

August 19th, 2020

Pro-Investment Tax Policies Approved by Congress

Santiago, August 19th, 2020. On Tuesday, August 18, Congress approved a bill with several transitory pro-investment tax policies that will contribute to the recovery of the Chilean economy. The recently approved bill includes the following measures:

1. Transitory reduction of the corporate income tax rate for SMEs to 10%.

The measure considers the reduction to 10% of the corporate tax rate for SMEs for income received during 2020-2022. During the same period, the provisional monthly income tax payments for SMEs included in this benefit are cut in half. This policy is expected to benefit 2 out of 3 SMEs in the country. The policy is expected to lower fiscal revenue by a total of USD888 million between 2020-2022.

2. Refund of accumulated VAT tax credit for SMEs in good standing with the local IRS

A refund of VAT paid by SMEs is granted in the acquisition of goods or services between January and May 2020, as long as they maintain an accumulated VAT credit balance as of June 2020 and that they present a sales decline of at least 30 % between January and May, with respect to the same period in 2019. Accumulated VAT as of May 2020 is estimated at USD 75.6 million.

3. Deferral in the implementation of e-receipts for firms that already issue e-invoices

According to the Tax Modernization Law that was enacted earlier this year, e-receipts were to be implemented by firms that already issued electronic invoices in September-2020. However, this obligation has been postponed to January-2021.

4. 100% depreciation extended through December 31, 2022

Instantaneous depreciation is extended for the acquisition of fixed and intangible assets throughout the national territory between June 1, 2020 until December 31, 2022.

5. Exemption on the 1% regional contribution for investments executed through 2021

The Tax Modernization Law enacted earlier this year established a regional benefit of 1% for investment projects with fixed assets of at least USD 10 million, and that are submitted for approval to the Environmental Impact Assessment (EIA) System. The approved bill

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establishes that the Treasury will pay the 1% contribution of the investment projects that are submitted to the EIA until December 31, 2021, as long as the projects begin within a 3-year time span after the favorable environmental resolution.

6. Extension to 3 months of the VAT deferral period

The VAT payment period has been temporarily extended from 2 to 3 months for companies under the Pro-SMEs regime and companies with average sales of up to 100,000 UF (approximately USD 3.6 million) in the last 3 years, that they meet certain requirements of good compliance, such as not presenting repeated payment delays and having made their tax returns in a timely manner. The measure will be applied temporarily until December 31, 2021.