

The document is inserted, was signed by the competent authorities on August 30, 2005 , in Santiago , and published in the Official Journal of 2 October 2008 . The Convention entered into force on August 26, 2008 and applies to respect to taxes on income obtained and amounts paid , credited to an account, put at the disposal or accounted as an expense , as from 1 January 2009.

AGREEMENT BETWEEN THE REPUBLIC OF CHILE AND THE REPUBLIC OF PARAGUAY FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME AND ITS PROTOCOL PATRIMONIOY

The Republic of Chile and the Republic of Paraguay , desiring to conclude a Convention for the avoidance of double taxation and prevention of fiscal evasion with respect to taxes on income and on capital .

In order to strengthen relations by stimulating investment and promoting bilateral trade flows of trade;

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 Contracting States.

article 2

Taxes covered

. 1 This Convention shall apply to taxes on income and on capital imposed by each Contracting State , whatever levied.

February . Income taxes are considered and on capital all taxes imposed on total income or assets or any part thereof , including taxes on gains from the alienation of movable or immovable property and taxes capital gains .

including:

a) in Chile, the taxes imposed on the " Tax Act

Rent "(hereinafter referred to as " Chilean tax "); and

b) in Paraguay , the taxes imposed by the Act on the income of Commercial, Industrial or Services, Agricultural Activities , the Small Taxpayer Service and Personal Data (hereinafter " Paraguay taxes") activities .

April . Convention shall apply also to any identical or substantially similar nature, and estate taxes that are imposed after the date of signature of the Convention in addition to existing taxes . The competent authorities of the Contracting States the significant changes which have been made in their respective taxation laws shall provide each other , by the end of each year .

CHAPTER II DEFINITIONS Article 3

GENERAL DEFINITIONS

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

a) the terms "a Contracting State" and "the other Contracting State " mean, as the context requires , the Republic of Chile and the Republic of Paraguay ; hereinafter Chile or Paraguay , respectively;

b) the term "person" includes an individual or an individual, a company and any other body of persons;

c) the term " company" means any body corporate or any
legal entity that is treated for tax purposes;

d) 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;

by a ship , aircraft or land transport vehicle operated by an enterprise of a Contracting State, except when such transport is solely between places in the other Contracting State;

f) the term "competent authority" means:

(i) in Chile, the Minister of Finance or his authorized representative;

(ii) in Paraguay , the Minister of Finance or his authorized representative;

g) the term "national" means :

(i) any natural person possessing the nationality of a Contracting State ; or

(ii) any legal person or association incorporated under the legislation of a Contracting State .

Two . For the implementation of the Convention by a Contracting State , any time , any term not defined therein shall, unless the context otherwise requires a different interpretation , the meaning , then, under the law of that State concerning the taxes to which the Convention applies, any meaning assigned by the tax on that term under other laws of that State law.

article 4

RESIDENT

1. 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. However, this term does not include any person who is liable to tax in that State in respect only of income from sources located in that State or capital situated therein.

. 2 When , under the provisions of paragraph 1 an individual is a resident of both Contracting States, then his status shall be determined as follows:

a) 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 , shall be considered a resident only of the State with which his personal and closer economic relations (center of vital interests);

b) if the State can not be determined in which he has his center of vital interests , or if not a permanent home available to him in either State , shall be deemed a resident of the State of habitual abode;

c) if habitual abode in both States or in neither did any of them be a resident only of the State of nationality ;

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 procedure .

Three . Where by reason of the provisions of paragraph 1 a person other than natural person is a resident of both Contracting States, shall be considered a resident of the State of which he is a national. Is a national of both Contracting States, or shall not be possible for any of them, the Contracting States shall endeavor , by a process of mutual agreement to resolve the case. In the absence of mutual agreement between the competent authorities of the Contracting States, the person is not entitled to any relief or exemption from tax provided by this Agreement.

article 5

PERMANENT ESTABLISHMENT

1. The purposes of this Convention, the term "permanent establishment " means a fixed place of business through which an enterprise is wholly or partly carried on .

. 2 The term "permanent establishment" includes especially :

a) a place of management ;

b) branches ;

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 or exploitation of natural resources.

