

CONVENTION BETWEEN  
JAPAN AND THE REPUBLIC OF CHILE  
FOR THE ELIMINATION OF DOUBLE TAXATION  
WITH RESPECT TO TAXES ON INCOME  
AND THE PREVENTION OF TAX EVASION  
AND AVOIDANCE

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Japan and the Republic of Chile,

Desiring to further develop their economic relationship and to enhance their cooperation in tax matters,

Intending to conclude a Convention for the elimination of double taxation with respect to taxes on income without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through treaty-shopping arrangements aimed at obtaining reliefs provided in this Convention for the indirect benefit of residents of third States),

Have agreed as follows:

Article 1  
PERSONS COVERED

1. This Convention shall apply to persons who are residents of one or both of the Contracting States.
2. For the purposes of this Convention, income derived by or through an entity or arrangement that is treated as wholly or partly fiscally transparent under the tax law of either Contracting State shall be considered to be income of a resident of a Contracting State but only to the extent that the income is treated, for the purposes of taxation by that Contracting State, as the income of a resident of that Contracting State. In no case shall the provisions of this paragraph be construed so as to restrict in any way a Contracting State's right to tax the residents of that Contracting State. For the purposes of this paragraph, the term "fiscally transparent" means situations where, under the law of a Contracting State, income or part thereof of an entity or arrangement is not taxed at the level of the entity or arrangement but at the level of the persons who have an interest in that entity or arrangement as if that income or part thereof were directly derived by such persons at the time when that income or part thereof is realised whether or not that income or part thereof is distributed by that entity or arrangement to such persons.

Article 2  
TAXES COVERED

1. The existing taxes to which this Convention shall apply are:

(a) in the case of Japan:

- (i) the income tax;
- (ii) the corporation tax;
- (iii) the special income tax for reconstruction;
- (iv) the local corporation tax; and
- (v) the local inhabitant taxes

(hereinafter referred to as "Japanese tax"); and

(b) in the case of Chile:

the taxes imposed under the Income Tax Act, "Ley sobre Impuesto a la Renta" (hereinafter referred to as "Chilean tax").

2. This Convention shall apply also to any identical or substantially similar taxes that 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 that have been made in their taxation laws.

Article 3  
GENERAL DEFINITIONS

1. For the purposes of this Convention, unless the context otherwise requires:

- (a) the term "Japan", when used in a geographical sense, means all the territory of Japan, including its territorial sea, in which the laws relating to Japanese tax are in force, and all the area beyond its territorial sea, including the seabed and subsoil thereof, over which Japan has sovereign rights in accordance with international law and in which the laws relating to Japanese tax are in force;

- (b) the term "Chile" means the Republic of Chile and, when used in a geographical sense, means all the territory of the Republic of Chile, including its territorial sea, and all the area beyond its territorial sea, including the seabed and subsoil thereof, over which the Republic of Chile has sovereign rights in accordance with international law;
- (c) the terms "a Contracting State" and "the other Contracting State" mean Japan or Chile, as the context requires;
- (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 an enterprise of a Contracting State, except when the ship or aircraft is operated solely between places in the other Contracting State;
- (h) the term "competent authority" means:
  - (i) in the case of Japan, the Minister of Finance or his authorised representative; and
  - (ii) in the case of Chile, the Minister of Finance, the Commissioner of the Revenue Service or their authorised representatives;
- (i) the term "national", in relation to a Contracting State, means:
  - (i) any individual possessing the nationality of that Contracting State; and
  - (ii) any legal person, partnership or association deriving its status as such from the laws in force in that Contracting State; and

(j) the term "pension fund" means any person that:

(i) was constituted and is operated in a Contracting State exclusively or almost exclusively to administer or provide pension or other similar remuneration under the social security legislation of that Contracting State recognised as such for tax purposes in that Contracting State, primarily for the benefit of residents of that Contracting State; or

(ii) was constituted and is operated to invest funds for the benefit of persons referred to in clause (i), provided that substantially all the income of that person is derived from investments made for the benefit of these persons.

2. As regards the application of this 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 laws of that Contracting State for the purposes of the taxes to which the Convention applies, any meaning under the applicable tax laws of that Contracting State prevailing over a meaning given to the term under other laws of that Contracting 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 Contracting State, is liable to tax therein by reason of his domicile, residence, place of head or main office, place of incorporation, place of management or any other criterion of a similar nature, and also includes that Contracting State and any political subdivision or local authority thereof. This term, however, does not include any person who is liable to tax in that Contracting State in respect only of income from sources in that Contracting State.

