Deloitte.

International Tax
Chile Highlights 2023

Updated March 2023

Recent developments

For the latest tax developments relating to Chile, see Deloitte tax@hand.

Investment basics

Currency: Chilean Peso (CLP)

Foreign exchange control: Entities and individuals are free to enter into any kind of foreign exchange transaction, although reporting obligations apply to transactions that exceed USD 10,000 (or the equivalent in another currency).

Accounting principles/financial statements: IFRS applies. Financial statements must be filed quarterly.

Principal business entities: These are the corporation, company limited by shares, general partnership, limited liability company, limited partnership, individual enterprise with limited liability, association, and branch of a foreign corporation.

Corporate taxation

Corporate income tax rate	27% (25% under the small and medium-sized company regime)
Branch tax rate	27% (25% under the small and medium-sized company regime), plus 35% imposed on branch remittances (full or partial credit may be granted for the corporate income tax paid)
Capital gains tax rate	27% (25% under the small and medium-sized company regime)

Residence: A company is resident in Chile if it is incorporated in Chile.

Basis: Resident companies pay income tax on their worldwide income. Nonresident companies pay income tax only on Chilean-source income. Branches are taxed in the same way as subsidiaries.

Taxable income: Taxable income is defined as gross income from worldwide sources and is calculated by deducting from total income the direct costs of goods and services and the necessary expenses incurred in earning that income.

Rate: Corporate (or "first category”) income tax is imposed at a rate of 27% under the general regime and 25% under the regime applicable to small and medium-sized companies.

Surtax: There is no surtax.

Alternative minimum tax: There is no alternative minimum tax.

Taxation of dividends: Distributions between resident companies that prepare full accounting records generally are not subject to corporate income tax. Dividends paid by resident companies to resident individuals are subject to a "global complementary income tax" (see "Taxable income" under "Individual taxation," below).

Capital gains: Capital gains generally are taxed as ordinary income. Capital gains on the disposal of certain assets may be exempt from tax if specific requirements are met.

Losses: Tax losses may be carried forward indefinitely. The carryback of losses is not permitted. Tax losses are nontransferable and may be used only by the taxpayer that incurred the losses.

Foreign tax relief: Income taxes paid abroad on foreign profits derived from companies in which a participation is held or a branch, royalty payments, technical service fees, other income of a similar nature, income from exported services, and any income from tax treaty jurisdictions with respect to which a credit for the income taxes paid in the other contracting state has been granted are creditable against Chilean income taxes. The credit is capped at 35%.

Participation exemption: There is no participation exemption.

Holding company regime: There is no holding company regime.

Incentives: Preferential tax regimes are available for businesses operating in specific regions and/or carrying out certain activities. A tax credit is available for qualifying research and development expenses.

Compliance for corporations

Tax year: The tax year is a calendar year.

Consolidated returns: Consolidated returns are not permitted, although some *de facto* consolidation methods exist (these methods are being phased out).

Filing and payment: Chile operates a self-assessment regime. Companies are required to make monthly advance payments of tax, with the annual tax return filed in April of the year following the tax year.

Penalties: Penalties apply for late filing, failure to file, the underpayment of tax, and tax evasion.

Rulings: Guidance may be obtained from the tax authorities on the tax consequences of a planned transaction.

Individual taxation

Individual income tax rate	Taxable income (annual tax units)*	Rate
	Up to 13.5	Exempt
	Over 13.5 and not exceeding 30	4%
	Over 30 and not exceeding 50	8%
	Over 50 and not exceeding 70	13.5%
	Over 70 and not exceeding 90	23%
	Over 90 and not exceeding 120	30.4%
	Over 120 and not exceeding 310	35%
	Over 310	40%
Capital gains tax rate		Progressive rates from 0% to 40%

* 1 annual tax unit equals approximately USD 750

Residence: Individuals are resident if they remain in Chile for more than 183 days in any 12-month period. Depending on the circumstances, domicile can be obtained from the first day in the country.

Basis: Resident individuals are taxed on their worldwide income; nonresident individuals are taxed only on their Chilean-source income. However, foreigners are taxed only on Chilean-source income during their first three years of residence in Chile (although an extension can be granted); thereafter, they are subject to taxation on a worldwide basis.

