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Latam Daily: Chile's Proposed Tax Reform

- **Chile: Tax reforms would collect 4.1% of GDP in four years**

CHILE: TAX REFORMS WOULD COLLECT 4.1% OF GDP IN FOUR YEARS

On Friday, July 1, the government presented its tax reform bill, which is intended to collect 4.1% of GDP to finance President Boric's social agenda. Tax reforms are being distributed over four different bills, two of which will be presented to Congress in July, while the other two will be delivered in the fourth quarter of 2022.

The first bill introduces changes to the income tax, simplifying the tax system by separating company taxation from that of its shareholders. The proposal would also lower the corporate tax rate from 27% to 25%, while increasing the capital gains tax rate to 22% (from 10%) and the personal income rate in the second bracket income, which will affect taxpayers with monthly income of more than CLP 4 million (around USD 4,250). Along the same lines, the proposed tax reforms create a new wealth tax for the super-rich with assets valued at more than USD 5 million and a new tax at the 2% development rate for companies, which may be discounted if part of the investments were allocated to Research and Development (R&D).

In addition, the reforms introduce the possibility for natural persons to deduct rental expenses from their tax base, while for small and medium-sized companies it creates a special VAT credit for new companies, which will be present during the first year of operation of the company. At the same time, the bill proposes some measures to reduce avoidance and evasion, while eliminating some tax exemptions.

A second bill will be presented in July that will introduce modifications within the current Royalty bill for the mining sector. The proposal will establish a tax rate between 1 and 2% for mining companies with sales between 50,000 and 200,000 metric tons of fine copper (MTF), and between 1 and 4% for those with sales greater than 200,000 MTF. The bill also introduces a tax rate of between 2 and 32% on operating income, calibrated to copper prices between USD 2 and USD 5 per pound.

—Jorge Selaive, Anibal Alarcón, & Waldo Riveras

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