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 Contracting State in which he has a permanent home available to him; if he has a permanent home available to him in both Contracting States, he shall be deemed to be a resident only of the Contracting State with which his personal and economic relations are closer (centre of vital interests);
- (b) if the Contracting 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 Contracting State, he shall be deemed to be a resident only of the Contracting State in which he has an habitual abode;
- (c) if he has an habitual abode in both Contracting States or in neither of them, he shall be deemed to be a resident only of the Contracting State of which he is a national;
- (d) if he is a national of both Contracting 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 the competent authorities of the Contracting States shall endeavour to determine by mutual agreement the Contracting State of which that person shall be deemed to be a resident for the purposes of this Convention. In the absence of such mutual agreement, the person shall not be entitled to any reduction or exemption of tax provided by the Convention.

4. Where under any provisions of this Convention any income derived by a resident of a Contracting State is relieved from tax in the other Contracting State and, under the law of the first-mentioned Contracting State, that resident is subject to tax only on income derived in that Contracting State or by reference to the amount thereof which is remitted to or received in that Contracting State and not by reference to the full amount thereof, then the relief to be allowed under the Convention in the other Contracting State shall apply only to so much of such income as is subject to tax in the first-mentioned Contracting State.

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 of extraction of natural resources.

3. The term "permanent establishment" shall also include:

- (a) a building site, a construction or installation project or the supervisory activities in connection therewith, but only if such building site, project or activities last more than six months; and
- (b) the furnishing of services, including consultancy services, by an enterprise through employees or other individuals engaged by the enterprise for such purpose but only if activities of that nature continue within a Contracting State for a period or periods aggregating more than 183 days within any twelve month period commencing or ending in the taxable year concerned.

The duration of activities under subparagraphs (a) and (b) shall be determined by aggregating the periods during which activities are carried on in a Contracting State by associated enterprises, provided that the activities of such an associated enterprise in that Contracting State are connected with the activities carried on in that Contracting State by its associated enterprises. The period during which two or more associated enterprises are carrying on concurrent activities shall be counted only once for the purpose of determining the duration of activities. An enterprise shall be deemed to be associated with another enterprise if one participates directly or indirectly in the management, control or capital of the other, or the same person or persons participate directly or indirectly in the management, control or capital of both enterprises.

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 any other similar activity for the enterprise, provided that such activity is of a preparatory or auxiliary character.

5. Paragraph 4 shall not apply to a fixed place of business that is used or maintained by an enterprise if the same enterprise or a closely related enterprise carries on business activities at the same place or at another place in the same Contracting State and:



- (a) that place or other place constitutes a permanent establishment for the enterprise or the closely related enterprise under the provisions of this Article; or
- (b) the overall activity resulting from the combination of the activities carried on by the two enterprises at the same place, or by the same enterprise or the closely related enterprises at the two places, is not of a preparatory or auxiliary character,

provided that the business activities carried on by the two enterprises at the same place, or by the same enterprise or the closely related enterprises at the two places, constitute complementary functions that are part of a cohesive business operation.

6. Notwithstanding the provisions of paragraphs 1 and 2 but subject to the provisions of paragraph 7, where a person is acting in a Contracting State on behalf of an enterprise and, in doing so, habitually concludes contracts, or habitually plays the principal role leading to the conclusion of contracts that are routinely concluded without material modification by the enterprise, and these contracts are:

- (a) in the name of the enterprise; or
- (b) for the transfer of the ownership of, or for the granting of the right to use, property owned by that enterprise or that the enterprise has the right to use; or
- (c) for the provision of services by that enterprise,

that enterprise shall be deemed to have a permanent establishment in that Contracting 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.

7. Paragraph 6 shall not apply where the person acting in a Contracting State on behalf of an enterprise of the other Contracting State carries on business in the first-mentioned Contracting State as an independent agent and acts for the enterprise in the ordinary course of that business. Where, however, a person acts exclusively or almost exclusively on behalf of one or more enterprises to which it is closely related, that person shall not be considered to be an independent agent within the meaning of this paragraph with respect to any such enterprise.

8. 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 Contracting State (whether through a permanent establishment or otherwise), shall not of itself constitute either company a permanent establishment of the other.

9. For the purposes of this Article, a person is closely related to an enterprise if, based on all the relevant facts and circumstances, one has control of the other or both are under the control of the same persons or enterprises. In any case, a person shall be considered to be closely related to an enterprise if one possesses directly or indirectly more than 50 per cent of the beneficial interest in the other (or, in the case of a company, more than 50 per cent of the aggregate vote and value of the company's shares or of the beneficial equity interest in the company) or if another person possesses directly or indirectly more than 50 per cent of the beneficial interest (or, in the case of a company, more than 50 per cent of the aggregate vote and value of the company's shares or of the beneficial equity interest in the company) in the person and the enterprise.

