

4. The provisions of paragraph 2 shall not apply if the beneficial owner of the dividends, being a resident of a Contracting State, carries on business in the other Contracting State of which the company paying the dividends is a resident, through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the holding in respect of which the dividends are paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of *Article 7* or *Article 14*, as the case may be, shall apply.

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

ARTICLE 10 A

BRANCH TAX

1. A person that is a resident of a Contracting State may be subject in the other Contracting State to a tax in addition to the tax chargeable on:

- (a) income or gains from the alienation of immovable property situated in that other State by an enterprise carrying on a trade in immovable property or,
- (b) the earnings, including any gains, of a person attributable to a permanent establishment situated in that other State.

However, the rate of the "tax in addition" shall not exceed the percentage limitation provided for under subparagraph (a) of paragraph 2 of *Article 10*.

2. For the purposes of this Article, the term "tax chargeable" means, in the case of Chile, taxation under both the first category tax and the additional tax as long as the first category tax is deductible in computing the additional tax.

ARTICLE 11

INTEREST

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

2. However, such interest may also be taxed in the Contracting State in which it arises and according to the laws of that State, but if the beneficial owner of the interest is a resident of the other Contracting State, the tax so charged shall not exceed 15 per cent of the gross amount of the interest.

3. The term "interest" as used in this Article means income from debt-claims of every kind, whether or not secured by mortgage, and in particular, income from government securities and income from bonds or debentures, as well as income which is subjected to the same taxation treatment as income from money lent by the laws of the State in which the income arises. However, the term "interest" does not include income dealt with in *Article 10*.