capital in any taxable year beginning on or after the first day of January in the calendar year next following that in which this Convention enters into force.

3. In respect of exchange of information covered by Article 1 of DFL No. 707 and Article 154 of DFL No. 3 of Chile, paragraph 5 of Article 26 shall apply to information on bank transactions carried out as of 1 January 2010.

#### *Article 30*

#### **TERMINATION**

1. This Convention shall remain in force until terminated by a Contracting State. Either Contracting State may terminate the Convention, through diplomatic



channels, by giving notice of termination at least six months before the end of any calendar year following after the period of five years from the date on which the Convention enters into force.

2. The provisions of this Convention shall cease to have effect:

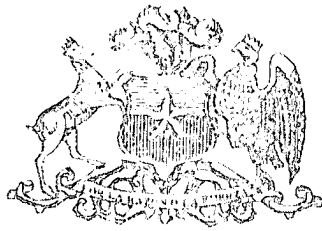
a) in the Republic of Chile,

- (i) in respect of taxes on income obtained and amounts paid, credited to an account, put at the disposal or accounted as an expense, on or after the first day of January in the calendar year next following that in which the notice is given; and
- (ii) in respect of taxes on capital, if and to the extent such taxes will be imposed by the Republic of Chile, for taxes levied in relation to capital owned on or after the first day of January in the calendar year next following that in which the notice is given; and

b) in the Czech Republic,

- (i) in respect of taxes withheld at source, to income paid or credited on or after the first day of January in the calendar year next following that in which the notice is given; and
- (ii) in respect of other taxes on income and taxes on capital, to income or capital in any taxable year beginning on or after the first day of January in the calendar year next following that in which the notice is given.

3. Requests for information received before the first day of January in the calendar year next following that in which the notice of termination is given will be dealt with in accordance with the terms of this Convention. The Contracting States shall remain bound by the confidentiality duties provided for in Article 26 with respect to any information obtained under this Convention.



**IN WITNESS WHEREOF** the signatories, duly authorised thereto, have signed this Convention.

**DONE** in duplicate at Santiago, Chile, this 2 day of December 2015, in the Czech, Spanish and English languages, all texts being equally authentic. In the case of any divergence the English text shall prevail.



**FOR THE REPUBLIC OF CHILE**



**FOR THE CZECH REPUBLIC**