#### 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 Contracting State.

2. For the purposes of this Convention, the term "immovable property" shall have the meaning which it has under the laws 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 Contracting State unless the enterprise carries on business in the other Contracting State through a permanent establishment situated therein. If the enterprise carries on business as aforesaid, the profits of the enterprise may be taxed in that other Contracting 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 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 necessary expenses which are incurred for the purposes of the permanent establishment, including executive and general administrative expenses so incurred, whether in the Contracting State in which the permanent establishment is situated or elsewhere.

4. For the purposes of the preceding paragraphs of this Article, 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.

5. 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.

#### Article 8 SHIPPING AND AIR TRANSPORT

1. Profits from the operation of ships or aircraft in international traffic carried on by an enterprise of a Contracting State shall be taxable only in that Contracting State.

2. Notwithstanding the provisions of Article 2, where an enterprise of a Contracting State carries on the operation of ships or aircraft in international traffic, that enterprise, if an enterprise of Chile, shall be exempt from the enterprise tax of Japan, and, if an enterprise of Japan, shall be exempt from any tax similar to the enterprise tax of Japan which may be imposed after the date of signature of this Convention in Chile.

3. For the purposes of this Article, profits from the operation of ships or aircraft in international traffic carried on by an enterprise also include:

- (a) profits derived by the enterprise from the rental on a bareboat basis of ships and aircraft; and
- (b) profits derived by the enterprise from the use, maintenance or rental of containers (including trailers and related equipment used for transport of containers),

where such rental or such use, maintenance or rental, as the case may be, is incidental to the operation of ships or aircraft in international traffic carried on by the enterprise.

4. The provisions of paragraph 1 shall not apply to profits derived by an enterprise of a Contracting State from transport by a ship or aircraft of passengers and goods which are embarked or shipped at a place in the other Contracting State and are disembarked or discharged at another place in that other Contracting State. In such case the provisions of Article 7 or Article 14, as the case may be, shall apply.

5. The provisions of the preceding paragraphs of this Article 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 Contracting State - and taxes accordingly - profits on which an enterprise of the other Contracting State has been charged to tax in that other Contracting State and the profits so included are profits which would have accrued to the enterprise of the first-mentioned Contracting State if the conditions made between the two enterprises had been those which would have been made between independent enterprises, then that other Contracting State, if the competent authority of that other Contracting State agrees that the adjustment made by the first-mentioned Contracting State is justified both in the principle contained in paragraph 1 and as regards the amount assessed under such principle, 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. A Contracting State shall not change the profits of an enterprise in the circumstances referred to in paragraph 1 after the expiry of the time limits provided in the domestic law of that Contracting State and, in any case, after ten years from the end of the taxable year in which the profits that would be subject to such change would, but for the conditions referred to in paragraph 1, have accrued to that enterprise. The provisions of this paragraph shall not apply in the case of fraud or wilful 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 Contracting 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 Contracting State, but if the beneficial owner of the dividends 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 dividends if the beneficial owner is a company that has owned directly, for the period of six months ending on the date on which entitlement to the dividends is determined, at least 25 per cent of the voting power in the company paying the dividends; or

- (b) 15 per cent of the gross amount of the dividends in all other cases.

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.

3. Notwithstanding the provisions of paragraph 2, such dividends shall not be taxed in the Contracting State of which the company paying the dividends is a resident if the beneficial owner of the dividends is a pension fund which is a resident of the other Contracting State, provided that such dividends are not derived from the carrying on of a business by such pension fund or through an associated enterprise.

4. The provisions of paragraphs 2 and 3 shall not limit the application of the Additional Tax payable in Chile.

5. 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 income from other rights which is subjected to the same taxation treatment as income from shares by the tax laws of the Contracting State of which the company making the distribution is a resident.

6. The provisions of paragraphs 1 to 4 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 Contracting 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.

7. Where a company which is a resident of a Contracting State derives profits or income from the other Contracting State, that other Contracting 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 Contracting 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 Contracting State, nor subject the company's undistributed profits to a tax on the company's undistributed profits, even if the dividends paid or the undistributed profits consist wholly or partly of profits or income arising in such other Contracting 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 Contracting State.