. 3 The term "permanent establishment" also includes:

a) a building or construction project or installation and supervisory activities in connection therewith, but only where such site , project or activity is building more than six months, and

b) the provision of services by a company , including consulting services , through employees or other individuals engaged by the enterprise for such purpose in the event that such activities continue in the country for a period or periods amounting to or exceeding in aggregate 183 days within any period of twelve months.

For the purpose of computing the time limits referred to in this paragraph , the activities of an enterprise associated with another enterprise within the meaning of Article 9 will be added to the period during which they are performed activities by the company from which is associated if the activities of both companies are identical or substantially similar or interconnected.

April . Notwithstanding the preceding provisions of this Article shall be considered

the term "permanent establishment" shall not 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 so that 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 or scientific research, which have a preparatory or auxiliary character for the enterprise.

5 . Notwithstanding paragraphs 1 and 2, where a person other than an independent agent status to whom paragraph 7 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 company, shall be deemed that the company has 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 the paragraph 4 which , if exercised through a fixed place of business , this fixed place of business man be not considered a permanent establishment under the provisions of that paragraph.

6. Notwithstanding the preceding provisions of this Article, an insurance enterprise considers resident of a Contracting State has a permanent establishment in the other Contracting State if it collects premiums in the territory of that other State or insures or reinsures risks located in him by a representative with paragraph 5 or an independent agent to whom paragraph 7 applies applies . Notwithstanding the foregoing, Paraguay and Chile can apply their tax payments for insurance policies issued by foreign insurers. However, the tax shall not exceed:

a) 3 percent of the gross amount of premiums for the reinsurance policies ; and

b) 20 percent of gross premiums in the case of all other insurance policies .

7. Except as provided in paragraph 6 is not considered a company has a permanent establishment in a Contracting State merely because it carries on business in that State through a broker , general commission agent or other independent provided that such persons are acting in the ordinary course of its business, and that in their commercial or financial relations with these companies are not made or imposed conditions are made or imposed other than those that are usually made by independent agents.

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

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.

Two . 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 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 the right to receive variable or fixed payments for the farm or the right to work , mineral deposits, sources and other natural resources. Ships and aircraft shall not be regarded as immovable property .

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

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

article 7

BUSINESS PROFITS

1. Profits of an enterprise of a Contracting State may be taxed only in that 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 the other State but only so much of them as is attributable to that permanent establishment.

Two . 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 would have obtained 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 . For the determination of the profits of a permanent establishment deduction of necessary expenses incurred for carrying out the purposes of the permanent establishment including executive and general expenses of administration for the same purposes is permitted, whether they take place in the State in which the permanent establishment is situated or elsewhere.

April . While it has been customary in a Contracting State to determine the profits attributable 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 taxable profits; however, the method of apportionment adopted shall be such that the result shall be in accordance with the principles contained in this article.

May . No benefit to a permanent establishment shall be attributed by the mere fact that permanent establishment of goods or merchandise for the enterprise .

6. Purposes of the preceding paragraphs, the profits attributable to the permanent establishment shall be determined by the same method year unless there is good and sufficient reason to proceed otherwise .

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

article 8

INTERNATIONAL TRANSPORT

1. Profits of an enterprise of a Contracting State from the operation of ships , aircraft or road vehicles in international traffic shall be taxable only in that State.

2 For the purposes of this article. :

a) the term " profits" includes gross income derived directly from the operation of ships , aircraft or road vehicles in international traffic.

b) the term " operation of ships , aircraft or vehicle

land transport " by a company, comprising:

(i) the charter or rental of ships, aircraft or land vehicles , bareboat ;

(ii) the rental of containers and related equipment,

- provided that the charter or rental is incidental to the operation by that enterprise of ships , aircraft or road vehicles in international traffic.

Three . 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

ASSOCIATES

. 1 While :

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 the two enterprises in their commercial or financial relations conditions are made or imposed which differ from those which would be made between independent enterprises , income that would have been obtained by one of the companies in the absence of such conditions, and in fact have not been performed because of the same , 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 , taxed the profits on which an enterprise of the other Contracting State has been charged to tax in that other State and the income so included is income which would have been made by the company of the first-mentioned State if the conditions

made between the two enterprises had been those which would have made between independent enterprises, then that other State , if you agree that the adjustment made by the first-mentioned State is justified both in principle and as regards the amount, practice setting corresponding to the amount of tax charged on those profits. In determining such adjustment the other provisions of this Agreement will be considered and the competent authorities of the Contracting States shall if necessary consult .

article 10

DIVIDENDS

1. Dividends paid by a company resident in a Contracting State to a resident of the other Contracting State may be taxed in that other State.

