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# Global Tax Alert

News from EY Americas Tax

## Chile enacts new COVID-19 tax incentives package

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On 2 September 2020, Chile enacted a second COVID-19 package (Law 21.256), which includes tax measures aimed at giving relief to those economically affected by COVID-19, promoting investment growth and accelerating the economic recovery.

This Tax Alert highlights the provisions affecting foreign investments.

#### Amortization of intangibles

Under current regulations, intangibles are not subject to tax amortization in Chile (notwithstanding that the Chilean Internal Revenue Service has interpreted the regulations as allowing certain intangibles to be amortized under particular circumstances). Law 21.256 allows immediate tax amortization of 100% of intangibles acquired from 1 June 2020 to 31 December 2022, for corporate income tax purposes. Thus, this may be an incentive for some to acquire intangibles in Chile so the Chilean acquirer could claim 100% immediate amortization for tax purposes.

The law, however, limits the amortization to industrial and intellectual property rights and a variety of plant rights (i.e., rights over certain types of registered plants or seeds). Local registration of the intangibles may be required.

The law grants the tax authorities a special appraisal power to ensure that the acquisition of an intangible is carried out by following the fair market parameters.

## Full depreciation of fixed assets

Law 21.256 expands and simplifies the requirements for claiming the transitory incentive to depreciate fixed assets as enacted as part of the comprehensive tax reform under Law 21.210.

The law makes the following changes to the depreciation incentive:

- ▶ Allows the immediate full depreciation of fixed assets (formerly 50%)
- ▶ Allows fixed assets to be amortized in the same year they are acquired (previously, assets could not be amortized until used for commercial activities)
- ▶ Extends the deadline for claiming the depreciation incentive from 31 December 2021 to 31 December 2022
- ▶ Eliminates the “new investment project” requirement, which required taxpayers to demonstrate that the fixed assets belong to a new project

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