2. However, such interest may also be taxed in the Contracting State in which it arises and according to the laws of that Contracting 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) 4 per cent of the gross amount of the interest if the beneficial owner of the interest is either:
  - (i) a bank;
  - (ii) an insurance company;
  - (iii) an enterprise substantially deriving its gross income from the active and regular conduct of a lending or finance business involving transactions with unrelated persons, where the enterprise is unrelated to the payer of the interest. For the purposes of this clause, the term "lending or finance business" includes the business of issuing letters of credit, providing guarantees or providing credit card services;
  - (iv) an enterprise that sold machinery or equipment, where the interest is paid with respect to indebtedness arising as part of the sale on credit of such machinery or equipment; or



- (v) any other enterprise, provided that in the three taxable years preceding the taxable year in which the interest is paid, the enterprise derives more than 50 per cent of its liabilities from the issuance of bonds in the financial markets or from taking deposits at interest, and more than 50 per cent of the assets of the enterprise consist of debt-claims against unrelated persons;
- (b) 10 per cent of the gross amount of the interest in all other cases.

For the purposes of subparagraph (a), an enterprise is unrelated to a person if the enterprise does not have with the person a relationship described in subparagraph (a) or (b) of paragraph 1 of Article 9.

3. For a period of two years from the date on which the provisions of paragraph 2 of this Article shall be applicable in accordance with the provisions of paragraph 2 of Article 29, the rate of 15 per cent shall apply in place of the rate provided in subparagraph (b) of paragraph 2 of this Article.

4. Notwithstanding the provisions of subparagraph (a) of paragraph 2, if interest referred to in that subparagraph is paid as part of an arrangement involving back-to-back loans or other arrangement that is economically equivalent and intended to have a similar effect to an arrangement involving back-to-back loans, such interest may be taxed in the Contracting State in which it arises but the tax so charged shall not exceed 10 per cent of the gross amount of the interest.

5. 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, including premiums attaching to such securities, bonds or debentures, and all other income that is subjected to the same taxation treatment as income from money lent by the tax laws of the Contracting State in which the income arises. Income dealt with in Article 10 shall not, however, be regarded as interest for the purposes of this Convention.

6. The provisions of paragraphs 1, 2 and 4 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 Contracting 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.

7. Interest shall be deemed to arise in a Contracting State when the payer is a resident of that Contracting 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 Contracting State in which the permanent establishment or fixed base is situated.

8. Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the interest, for whatever reason, exceeds 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 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 Contracting State.

2. However, such royalties may also be taxed in the Contracting State in which they arise and according to the laws of that Contracting 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) 2 per cent of the gross amount of the royalties for the use of, or the right to use, 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 cinematograph films or films, tapes and other means of image or sound reproduction, or any patent, trade mark, design or model, plan, secret formula or process or other similar intangible 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.

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 Contracting 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 Contracting 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 liability 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 Contracting State in which the permanent establishment or fixed base is situated.

6. Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the royalties, having regard to the use, right or information for which they are paid, exceeds 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 Contracting State.
2. Gains from the alienation of any property, other than immovable 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 any property, other than immovable 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 a fixed base, may be taxed in that other Contracting State.
3. Gains derived by an enterprise of a Contracting State from the alienation of ships or aircraft operated by that enterprise in international traffic or any property, other than immovable property, pertaining to the operation of such ships or aircraft shall be taxable only in that Contracting State.
4. (a) Gains derived by a resident of a Contracting State from the alienation of shares, comparable interests or other rights may be taxed in the other Contracting State if:
  - (i) the alienator at any time during the 365 days preceding such alienation owned, directly or indirectly, shares, comparable interests or other rights representing 20 per cent or more of the capital of a company that is a resident of that other Contracting State; or
  - (ii) at any time during the 365 days preceding such alienation, such shares, comparable interests or other rights derived 50 per cent or more of their value, directly or indirectly, from immovable property situated in that other Contracting State.

- (b) Any other gains derived by a resident of a Contracting State from the alienation of shares, comparable interests or other rights representing the capital of a company that is a resident of the other Contracting State may also be taxed in that other Contracting State but the tax so charged shall not exceed 16 per cent of the amount of the gains.
- (c) Subject to the provisions of clause (ii) of subparagraph (a), gains derived by a pension fund that is a resident of a Contracting State from the alienation of shares, comparable interests or other rights referred to in subparagraphs (a) and (b) shall be taxable only in that Contracting State.

5. Gains from the alienation of any property other than that referred to in the preceding paragraphs of this Article 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:

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

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

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

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

Article 17  
ENTERTAINERS AND SPORTSPERSONS

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 sportsperson, from that resident's personal activities as such exercised in the other Contracting State, may be taxed in that other Contracting State.

2. Where income in respect of personal activities exercised by an entertainer or a sportsperson acting as such accrues not to the entertainer or sportsperson but to another person, that income may, notwithstanding the provisions of Articles 14 and 15, be taxed in the Contracting State in which the activities of the entertainer or sportsperson are exercised.