Two . Such dividends may also be taxed in the Contracting State of which the company paying the dividends and under the laws of this State . However, if the beneficial owner of the dividends is a resident of the other Contracting State, the tax so charged shall not exceed 10 percent 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 the application of the additional tax payable in Chile provided the first category tax is deductible in computing 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 income from other rights subject to the same taxation treatment as income of shares by the laws of the State of which the company making the distribution 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 he is a resident company paying the dividends , a business through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the participation 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 apply , as appropriate .

May . When a company 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 that other State or participation which the dividends are paid is effectively connected with a permanent establishment or a fixed base situated in

that other State, nor subject the undistributed profits of the company to a tax on undistributed profits , even if the dividends paid or the benefits undistributed profits consist wholly or partly of profits or income arising in such other State.

6. The provisions of this Article shall not apply if the purpose or one of the main purposes of any person concerned with the creation or assignment of the shares or other rights in respect of which the dividends are paid to the take advantage of this Article by means of that creation or assignment .

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 is a resident of the other Contracting State , the tax so charged shall not exceed :

a) 10 percent of the gross amount of the interest on loans granted by banks and insurance companies , regulated by the respective laws of each country.

b) 15 per cent of the gross amount of the interest in all other cases .

Three . The term "interest " within the meaning of 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 any other rent that the laws of the State of which the interest assimilated to income from money lent . However, the term " interest" does 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, a business through a permanent establishment situated therein, or performs independent personal services from a fixed base situated therein , and the debt which the interest is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14 apply , as appropriate .

May . Interest shall be deemed to arise in a Contracting State when the payer is a resident of that State. However, the person paying the interest, whether or not a resident of the Contracting State , has in a Contracting State a permanent establishment or a fixed base in connection with which the debt was incurred for which the interest is paid , and these 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.

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 interest paid exceeds , for whatever reason , the amount which would have been agreed by the debtor and the recipient in the absence of such relationship, the provisions of this Article shall not apply only to the latter amount . In this case, the amount in excess shall remain taxable according to the laws of each Contracting State, due to the other provisions of this Agreement.

7. The provisions of this Article shall not apply if the purpose or one of the main purposes of any person concerned with the creation or assignment of credit in relation to which the interest is paid outside the take advantage of this Article by means of that creation or attribution.

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 it arises and according to the laws of that State, but if the beneficial owner is a resident of the other Contracting State , the tax so charged shall not exceed 15 percent of the gross amount of the royalties.

Three . The term " royalties" as used in this Article means payments of any kind received by the use , or the right to use, any copyright of literary, artistic or scientific work including cinematograph films and films, tapes and other means of reproducing sound, patent, trademark , design or model, plan, secret formula or process or other intangible property , or for the use or 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 the Contracting State in which the royalties arise a business through a permanent establishment situated therein , or performs independent personal services from a fixed base situated therein, and the good or right for which the royalties are paid are effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14 apply , as appropriate .

May . Royalties arising in a Contracting State when the payer is a resident of that State . However, the person paying the royalties, whether or not a resident of a Contracting State, has in a Contracting State a permanent establishment or a fixed base in connection with which the obligation was incurred, payment of royalties and that establishment permanent or fixed base charge thereof , shall be deemed royalties from the 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 paid, exceeds for any reason which would have been agreed 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 this case, the amount in excess shall remain taxable according to the laws of each Contracting State, due to the other provisions of this Agreement.

7. The provisions of this Article shall not apply if the main purpose or one of the main purposes of any person concerned with the creation or assignment of rights in relation to which the royalties are paid out to take the advantage of this Article by such creation or assignment .

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.

February . 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 State Contracting State has 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 of which it forms part) or of such fixed base, may be subjected to taxed in that other State.

