



## **Tax Reform Project In Chile**

Chile's government has announced a tax reform project that is currently being discussed and analyzed by Congress. This project in general aims to modernize and simplify current tax system. The main bearings of this project are to create a simpler, equitable and fully integrated tax system for all Chilean companies. One of the innovations is that the corporate taxes paid by the companies can be used as a credit against personal taxes.

A very important and interesting change is the creation of a government's body that will work as a "taxpayer defender"(known as DEDECON) to avoid arbitrary and abusive acts by the tax authority; granting the fulfillment of their legal rights.

Another key element of the reform package is a tax that will affect the digital services used in Chile (but provided by non-resident entities) such as Airbnb, Netflix, Spotify, Icloud and others e-commerce. The tax rate for these services will be 10 percent, and that will be charged to the Chilean credit or debit card of the purchaser together with the purchased service.

The President also announced a modernization of international taxation rules in order to encourage investment in Chile.

A part of government's new tax collection plan is to improve "green taxes ", this upturn will help the payment of the public expenses especially in matters of social policies and infrastructure.

The aim of the aforementioned measures is to bring Chile closer into line with developed countries in the areas of social justice, and to reduce inequality and combat poverty in the country.

## **Register of Undeclared Capital Abroad**

For understanding this change it is important to consider that in 2015 there was a special transitory law that contemplated a lower tax rate for the abroad undeclared capital for the held aboard by residents in Chile; the rate was 8 percent.

In this context; the tax reform project is going to maintain similar characteristics as the ones for special transitory regime of 2015, the difference being that the applicable tax rate will rise up from 8 percent to 10 percent. One of the controversial points is that this amount cannot be used as a credit against any type of corporate or personal tax, nor can

it be deducted as an expense for the determination of tax; but this expense However, any undeclared amounts will not be subjected to the 40 percent sanction rate that they would otherwise face.

This new version of voluntary and extraordinary declaration of assets or incomes held overseas does not force the taxpayer to repatriate same to Chile. One of the innovations included in the reform in this regard is that it will be extended to real estate assets and not only imposed on personal property, investments and currencies.

### **Chile Issued A New Resolution For Automatic Exchange Of Financial Information**

This resolution published by the Chilean IRS ('SII'), will help to accomplish OECD international guidelines for the automatic exchange of information meant to battle tax evasion. It is also part of the final step on the implementation of the OECD Common Reporting Standard that prevents aggressive tax planning strategies.

The automatic exchange will encompass the information of foreign companies and individuals with investments in Chile; this procedure will consider 91 world jurisdictions, including countries designated as tax havens.

In this manner; Government Financial Institutions in Chile must report the financial accounts in Chile of individuals or companies with foreign residency once a year. These Institutions will consider general taxpayer information such as name, address, account type and balance at the end of each year. In addition, the Financial Institutions have to be enrolled in via the information exchange facility on the tax authority website: [www.sii.cl](http://www.sii.cl)

The financial information collected will be shared automatically with the tax authority of the taxpayer's country of residence before September 30th and reciprocally; Chilean tax authorities will receive financial information relating to residents of Chile.