Article 18  
PENSIONS

Pensions and other similar remuneration under the social security legislation of a Contracting State recognised as such for tax purposes in that Contracting State arising in that Contracting State and paid to a resident of the other Contracting State shall be taxable only in that other Contracting State.

Article 19  
GOVERNMENT SERVICE

1. (a) Salaries, wages and other remuneration paid by a Contracting State or a political subdivision or local authority thereof to an individual in respect of services rendered to that Contracting State or political subdivision or local authority shall be taxable only in that Contracting State.
- (b) However, such salaries, wages and other remuneration shall be taxable only in the other Contracting State if the services are rendered in that other Contracting State and the individual is a resident of that other Contracting State who:
  - (i) is a national of that other Contracting State; or
  - (ii) did not become a resident of that other Contracting State solely for the purpose of rendering the services.

2. The provisions of Articles 15, 16 and 17 shall apply to salaries, wages and other remuneration in respect of services rendered in connection with a business carried on by a Contracting State or a political subdivision or 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 Contracting 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 the first-mentioned Contracting State, provided that such payments arise from sources outside the first-mentioned Contracting State. The exemption provided by this Article shall apply to a business apprentice only for a period not exceeding one year from the date on which he first begins his training in the first-mentioned Contracting State.

#### Article 21 OTHER INCOME

1. Items of income beneficially owned by a resident of a Contracting State, wherever arising, not dealt with in the foregoing Articles of this Convention shall be taxable only in that Contracting State.

2. The provisions of paragraph 1 shall not apply to income, other than income from immovable property, if the beneficial owner of such income, being a resident of a Contracting State, carries on business in the other Contracting State through a permanent establishment situated therein, or performs in that other Contracting State independent personal services from a fixed base situated therein, and the right or property in respect of which the income 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.

3. Notwithstanding the provisions of paragraphs 1 and 2, 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 Contracting State.



Article 22  
LIMITATION OF RELIEF

1. Notwithstanding any other provisions of this Convention, a benefit under the Convention shall not be granted in respect of an item of income if it is reasonable to conclude, having regard to all relevant facts and circumstances, that obtaining that benefit was one of the principal purposes of any arrangement or transaction that resulted directly or indirectly in that benefit, unless it is established that granting that benefit in these circumstances would be in accordance with the object and purpose of the relevant provisions of the Convention.

2. Where an enterprise of a Contracting State derives income from the other Contracting State, and the first-mentioned Contracting State treats that income as attributable to a permanent establishment of that enterprise in a third jurisdiction, the tax benefits that otherwise would apply under the other provisions of this Convention shall not apply to that income if:

- (a) the combined tax that is actually paid with respect to such income in the first-mentioned Contracting State and in that third jurisdiction is less than 60 per cent of the tax that would have been payable on that income in the first-mentioned Contracting State if the income were accrued or received in the first-mentioned Contracting State by the enterprise and were not attributable to the permanent establishment in that third jurisdiction; or
- (b) the permanent establishment is situated in a third jurisdiction that does not have a comprehensive convention with respect to taxes on income in force with the other Contracting State from which the benefits of this Convention are being claimed, unless the income attributable to the permanent establishment is included in the tax base of the enterprise in the first-mentioned Contracting State.

Any income to which the provisions of this paragraph apply may be taxed in accordance with the domestic law of the other Contracting State, notwithstanding any other provisions of this Convention. However, any interest or royalties to which the provisions of this paragraph apply shall remain taxable in that other Contracting State but the tax so charged shall not exceed 25 per cent of the gross amount thereof.

Article 23  
ELIMINATION OF DOUBLE TAXATION

1. Subject to the provisions of the laws of Japan regarding the allowance as a credit against Japanese tax of tax payable in any country other than Japan, where a resident of Japan derives income from Chile which may be taxed in Chile in accordance with the provisions of this Convention, the amount of Chilean tax payable in respect of that income shall be allowed as a credit against the Japanese tax imposed on that resident. The amount of credit, however, shall not exceed the amount of the Japanese tax which is appropriate to that income.

2. In Chile, double taxation shall be avoided as follows:

- (a) residents of Chile, obtaining income which has, in accordance with the provisions of this Convention, been subject to taxation in Japan, may credit the tax so paid against any Chilean tax payable in respect of the same income, subject to the applicable provisions of laws of Chile. This paragraph shall apply to all income referred to in the Convention;
- (b) where, in accordance with any provision of the Convention, income derived by a resident of Chile is exempt from tax in Chile, Chile may nevertheless, in calculating the amount of tax on other income, take into account the exempted income.

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 Contracting State in the same circumstances, in particular with respect to residence, are or may be subjected. The provisions of this paragraph 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 shall not be less favourably levied in that other Contracting State than the taxation levied on enterprises of that other Contracting 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 which it grants to its own residents.