March . Gains from the alienation of ships , aircraft or road vehicles operated in international traffic or movable property pertaining to the operation of such ships , aircraft or land vehicles , can only be taxed in the State Contracting of residence of the transferor .

April . Gains derived by a resident of a Contracting State from the alienation of securities or other rights representing the capital of a company situated in the other Contracting State may be taxed in that other State.

May . Gains from the alienation of any property other than that referred to in the preceding paragraphs of this article can only be taxed in the Contracting State of which the alienator .

article 14

Independent personal services

1. Rentals a natural person or a natural 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) where the person has in the other Contracting State a fixed base regularly available to carry out its activities; in this case , can only be taxed in

that other State the part of the income as is attributable to that fixed base;

b) where the person is in the other Contracting State for a period or periods amounting to or exceeding in aggregate 183 days within any twelve month period ; in such case, only be taxed in that other State of the obtained income activities performed in that other State .

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

article 15

DEPENDENT PERSONAL SERVICES

1. Notwithstanding 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 State unless the employment is exercised in the other Contracting State. If the job is done that way , remuneration 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, an employer who is not a resident of the other State, and

c) the remuneration to a permanent establishment or a fixed base which the employer has in the other State is not borne.

March. Notwithstanding the preceding provisions of this Article, remuneration derived by a resident of a Contracting State in respect of an employment exercised aboard a ship, aircraft or vehicle

land transport operated in international traffic may only be taxed in that State.

article 16

SHARES OF DIRECTORS

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

article 17

Artistes and Athletes

1. Notwithstanding the provisions of Articles 14 and 15, income derived by a resident of a Contracting State in the exercise of their personal activities in the other Contracting State as an entertainer, such as a theater, cinema, radio or television, or a musician, or as an athlete, may be taxed in that other State.

Income referred to in this paragraph shall include the income derived from any such personal activities exercised in the other Contracting State relating to its popularity as an entertainer or athlete .

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 to the entertainer or athlete accrues not but to another person , such income may be taxed in the Contracting State in which the activities of the entertainer or sportsman are exercised .

article 18

PENSION

1. Pensions arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in the first-mentioned State , but the tax so charged shall not exceed 15 percent of the gross amount of pensions.

February . Foods and other maintenance payments paid to a resident of a Contracting State shall be taxed in that State if they are deductible for the payer . If they have not as deductibles shall be taxable only in the State of residence of the payer.

article 19

GOVERNMENT SERVICE

1.a) Salaries, wages and other remuneration, other than a pension , paid by a Contracting State or a political subdivision or local to a natural person authorities in respect of services rendered to that State or subdivision or authority , can only be taxed in that 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 State and the natural person 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 to provide the services .

Two . 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 .

article 20

STUDENTS

The amounts received to cover their living expenses, education or training a student , apprentice or business trainee 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 shall not be taxed in that State, provided that arise from sources outside that State .

article 21

OTHER INCOME

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.

CHAPTER IV TAXATION LAW Article 22

HERITAGE

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.

February . 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 has in the other Contracting State for the purpose of performing independent personal services, may be taxed in that other State.

March . Capital represented by ships, aircraft or road vehicles operated in international traffic and by movable property pertaining to the operation of such ships , aircraft or land vehicles , can only be taxed in the Contracting State of which the enterprise operating such ships, aircraft or land transport vehicle is resident.

April . All other elements of capital of a resident of a State

Employer shall be taxable only in that State.

CHAPTER V

METHODS FOR AVOIDANCE OF DOUBLE TAXATION Article 23

ELIMINATION OF DOUBLE TAXATION

. 1 Chile , double taxation shall be avoided as follows:

a) residents in Chile , obtaining income which , in accordance with the provisions of this Convention, may be taxed in Paraguay , may credit against any Chilean taxes on that income taxes paid in Paraguay , in accordance with the applicable provisions of Chilean law. This paragraph shall apply to all income referred to in this Agreement.

b) residents who own property in Chile , which according to the provisions of this Convention may be taxed in Paraguay , may credit the tax paid in Paraguay against the Chilean tax (if applicable) for the same assets.

