

Memorandum of Understanding

On the effect of application of paragraph 9 of the Protocol of the Convention between Chile and Italy for the elimination of double taxation with respect to taxes on income and the prevention of tax evasion and avoidance signed on 23 October 2015 and entered into force on 20 December 2016.

Whereas paragraph 9 of the Protocol of the Convention between Chile and Italy for the elimination of double taxation with respect to taxes on income and the prevention of tax evasion and avoidance signed on 23 October 2015 and entered into force on 20 December 2016, providing that if after the date of entry into force of the Convention with Italy, a Convention between Chile and a member state of OECD enters into force, providing for exemption or lower rates, both in general and in respect of specific categories of interest or royalties, than those provided for in paragraph 2 of Article 11 and paragraph 2 of Article 12 of the Italy-Chile Convention, such exemption or lower rate shall automatically apply to the relevant provisions of the Italy-Chile Treaty.

Whereas the Chilean competent authority has informed the Italian competent authority that, after the date of entry into force of the Convention with Italy, a Convention between Chile and Japan entered into force on 28 December 2016, providing for lower rates, in relation to some categories of interests and royalties, than those provided for in paragraph 2 of Article 11 and paragraph 2 of Article 12 of the Italy-Chile and that the conditions for the application of mentioned paragraph 9 of the Protocol have been met.

The Competent Authorities of Chile and Italy agree that, with respect to Articles 11 and 12 of the Convention between Chile and Italy, it is understood that:

1) In relation to paragraph 2 of Article 11 - Interest - of the Convention:

- a) The rate of 4 per cent applies (in place of the existing rate of 5 per cent) to subparagraph a), letters (i) and (iii) as from 1st January 2017;
- b) the rate of 10 per cent applies (in place of existing rate of 15 per cent) to subparagraph b) as from 1st January 2019.

2) In relation to paragraph 2 of Article 12 - Royalties - of the Convention:

The rate of 2 per cent applies (in place of the existing rate of 5 per cent) to subparagraph (a) as from 1st January 2017;

The competent authorities of Chile and Italy, if requested, will solve issues of interpretation due to paragraph 9 of the Protocol on a case by case basis, and in accordance with article 25 (Mutual procedure agreement) of the Convention.

Done at Santiagoon.....25/10/19

Done at Romeon.....20/12/2019



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For the Chilean Competent Authority

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For the Italian Competent Authority