Taxable income: Employment income and income of self-employed persons (e.g., professionals, directors of corporations, partners in professional partnerships) is subject to "second category" income tax, while dividends and similar investment income are subject to the "global complementary income tax." Corporate income tax paid on the profits out of which dividends are paid is partially creditable against the global complementary income tax.

Rates: The individual income tax is charged at progressive rates ranging from 0% to 40% (for both income subject to second category income tax and income subject to the global complementary income tax).

Capital gains: Capital gains generally are taxed as ordinary income. Capital gains on the disposal of certain assets may be exempt from tax.

Deductions and allowances: Individuals may deduct interest paid on a mortgage for the construction or acquisition of a dwelling, and pension and social security contributions. Parents are granted tax relief in the form of a tax credit to represent expenses associated with the education of their children (primary and high school studies).

Foreign tax relief: Income taxes paid abroad on foreign profits derived from companies in which a participation is held, royalty payments, income from employment and independent personal services, and income from a tax treaty jurisdiction with respect to which a credit for the income taxes paid in the other contracting state has been granted are creditable against Chilean income taxes. The credit is capped at 35%.

Compliance for individuals

Tax year: The tax year is a calendar year.

Filing status: Joint filing generally is not permitted; however, spouses married under a community property system must file a joint annual tax return.

Filing and payment: An annual income tax return must be filed in April of the year following the end of the tax year, and any tax due must be paid at that time. Tax on income from employment is withheld by the employer on a monthly basis. An employee whose entire income comprises employment income from one employer is not required to file a tax return, since the tax liability is satisfied by the second category income tax paid. Where an individual has other income and is required to submit a tax return, the second category income tax paid is credited against the final tax liability on the total income.

Penalties: Penalties apply for late filing, failure to file, underpayment of tax, and tax evasion.

Rulings: Rulings may be obtained from the tax authorities on the tax consequences of a planned transaction.

Withholding tax

Type of payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	0%	0%	35%	35%
Interest	0%	0%	4%/35%	35%
Royalties	0%	0%	0%/15%/30%	0%/15%/30%
Fees for technical services	0%	0%	15%/20%	15%/20%

Dividends: Dividends paid to residents are not subject to withholding tax (which is generally referred to as an "additional withholding income tax," which is only applicable to nonresidents). Dividends paid to nonresidents are subject to a 35% rate of withholding tax; however, 65% of the corporate income tax paid on the profits distributed is creditable against the final taxes payable (100% for shareholders resident in jurisdictions with a tax treaty in effect with Chile). Under a temporary measure that applies until 31 December 2026, shareholders from jurisdictions that signed a tax treaty with Chile prior to 1 January 2020 also will be entitled to a 100% credit, even if the treaty is not yet in effect. The withholding tax rate may be reduced in accordance with the terms of an applicable tax treaty.

Interest: Interest paid to residents is not subject to withholding tax. Interest paid to nonresidents is subject to a 35% rate of withholding tax; however, a 4% rate applies, *inter alia*, to interest on loans granted by a foreign or international bank or financial institution or by an insurance company or pension fund that complies with certain registration requirements, provided the lender and borrower are unrelated. The withholding tax rate may be reduced in accordance with the terms of an applicable tax treaty.

Royalties: Royalties paid to residents are not subject to withholding tax. Royalties paid to nonresidents for the use, enjoyment, or exploitation of invention patents, computer programs, utility models, industrial designs and drawings, blueprints or topography of integrated circuits, and of new vegetable varieties, are subject to a 15% withholding tax (30% if the income beneficiary is resident in a jurisdiction with a preferential tax regime). Royalties paid to nonresidents by an end user (no commercial exploitation) for the use of shrink-wrapped software are exempt from withholding tax. Royalties paid to nonresidents in respect of trademarks, patents, formulae, and similar items are subject to a 30% withholding tax. The withholding tax rate may be reduced in accordance with the terms of an applicable tax treaty.