. 2 For Paraguay , the double taxation shall be eliminated as follows :

Paraguayans on those income taxes paid

Income derived by a resident of a Contracting State or capital owned are exempt from tax in that State , such State may nevertheless take into account the exempted income or assets for purposes of calculating the amount of tax on other income or capital of such resident .

CHAPTER VI SPECIAL PROVISIONS Article 24

NO DISCRIMINATION

1. Nationals of a Contracting State shall not be subjected in the other Contracting State to any taxation or on the same obligation that is not required or is more burdensome than those which are or may be it the nationals of that other State who are in the same conditions, in particular with respect to residence .

February . Permanent establishment which an enterprise of a State

Contracting State has in the other Contracting State shall not be subjected in

other State carrying on the same activities.

Three . Nothing contained 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 to its own residents on account of civil status or dependents.

April . 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 the same is not required or more burdensome than those to which are or may be it under similar companies resident of the first state capital of which is wholly or partly owned or controlled, directly or indirectly, by one or more residents of a third State.

May . In this article, the term "taxation" means taxes which are

covered by this Agreement .

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, notwithstanding 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.

Two . 's Competent authority , if the objection appears justified and if it is not itself a satisfactory solution, to endeavor to resolve the case by mutual agreement procedure with the competent authority of the other Contracting State to avoid in taxation not in accordance with this Agreement.

March . Competent authorities of the Contracting States shall endeavor to resolve any difficulties or doubts arising as to the interpretation or application of the Convention by a mutual agreement procedure .

communicate directly to reach an agreement in the sense of the preceding paragraphs.

May . If any difficulty or doubt arises regarding the interpretation or application of this Convention which can not be resolved by the competent authorities of the Contracting States , the case may , if the competent authorities would agree , be submitted to arbitration . The procedure will be agreed between the Contracting States in notes to be exchanged through diplomatic channels.

article 26

INFORMATION EXCHANGE

1. The competent authorities of the Contracting States shall exchange information necessary to implement the provisions of this Convention or of the domestic laws of the Contracting States concerning taxes covered by the Convention insofar as the taxation thereunder is not contrary to the Convention, which it may be used to determine the value added tax. The exchange of information is not restricted by Article 1. Any information received by a Contracting State shall be treated as secret in the same manner as information obtained under the domestic laws of that State and only to persons or authorities shall communicate (including courts and administrative charge) bodies of the assessment or collection of taxes imposed by the State, the enforcement or prosecution relating to such taxes, or the determination of appeals in relation to them. 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.

2. In no case shall the provisions of paragraph 1 be construed as obliging a Contracting State to:

a) adopt variance with the laws and administrative practice of that or of the other Contracting State administrative measures;

b) to supply information which is not obtainable on the basis of 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, industrial or professional secret or trade process, or information which would be contrary to public policy ("ordre public").

Under this Article, the other Contracting State shall obtain the information to which the request relates in the same way as if it were their own taxation regardless of the fact that other State, at that time, need such information.

article 27

MEMBERS OF DIPLOMATIC MISSIONS AND CONSULAR The provisions of this Convention shall affect the fiscal privileges of

enjoyed by members of diplomatic missions or representations

consular posts under the general principles of international law or under the provisions of special agreements.

article 28

MISCELLANEOUS PROVISIONS

1. Nothing in this Convention shall prevent the application of domestic law of either Contracting State relating to the taxation of income, profits, dividends, remittances of profits or investment institutions or funds of any kind including investment funds B and its participants, who are residents of the other Contracting State, provided that such income is not subject to taxation in accordance with the provisions of this Agreement.

Two . 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, but only with the consent of both Contracting States . Any questions regarding the interpretation of this paragraph shall be resolved under paragraph 3 of Article 25 or, if no agreement under that procedure, pursuant to any other procedure agreed to by both Contracting States .

Three . Nothing in this Convention shall affect the application of the current provisions of DL 600 (Foreign Investment Statute) Chilean law, as in force on the date of signature of this Convention and where they may be eventually modified without changing the general principle .

4. Whereas the main objective of this Convention is to avoid double taxation, the Contracting States agree that in the event that :

grant not covered or not intended benefits; or

b) if one of the Contracting States substantially change its tax system significantly affecting the provisions of the Convention , the competent authorities of the Contracting States shall, under the mutual agreement procedure of Article 25 , the Convention recommend specific changes to restore balance the benefits. 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 in so far as it is necessary .

