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Global Tax Alert

News from EY Americas Tax

Chilean Congress approves tax reform

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The approved tax reform bill establishes a new property tax for high-value real estate, a new 40% income tax bracket for high-income individual taxpayers and a single "semi-integrated" tax regime. The bill is expected to be enacted in late February or early March.

On 29 January 2020, the Chilean Congress approved a tax reform bill after nearly 15 months of debate, political negotiation and protests. The bill was sent to the president for his signature and publication in the *Official Gazette*.

This bill represents the culmination of a process that began in August 2018. That draft was approved by the House in August 2019 and moved to the Senate. In the course of the Senate debate, protests began and some provisions were added to address some of those demands. Most of this bill, however, is as reflected in EY Global Tax Alert, *Chile significantly modifies tax reform bill*, dated 19 November 2019.

The bill is projected to raise $2.2 billion a year to fund social programs directed at aiding small businesses and the elderly.

In addition to a new property tax for high-value real estate and a new 40% income tax bracket for high-income individual taxpayers, the final version of the law establishes a single "semi-integrated" tax regime consisting of an overall 35% withholding rate applicable to dividend distributions from Chilean companies to their non-Chilean shareholders. Shareholders may offset the corporate tax (27% rate) with the 35% withholding tax, unless the countries in which the shareholders reside do not have a signed income tax treaty with Chile. In those cases, non-tax treaty shareholders will only be allowed to partially offset the corporate tax paid by the Chilean company with the withholding tax, triggering an overall tax rate of 44.5%.

A more detailed Tax Alert is forthcoming.

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