4. Except where the provisions of paragraph 1 of Article 9, paragraph 8 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 purposes 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 Contracting State.

5. Enterprises 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 Contracting 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 enterprises of the first-mentioned Contracting State are or may be subjected.

#### 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 Contracting 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 provisions of this Convention. Any agreement reached shall be implemented notwithstanding any time limits in the domestic law of the Contracting States.

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 this Convention. They may also consult together for the elimination of double taxation in cases not provided for in the Convention.

4. The competent authorities of the Contracting States may communicate with each other directly, including through a joint commission consisting of themselves or their representatives, for the purposes of reaching an agreement in the sense of the preceding paragraphs of this Article.

5. Where,

- (a) under paragraph 1, a person has presented a case to the competent authority of a Contracting State on the basis that the actions of one or both of the Contracting States have resulted for that person in taxation not in accordance with the provisions of this Convention, and
- (b) the competent authorities are unable to reach an agreement to resolve that case pursuant to paragraph 2 within two years from the presentation of the case to the competent authority of the other Contracting State,

any unresolved issues arising from the case shall be submitted to arbitration if the person so requests and the competent authorities of the Contracting States so agree. These unresolved issues shall not, however, be submitted to arbitration if a decision on these issues has already been rendered by a court or administrative tribunal of either Contracting State. Unless a person directly affected by the case does not accept the mutual agreement that implements the arbitration decision, that decision shall be binding on both Contracting States and shall be implemented notwithstanding any time limits in the domestic laws of these Contracting States. The competent authorities of the Contracting States shall by mutual agreement settle the mode of application of this paragraph.

6. For the purposes of applying the provisions of paragraph 5:

- (a) The competent authorities shall by mutual agreement establish a procedure in order to ensure that an arbitration decision will be implemented within two years from a request for arbitration as referred to in paragraph 5 unless actions or inaction of a person directly affected by the case presented pursuant to that paragraph hinder the resolution of the case or unless the competent authorities and that person otherwise agree.
- (b) An arbitration panel shall be established in accordance with the following rules:
  - (i) An arbitration panel shall consist of three arbitrators with expertise or experience in international tax matters.
  - (ii) Each competent authority shall appoint one arbitrator who may be its national. The two arbitrators appointed by the competent authorities shall appoint the third arbitrator who serves as the chair of the arbitration panel in accordance with the procedures agreed by the competent authorities.
  - (iii) All arbitrators shall not be employees of the tax authorities of the Contracting States, nor have had dealt with the case presented pursuant to paragraph 1 in any capacity. The third arbitrator shall not be a national of either Contracting State, nor have had his usual place of residence in either Contracting State, nor have been employed by either Contracting State.
  - (iv) The competent authorities shall ensure that all arbitrators and their staff agree, in statements sent to each competent authority, prior to their acting in an arbitration proceeding, to abide by and be subject to the same confidentiality and non-disclosure obligations as those described in paragraph 2 of Article 26 and under the applicable domestic laws of the Contracting States.

- (v) Each competent authority shall bear the costs of its appointed arbitrator and its own expenses. The costs of the chair of an arbitration panel and other expenses associated with the conduct of the proceedings shall be borne by the competent authorities in equal shares.
- (c) The competent authorities shall provide the information necessary for the arbitration decision to all arbitrators and their staff without undue delay.
- (d) An arbitration decision shall be treated as follows:
  - (i) An arbitration decision has no formal precedential value.
  - (ii) An arbitration decision shall be final, unless that decision is found to be unenforceable by the courts of one of the Contracting States due to a violation of paragraph 5, of this paragraph or of any procedural rule determined in accordance with subparagraph (a) of this paragraph that may reasonably have affected the decision. If the decision is found to be unenforceable due to the violation, the request for arbitration shall be considered not to have been made and the arbitration process shall be considered not to have taken place (except for the purposes of clauses (iv) and (v) of subparagraph (b) of this paragraph).
- (e) Where at any time before the arbitration panel has delivered a decision to the competent authorities of the Contracting States and the person who made the request for arbitration:
  - (i) the competent authorities of the Contracting States reach a mutual agreement to resolve the case pursuant to paragraph 2;
  - (ii) that person withdraws the request for arbitration; or

- (iii) a decision concerning the case is rendered by a court or administrative tribunal of one of the Contracting States during the arbitration proceedings;

the mutual agreement procedure, including the arbitration proceedings, with respect to the case shall terminate.