May . Nothing in this Convention shall affect the taxation of a resident in Chile Paraguay in respect of profits attributable to a permanent establishment in Chile , both under the first category tax and the additional tax , provided that the first category tax is the additional tax deductible .

CHAPTER VII FINAL PROVISIONS Article 29

ENTRY INTO FORCE

1. Each Contracting State shall notify the other through diplomatic channels of the completion of the procedures required by its law for the entry into force of this Convention . This Convention shall enter into force on the date of receipt of the last notification.

. 2 The provisions of the Convention shall apply:

a) 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 , from the first day of January of the calendar year next following that in which the Convention enters into force; and

b) in Paraguay ,

with respect to taxes on income obtained and amounts paid , credited to an account, put at the disposal or accounted as an expense , from the first day of January of the calendar year next following that in which the Convention enters into force .

March . Convention between the Republic of Chile and the Republic of Paraguay for the Avoidance of Double Taxation in relation to the International Air Transport and Land concluded in Santiago October 20, 1992 , shall cease to have effect from the date on which this Convention enters into force for the taxes to which it applies , in accordance with this Article .

article 30

COMPLAINT

. 1 This Convention shall remain in force indefinitely, but either Contracting State may , not later than June 30 of each calendar year following that in which the Convention enters into force , give the other Contracting State a notice of termination in writing through diplomatic channels.

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

a) 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 , from the first day of January of the calendar year next following that in which the notice is given ; and

b) in Paraguay ,

with respect to taxes on income obtained and amounts paid , credited to an account, put at the disposal or accounted as an expense , from the first day of January of the calendar year next following that in which the notice is given .

IN WITNESS WHEREOF the undersigned, duly authorized thereto, have signed this Agreement .

DONE at Santiago , Chile, on the thirtieth day of August in the year two thousand and five, in duplicate, both texts being equally authentic.

FOR THE REPUBLIC OF CHILE FOR THE REPUBLIC OF PARAGUAY

PROTOCOL TO THE AGREEMENT BETWEEN THE REPUBLIC OF CHILE AND THE REPUBLIC OF PARAGUAY FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME AND ON CAPITAL

At the time of signing the Agreement between the Republic of Chile and the Republic of Paraguay to avoid double taxation and prevention of fiscal evasion with respect to taxes on income and on capital , the Signatories have agreed upon the following provisions which form part integral part of this Convention.

Ad Article 4

1. In the case of Paraguay , the term resident includes any natural person of Paraguay that is effectively taxed according to the system of taxation in force in this country. The term also includes any resident company whose business primarily develops in Paraguay , who is a resident of Paraguay and is effectively taxed according to the system of taxation in force in this country.

Two . A Contracting State retains the right to tax , in accordance with its law , income from this State and derived by a resident of the other Contracting State whose tax is attributed by the latter State Convention but not are effectively taxed by the law of that State .

Re: Article 5, paragraph 2, letter a)

It is understood that the term " place of management " includes a place of management everyday practice , regardless of where the above control is exercised .

Ad Articles 11 and 12

If Chile or Paraguay , concluded after the entry into force of this Convention , an agreement or arrangement with a third State which agreed a tax rate on interest or royalties is less than that provided in this Agreement, the " lower rate " shall apply for the purposes of paragraph 2 of Article 11 or 12 automatically, for the purposes of this Agreement and under the terms stated in the agreement or arrangement with that third State . This " lower rate " can in no case be less than the highest rate among the lowest rate signed by Chile and the lowest rate for the Paraguay signed with third countries.

For purposes of this provision, it is understood that Chile or Paraguay concludes an agreement or arrangement with a third State where such agreement or arrangement entered into force. The relevant competent authority shall , without delay , to the competent authority of any other lower rate .

IN WITNESS WHEREOF the undersigned, duly authorized thereto, have signed this Protocol.

DONE at Santiago , Chile, on the thirtieth day of August in the year two thousand and five, in duplicate, both texts being equally authentic.

FOR THE REPUBLIC OF CHILE FOR THE REPUBLIC OF PARAGUAY