United States

IRS Adds Chile, Removes Hungary and Russia from List of Treaties Meeting Qualified Dividend Requirements

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The IRS has updated its list of treaties that meet the requirements of section 1(h)(11)(C)(i)(II) of the Internal Revenue Code (IRC) to include the US treaty with Chile and remove the US treaties with Russia and Hungary (Notice 2024-11, 28 December 2023). As a result, a dividend paid to an individual shareholder from Chile, will generally be subject to tax at the reduced rates applicable to certain capital gains.

IRC section 1(h)(11) provides that a dividend paid to an individual shareholder from either a domestic corporation or a "qualified foreign corporation" generally is subject to tax at the reduced rates applicable to certain capital gains. Under the IRC, a qualified foreign corporation includes certain foreign corporations that are eligible for benefits of a comprehensive income tax treaty with the United States that the Treasury Secretary determines is satisfactory and that includes an exchange of information program.

Notice 2024-11 added the US treaty with Chile, which entered into force on 19 December 2023. In addition, Notice 2024-11 removed US treaties with Russia and Hungary because both have ceased to meet the requirements of IRC section 1(h)(11). More specifically, the US treaty with Hungary terminated on 8 January 2023. Meanwhile, the US paused assistance to Russian tax authorities through exchange of information under the US-Russia treaty.

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