Spain-Canada's new Double Taxation Agreement

Canada’s Ambassador to Spain, Jon Allen, and Spain’s Finance Minister, Cristóbal Montoro have signed the Protocol which, when ratified by both countries Parliaments, will substitute the original Double Taxation Agreement (Ottawa 1976) in force since 1980.

The new agreement stimulates trade between the two countries, eliminating tax barriers while promoting job, business and investment opportunities.

It adapts the provisions of the current agreement to the economic relationship between our two countries, adapting its text to the latest OECD Model Tax Convention.

Highlights:

1. Dividends

While the withholding tax rate on payments of dividends and interest by the source country is 15 % of the gross amount of the dividend, where the beneficial owner is a company that holds directly at least 10 % of the capital of the company paying the dividend income, the rate will now be reduced to 5%.

Dividend income paid to certain pension plans will now be exempt from withholding tax.

2. Repatriated profits from the permanent establishment can be taxed by the source country at maximum rate of 5 %.

3. Interest’s withholding tax will not exceed 10% of the gross amount of the interest.

4. The revised agreement also includes new provisions on:

- Foreign tax credits
- Dispute resolution
- Assistance in the collection of taxes
- Organization for Economic Co-operation and Development’s new standard for the exchange of tax information