

US Tax Treaty Newsalert

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*Agreement reached on revisions to
US income tax treaties with Japan
and Spain; additional update on
other US income tax treaties*

Agreement reached on revisions to US income tax treaties with Japan and Spain

On Friday, June 15, the US Department of the Treasury announced that the United States has reached agreements in principle with the governments of Japan and Spain regarding proposed protocols to the current United States-Japan and United States-Spain income tax treaties.

The revisions to the current income tax treaty between the United States and Japan include a reduction of tax withheld at source with respect to interest income and provisions to strengthen mutual agreement procedures and exchange of information between the United States and Japan. The current treaty between the United States and Japan was signed in November 2003.

The current treaty between the United States and Spain was signed in February 1990. The proposed protocol would modernize the existing treaty.

After the protocols have been signed by each government that is a party to the agreement, the protocols are subject to the ratification procedures of each national government. In the case of the United States, the ratification process requires the agreements to be sent to the US Senate for advice and consent.



Observation: As discussed in PwC's May 22, 2012 US Tax Treaty Newsalert, [*Chilean Treaty sent to US Senate for ratification*](#), Senator Rand Paul (R-KY) has placed a hold on three bilateral tax agreements (agreements with Hungary, Switzerland, and Luxembourg) that were sent to the full Senate for approval at the end of last year. Senator Paul's action continues to leave the treaty ratification process in a state of flux. At this point, it is unclear whether Senator Paul's hold will continue to impact the ratification process of the United States-Japan and United States-Spain protocols once they are signed, as well as the proposed treaty with Chile.

Update on status of other US income tax treaties

Speaking at a DC Bar Association luncheon, a Treasury Department official provided an update on the status of a number of US income tax treaties.

In addition to the agreement on the revisions to the United States-Japan treaty, revisions to the treaty between the United States and **Norway**, which were reported as "substantially complete" six years ago, are now in the process of being translated for signature by both parties. There had been one issue stalling progress on the new agreement and that issue has now been resolved. Likewise, the new or revised treaty between the United States and **Poland** is in the process of being translated so that the parties may sign the agreement. Negotiations on several other treaties are in process. The United States and the **United Kingdom** are close to completion of agreement on revisions to the United States-United Kingdom treaty, and there are ongoing negotiations with **Vietnam**. Two signed agreements have been sent to the US Senate for ratification -- the United States-**Chile** income tax treaty, as previously discussed in PwC's May 22, 2012 US Tax Treaty Newsalert, [*Chilean Treaty sent to US Senate for ratification*](#), and the 2009 Protocol amending the **Convention on Mutual Administrative Assistance in Tax Matters**. This convention, which entered into force in 1995, was developed by the Organisation for Economic Co-Operation and Development (OECD) and the Council of Europe. The 2009 Protocol includes an exchange of tax information provision.

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