- (f) In the event a case is pending in litigation or appeal, the mutual agreement that implements the arbitration decision shall be considered not to be accepted by the presenter of the case if any person directly affected by the case who is a party to the litigation or appeal does not withdraw within 60 days after receiving the determination of the arbitration panel from consideration by the relevant court or administrative tribunal all issues resolved in the arbitration proceeding. In this case, the case will not be eligible for any further consideration by the competent authorities of the Contracting States.
- (g) The provisions of paragraph 5 and this paragraph shall not apply to cases falling within paragraph 3 of Article 4.

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 law 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 law of that Contracting 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 Contracting States and the competent authority of the Contracting State supplying the information 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 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.

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 Contracting 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  
HEADINGS

The headings of the Articles of this Convention are inserted for convenience of reference only and shall not affect the interpretation of the Convention.

Article 29  
ENTRY INTO FORCE

1. This Convention shall be approved in accordance with the legal procedures of each of the Contracting States and shall enter into force on the date of exchange of diplomatic notes indicating such approval.

2. The provisions of this Convention shall have effect:

(a) in Japan:

(i) with respect to taxes levied on the basis of a taxable year, for taxes for any taxable years beginning on or after the first day of January in the calendar year next following that in which the Convention enters into force; and

(ii) with respect to taxes not levied on the basis of a taxable year, for taxes levied on or after the first day of January in the calendar year next following that in which the Convention enters into force; and

(b) in Chile:

with respect to 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 Convention enters into force.

3. Notwithstanding the provisions of paragraph 2, the provisions of Article 26 shall have effect from the date of entry into force of this Convention without regard to the date on which the taxes are withheld at source or the taxable year to which the matter relates.

#### Article 30 TERMINATION

This Convention shall remain in force until terminated by a Contracting State. Either Contracting State may terminate this Convention, through diplomatic channels, by giving written notice of termination on or before the thirtieth day of June of any calendar year beginning after the expiry of five years from the date of entry into force of this Convention. In such event, the Convention shall cease to have effect:

(a) in Japan:

(i) with respect to taxes levied on the basis of a taxable year, for taxes for any taxable years beginning on or after the first day of January in the calendar year next following that in which the notice is given; and

(ii) with respect to taxes not levied on the basis of a taxable year, for taxes levied on or after the first day of January in the calendar year next following that in which the notice is given;

(b) in Chile:

with respect to 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

(c) with respect to the provisions of Article 26, on the first day of January in the calendar year next following that in which the notice is given. Requests for information received before the effective date of termination 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 the Convention.

IN WITNESS WHEREOF the undersigned, being duly authorised thereto by their respective Governments, have signed this Convention.

DONE in duplicate at Santiago this twenty-first day of January, 2016 in the English language.

For Japan:

Naoto Nikai

For the Republic of Chile:

Micco. A

PROTOCOL TO THE CONVENTION BETWEEN  
JAPAN AND THE REPUBLIC OF CHILE  
FOR THE ELIMINATION OF DOUBLE TAXATION  
WITH RESPECT TO TAXES ON INCOME  
AND THE PREVENTION OF TAX EVASION  
AND AVOIDANCE

At the signing of the Convention between Japan and the Republic of Chile for the Elimination of Double Taxation with respect to Taxes on Income and the Prevention of Tax Evasion and Avoidance (hereinafter referred to as "the Convention"), Japan and the Republic of Chile have agreed upon the following provisions, which shall form an integral part of the Convention:

1. With reference to the Convention,
  - (a) In relation to the investment accounts or funds which are established under the laws of Chile and are not residents of Chile within the meaning of paragraph 1 of Article 4 of the Convention, the provisions of the Convention shall not be interpreted to restrict the imposition of tax under the laws of Chile on the remittances made by such investment accounts or funds as well as on the income derived from the redemption or alienation of the quotas held by the participants in such investment accounts or funds.
  - (b) Nothing in the Convention shall affect the application of the existing provisions of the Chilean legislation Decree Law No. 600 (Foreign Investment Statute) as they are in force at the time of signature of the Convention and as they may be amended from time to time without changing the general principle thereof.
  - (c) Nothing in the Convention shall affect the taxation in Chile of a resident of Japan in respect of profits attributable to a permanent establishment situated in Chile in accordance with the provisions of Article 7 of the Convention under both the First Category Tax and the Additional Tax provided that the First Category Tax is fully creditable in computing the amount of the Additional Tax.

- (d) Any question arising as to the interpretation or application of the Convention and, in particular, whether a measure is within the scope of the Convention, shall be determined exclusively in accordance with the provisions of Article 25 of the Convention, and the provisions of Article XVII of the General Agreement on Trade in Services shall not apply to a measure unless the competent authorities of the Contracting States agree that the measure is not within the scope of Article 24 of the Convention. For the purposes of this subparagraph, the term "measure" means a law, regulation, rule, procedure, decision, administrative action, or any other similar provision or action, as related to taxes covered by the Convention.

