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INFORMATION FOR FOREIGN INVESTORS



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TAX STRUCTURE IN CHILE

▣ **Income Tax**

Persons resident or domiciled in Chile are subject to income tax on their world-wide income.

However, an individual taking up domicile or residency in Chile is taxed only on their Chilean source income for the first 3 years. This period can be prolonged by applying to the regional tax authority for an extension.

Persons without domicile nor residency in Chile are also taxed on their Chilean source income.

The Chilean Income tax operates under a two levels integrated system. This system includes the First Category Tax, which apply on income from business profits, and both the Global Complementary Tax which apply to individual residents or domiciled in Chile and the Additional Tax which apply to nonresidents in Chile. The First Category Tax is creditable against Complementary Global Tax or Additional Tax, as the case may be.

Income taxes are paid annually at the time of submitting the tax return.

▣ **First Category Tax**

The First Category Tax's rate is 20%. It is applied on an annual basis, from January 1 to December 31 (calendar year).

Income is assessed on a received or accruals basis.

The tax base is arrived at by adjusting financial accounts in accordance with regulations in the Income Tax Act. Loss carry back and forward is not limited in time.

◉ **Complementary Global Tax**

The Complementary Global Tax is a progressive tax with rates ranging from 0% to 40% and it is levied on income obtained by individual residents or domiciled in Chile. It is applied on an annual basis and income of all sources is included in the calculation of the tax base.

◉ **Additional Tax**

Additional tax applies to remittances or payments of income abroad, or when money in Chile is made available to a non-resident or non-domiciled person.

The non-resident is obliged to pay the additional tax but it is withheld by the payer and paid over to the tax authority by the latter. The withholding is final and the non-resident taxpayer is not obliged to file a tax return. The Additional tax is withheld at source at the general rate of 35%. However, this rate varies depending on the type of income remitted abroad (for specific rates see “Tax rate summary” section).

◉ **Tax Treaties**

Chile has signed a significant number of tax treaties which are mainly based on the OECD Model of Tax Conventions. Such treaties may affect the application of the Additional Tax in Chile and also provides benefits to credit in Chile foreign taxes paid abroad. For further information see:

<http://www.sii.cl/pagina/jurisprudencia/convenios.htm>



◉ **Second Category Tax (Income from employment)**

The Second Category Tax is a progressive tax with rates ranging from 0% to 40%. It is calculated on gross salary and work compensations less social security payments. The tax is withheld by the employer.

An employee that does not obtain any other income in a tax year is not required to submit a tax return.

▣ Value Added Tax (VAT)

VAT is Chile's main consumption tax. It is levied at a rate of 19% on the sales of goods and services, with a few exemptions for some services. The same general rate applies to imports, habitual or otherwise, made by any individual or legal entity.

VAT must be declared and paid on a monthly basis and the amount to be paid is determined by the difference between the tax debit and tax credit. If the tax credit is greater than the debit, the excess can be carried over to the following month and used as a VAT credit.

Exporters are exempt from VAT and are entitled to reimbursement of VAT on purchases of goods and services that they use as part of their export activity.

▣ Decree Law No. 600 of 1974

Under the Foreign Investment Statute (DL 600), the foreign investor may choose to pay a higher tax of 42% instead of the Additional Tax of 35%. The rate is fixed for a period of 10 years, which may in certain circumstances be extended to a maximum period of 20 years. The investor may opt out of the special regime and thereby pay the Additional Tax, but once opted out may no go back.

**For further information
please check our website www.sii.cl**



TAX RATES SUMMARY

TAX	RATE
INCOME TAX	
First Category	20
Second Category	From an exempt rate to 40
Complementary Global	From an exempt rate to 40
WITHHOLDING TAX (Additional tax)	
Dividends and remittances	35
Trademarks and patents	30
Patents for inventions	15
Software	15
Rights Cinema and TV	20
Publishing rights	15
Interest payments	
· General rate	35
· Rate on interest paid to overseas banks and financial institutions that comply with requirements established by law.	4
Services rendered overseas	35
Engineering or technical work	15
Scientific, cultural or sporting activities	
· Remuneration arising exclusively from the work of foreign individuals who have undertaken scientific, cultural or sporting activities in Chile.	20
· Premiums on insurance taken out with companies not established in Chile.	22
· Rate for reinsurance.	2
· Sea transport to/from Chilean ports provided by foreign companies.	5
· Rental, sub-rental and chartering of foreign vessels.	20
· Lease and rent leasing of imported assets.	1.75

TAX LIFE CYCLE FOR FOREIGN INVESTORS

DOMICILE OR RESIDENCE

OBTAINING A RUT

STARTING A BUSINESS

STAMPING DOCUMENTS

UPDATING OR MODIFYING INFORMATION

ADMINISTRATIVE PROCEDURE

FILING TAX RETURNS AND PAYING TAXES

TAX AUDIT

APPEALS PROCEDURE

CLOSING AN ACTIVITY