

Country Tax Guide



Chile

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Corporate Income Taxes

Resident companies, defined as those which are incorporated under Chilean law, are liable to income tax on their worldwide income.

Other companies are taxed on their income from sources in Chile, subject to the terms of any relevant double tax treaty.

The rate of income tax is 20% for 2011, 18.5% for 2012, and 17% from 2013.

Capital gains are generally taxed at the same rate as other profits. Some gains from the disposal of shares are exempt from tax if prescribed conditions are satisfied.

Losses may be carried back for relief against earlier profits and then carried forward for relief against later profits, without any time limits. Relief may be withheld however if there is a change of ownership of a company and within one year before or after there is a change in its business activity.

There is no tax consolidation facility for groups of companies.

Companies must file tax returns by reference to the tax year, which is the calendar year. Returns are due by the end of April following the tax year.

Companies are required to make monthly payments on account of their income tax liability, based on a percentage of their gross income. Any balance of tax due is payable with the filing of the tax return.

Personal Taxes

Resident individuals, as defined, and domiciled individuals, being those who have demonstrated an intention to reside in Chile, are liable to income tax on their worldwide income. Foreign nationals settling in Chile are generally exempt from tax on their foreign income for their first three years in the country.

Other individuals are taxed on their income from sources in Chile, subject to the terms of any relevant double tax treaty.

Income is taxed at graduated rates, with a top rate of 40%. Non-residents are taxed at a fixed rate of 35%.

Dividends received are taxed on the gross equivalent of the amount received with credit then given for the income tax paid by the company.

Capital gains are generally taxable, subject to some exemptions.

Inheritance and gift tax is charged on the recipients of property passing on death and of lifetime gifts. The charge extends to Chilean based assets, regardless of the nationality or residence of the deceased or the donor, and to the foreign assets of Chilean nationals and residents. The rates of tax are progressive and they also vary depending on the relationship between the recipient and the deceased or the donor.

There is no wealth tax.

Social Security Costs

Employers are required to make contributions, calculated by reference to employees' salaries up to prescribed limits, of from 0.95% to 4.35% for accident insurance, depending on the degree of risk; 2.4% for unemployment insurance; and 1.49% for disability and life insurance. An additional 1% or 2%, depending on circumstances, is payable by employers operating in trades where heavy manual labour is required.

Employees' contributions, based on a limited proportion of their salary, are from 11.14% to 13.85% for pension provision; 7% for health insurance; and 0.6% for unemployment insurance. Employees engaged in heavy manual labour are required to pay an additional 1% or 2%, depending on circumstances.

Withholding Taxes on Payments Abroad

Dividends are subject to a withholding tax of 35% but with a credit for the corporate income tax paid by the company.

Interest is in general subject to a withholding tax of 35%. A rate of 4% applies to interest paid to foreign banks and financial institutions, subject to conditions.

For royalties the general rate of withholding tax is 30%, but this is reduced to 15% if the royalty agreement relates to designated categories of advanced technology, industrial designs, invention patents or computer programs. The 15% rate increases to 30% if the payments are made to a related company or to a recipient in a listed tax haven jurisdiction.

Technical services fees are subject to a withholding tax of 15%, or 20% if they are paid to a related company or to a recipient in a listed tax haven jurisdiction.

For payments made to recipients in countries with which Chile has a double tax treaty the rates of withholding tax may be reduced under the terms of the treaty.

Indirect Taxes

Value added tax (VAT) is levied on the selling price of goods and services and on the value of goods imported into Chile. The rate of VAT is 19%. Exports are zero-rated. Some supplies are designated as exempt, including insurance and passenger transportation. Businesses, other than those making exempt supplies, can generally recover the VAT with which they themselves are charged.

Other Taxes

Licence fees

Businesses are required to pay an annual licence fee to their local municipalities at rates of from 0.25% to 0.5% of their equity capital.

Real estate taxes

An annual tax is charged on the owners or occupiers of real estate at rates of from 1% to 1.4% of the cadastral value. The proceeds of the tax are distributed to local municipalities.

Stamp duty

Stamp duty is charged on documents relating to corporate debt, at rates of from 0.05% to 0.6% depending on the length of the indebtedness. The duty applies also to foreign loans regardless of whether documentation is issued.

Transfer tax

There are no transfer taxes on transfers of real estate or securities.

Tax Incentives for Businesses

Accelerated depreciation reliefs are available for purchases of assets with a predictable life of at least three years.

There are a number of regional tax incentives which are designed to encourage economic development in particular areas.

Facts and figures as presented are correct at the time of writing, July 2011.

Country Tax Guides are designed to provide a summary of the taxes which apply to business and individuals, and are for information purposes only. Whilst every effort has been made to ensure accuracy, information contained in these guides may not be comprehensive and is subject to frequent change. Recipients should not act upon it without seeking professional advice. Contacts details for independent members of Baker Tilly International can be found at www.bakertillyinternational.com.

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