Fees for technical services: Residents are not subject to withholding tax on fees for technical services. Nonresidents are subject to a 15% rate of withholding tax on payments for technical and engineering works and for professional or technical services that a nonresident/nondomiciled individual expert in a science or technique renders (in Chile or abroad) through advice, a report, or a plan. The rate is increased to 20% if the beneficiary is resident in a jurisdiction with a preferential tax regime. The withholding tax rate may be reduced in accordance with the terms of an applicable tax treaty.

Branch remittance tax: A 35% withholding tax applies to the remittance of profits to a head office, with a full or partial credit granted for corporate income tax paid by the branch, depending on whether the head office is in a tax treaty jurisdiction (see "Dividends," above).

Other: Payments for services rendered abroad, other than for technical services, etc., are subject to a 35% withholding tax. Certain services rendered by nonresidents to resident individuals are exempt from withholding tax.

Anti-avoidance rules

Transfer pricing: Chile's transfer pricing rules are in line with the OECD guidelines. The following methods may be used: comparable uncontrolled price, resale price, cost plus, profit split, comparable profit split, and residual methods. The tax authorities may challenge and reassess transfer prices between related parties where the terms and conditions of transactions are not at arm's length. Annual filing obligations apply.

Country-by-country reporting is required for certain multinational groups with a Chilean resident parent or other Chilean resident group entity.

Interest deduction limitations: Thin capitalization rules apply to related party loans, the interest on which: (i) is subject to the reduced 4% withholding tax rate for interest paid abroad (i.e., loans granted by foreign or international banks or financial institutions or by an insurance company or pension fund that complies with certain registration requirements); (ii) is not subject to withholding tax; or (iii) is subject to a withholding tax rate lower than 35% under a tax treaty or domestic law. If the debt-to-equity ratio exceeds a 3:1 threshold, the excess interest is subject to an additional 35% tax payable by the borrower (reduced by any withholding tax paid on the interest). Certain third-party financing is deemed to be related party financing.

Controlled foreign companies: The controlled foreign company (CFC) rules require residents to include in their current taxable income certain types of passive income earned by nonresident entities that are deemed to be CFCs. A nonresident entity will be considered a CFC if a resident holds, directly or indirectly, 50% or more of the capital, profits, or voting rights; can elect the majority of the directors; or has unilateral powers to amend the entity's bylaws. The entity generally will be deemed to be controlled (irrespective of the participation or rights involved) if it is established, headquartered, or resident in a low or no tax jurisdiction (although entities established in OECD member jurisdictions will be excluded from this presumption).

In addition, for the CFC regime to apply, the CFC must earn income defined as "passive," which includes dividends, interest (unless the CFC is a bank or financial entity regulated in the relevant jurisdiction), royalties (unless derived from research and development projects duly approved by the Chilean Production Development Corporation), and capital gains.

Hybrids: There are no specific regulations on hybrids.

Economic substance requirements: There are no specific regulations on economic substance requirements.

Disclosure requirements: Certain large taxpayers must file a sworn declaration with the tax authorities, in which they must disclose whether they have carried out certain transactions listed in the form. The types of transactions addressed may be considered to be related to aggressive tax planning.

Chile taxes indirect transfers of Chilean assets provided certain thresholds are met. Indirect transfers must be disclosed irrespective of whether taxation is triggered.

Exit tax: Companies that close down their activities in Chile are subject to a 35% "closing down" tax on an amount that conceptually corresponds to undistributed profits, but only on the portion corresponding to the owners that are subject to final taxes (resident individuals or nonresident individuals/companies) or that are not obliged to keep complete accounting records. The corporate income tax paid is fully or partially creditable against the closing down tax.

Under the transfer pricing rules, the Chilean tax authorities may assess an exit tax of 40% of the assessed amount regarding reorganizations or restructurings that transfer from Chile to abroad any assets or activities that may generate income in the country, if the parties have not established a price or if the price is not consistent with what would have been paid by unrelated parties. The scope of this rule includes transactions with related parties and with jurisdictions with preferential tax regimes with which no exchange of information agreement is in place.

General anti-avoidance rule: Under the general anti-avoidance rule, the tax authorities may request the tax court to declare that a transaction is abusive or artificial, in which case the tax authorities may disregard its effects.

Other: There are other specific anti-avoidance rules.