2. With reference to paragraph 2 of Article 2 of the Convention,

If a Contracting State introduces new taxes on capital after the date of signature of the Convention, the competent authority of that Contracting State shall notify the competent authority of the other Contracting State of such new taxes in accordance with the provisions of the second sentence of paragraph 2 of Article 2 of the Convention.

3. With reference to paragraph 1 of Article 4 of the Convention,

The term "resident of a Contracting State" includes:

- (a) a legal person that is established and maintained in that Contracting State exclusively for religious, charitable, educational, cultural or scientific purposes;
- (b) a pension fund as defined in subparagraph (j) of paragraph 1 of Article 3 of the Convention which is established under the law of that Contracting State; and
- (c) any institution which is established for promoting exports, investment or development and the capital of which is wholly owned by that Contracting State,

notwithstanding that all or part of its income may be exempt from tax under the laws of that Contracting State.

4. With reference to Article 7 of the Convention,

Where an enterprise of a Contracting State which has carried on business in the other Contracting State through a permanent establishment situated therein, receives, after the enterprise has ceased to carry on business as aforesaid, profits attributable to the permanent establishment, such profits may be taxed in that other Contracting State in accordance with the principles stated in Article 7 of the Convention.

5. With reference to Article 10 of the Convention,

(a) Where in any other convention Chile agrees to limit the application of the Additional Tax payable in Chile, the Contracting States shall consult with each other with a view to amending the Convention in order to re-establish the balance of benefits under the Convention.

(b) Where

(i) the rate of the Additional Tax imposed under the domestic law of Chile exceeds 35 per cent; or

(ii) the First Category Tax ceases to be fully creditable in determining the amount of Additional Tax to be paid,

then paragraph 4 of Article 10 of the Convention shall not apply and the tax charged under subparagraphs (a) and (b) of paragraph 2 of Article 10 of the Convention shall not exceed 20 per cent of the gross amount of dividends paid by a company which is a resident of a Contracting State and beneficially owned by a resident of the other Contracting State. In this case the Contracting States shall consult with each other with a view to amending the Convention in order to re-establish the balance of benefits under the Convention.

6. With reference to paragraph 4 of Article 11 of the Convention,

It is understood that the term "arrangement involving back-to-back loans" would cover, inter alia, any kind of arrangement structured in such a way that a financial institution which is a resident of a Contracting State receives interest arising in the other Contracting State and the financial institution pays an equivalent interest to another person which, if the person received the interest directly from the other Contracting State, would not be entitled to limitation of tax under subparagraph (a) of paragraph 2 of Article 11 of the Convention with respect to that interest in that other Contracting State.

7. With reference to Articles 11, 12 and 13 of the Convention,

If Chile concludes a convention with a state other than Japan and the provisions of the convention impose a limit on taxes on payments of interest or royalties lower than those imposed under paragraph 2 of Article 11 or paragraph 2 of Article 12 of the Convention or that contains terms that further limit the right of the Contracting States to tax gains under Article 13 of the Convention, the Contracting States shall, at the request of Japan, consult with a view to amending the Convention to incorporate such lower taxes or limiting terms into the Convention.

8. With reference to paragraph 3 of Article 25 of the Convention,

It is understood that the term "difficulties or doubts arising as to the interpretation or application of this Convention" in paragraph 3 of Article 25 of the Convention includes cases where the provisions of the Convention are used in a manner as to provide benefits not contemplated or not intended, considering that the object and purpose of the Convention is to avoid international double taxation.

9. With reference to paragraphs 5 and 6 of Article 25 of the Convention,

It is understood that paragraph 6 of Article 25 of the Convention only applies where the competent authorities of the Contracting States have agreed, in accordance with paragraph 5 of Article 25 of the Convention, to submit the unresolved issues to arbitration.

10. With reference to Article 26 of the Convention,

It is understood that in no case shall the provisions of paragraphs 1 and 2 of Article 26 of the Convention be construed so as to impose on a Contracting State the obligation to obtain or provide information that would reveal confidential communications between a client and an attorney, solicitor or other admitted legal representative where such communications are:

- (a) produced for the purposes of seeking or providing legal advice; or
- (b) produced for the purposes of use in existing or contemplated legal proceedings.

IN WITNESS WHEREOF the undersigned, being duly authorised thereto by their respective Governments, have signed this Protocol.

DONE in duplicate at Santiago this twenty-first day of January, 2016 in the English language.

For Japan:

Naoto Nikai

For the Republic of Chile:

Micco. A