Value added tax

Standard rate	19%
Reduced rate	0%

Taxable transactions: VAT is charged on domestic supplies of goods and services, and on the import of goods and of taxable services, including digital services. The import of services rendered from abroad will be VAT exempt if the remuneration is subject to income tax withholding.

Rates: The standard VAT rate is 19%. Certain items are zero-rated or exempt.

Registration: Registration for VAT purposes is mandatory. A simplified VAT compliance regime applies to nonresidents providing certain intermediation, advertising, or digital services to Chilean customers that are not VAT taxpayers and can be extended to other services upon request.

Filing and payment: A VAT return must be filed monthly, and the tax paid at that time. Under the simplified VAT regime, the nonresident provider can choose between monthly and quarterly filing.

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the national level.

Social security: The employer must make the following contributions for social security: (i) a monthly 0.93% premium on remuneration (capped at a floating amount calculated by reference to the UF, an inflation-adjusted monetary unit) in respect of labor-related accident insurance (in the case that it applies, there will be an additional contribution that varies according to the risk of the employment activity, at rates up to a maximum of 3.4%); (ii) a 2.4% compulsory unemployment insurance contribution on remuneration subject to the floating cap (3% for fixed-term contracts); and (iii) a 1.55% premium for life and disability insurance. Until 31 March 2023 (although this period may be extended), an employer must purchase COVID-19 insurance for each of its employees. In the case of a job position that is qualified as "heavy work," the employer must contribute an additional percentage of the employee´s pension fund, which can be 1% or 2%, capped at a floating amount.

The main social security contributions borne by individuals are the 7% health insurance contribution and 10% pension fund contribution, both capped at a floating amount. In the case of employees, the contributions are withheld by the employer.

Payroll tax: There is no separate payroll tax but employers are responsible for withholding second category income tax at progressive rates ranging from 0% to 40% from employment income paid to their employees.

Capital duty: While there is no taxable event upon the incorporation of a company, business entities must pay an annual municipal license fee. The fee ranges from 0.25% to 0.5% on tax equity, up to a maximum of approximately USD 550,000 (the cap varies in line with inflation and the exchange rate). No tax is payable by individuals on their total wealth or value or on specific assets, except for the real estate tax based on the value of property.

Real property tax: Real property tax is imposed on the cadastral value at an annual rate of 1% on rural property and 1.4% on nonrural property. Nonrural residential property is exempt up to CLP 47,360,490 and subject to an annual rate of 1.2% on the cadastral value up to a certain amount and 1.4% on the excess. The permanent rates are subject to reductions by supreme decrees to mitigate any increase of the tax charge generated by reassessment of the government appraisal values. Surcharges may apply. A specific and progressive surcharge ranging from 0.075% to 0.425% applies to taxpayers owning properties the aggregate value of which exceeds 670 annual tax units.

Transfer tax: Chile does not impose transfer tax.

Stamp duty: Foreign loans are subject to stamp tax, whether or not they are documented. The rate is 0.066% for each month or fraction thereof between disbursement and maturity, capped at 0.8%. Loans payable on demand or without a maturity date are subject to a 0.332% tax. Domestic loans are subject to the same rates, provided a taxable document is issued.

Net wealth/worth tax: Chile does not impose a net wealth tax or a net worth tax.

Inheritance/estate tax: Inheritance tax is levied on the net value of assets transferred at death, at rates that vary depending on the proximity of the relationship between the deceased and the recipient.

Other: A tax at a rate of 40% applies on nondeductible expenses that directly or indirectly benefit those related to the company or its owners or that cannot be evidenced before the tax authorities. Nondeductible expenses that benefit a shareholder or partner subject to the global complementary income tax or "additional withholding income tax" are treated as a profit withdrawal, with the tax being increased by 10% of the nondeductible expense.

Tax treaties: Chile has around 35 active tax treaties. The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI) entered into force for Chile on 1 March 2021. For further information on Chile's tax treaty network, visit Deloitte International Tax Source.

Tax authorities: Chilean Internal Revenue Service

Contact us:

Joseph Courand
Email: jcourand@deloitte.com

Hugo Hurtado
Email: hhurtado@deloitte.com

Regina Scherzer
Email: rscherzer@deloitte.com