Tax Agenda Chile

September 2024

EY
Building a better working world

No.	Fact	Action
1	**US-Chile Double tax treaty entered into force in 2024:** The DTT entered into force on 01 January 2024 (except for taxes withheld on amounts paid or credited, for which the provisions of the Treaty entered into force on 01 February 2024). The DTT includes, among others, the following measures: - Significant reduction in WHT rates (eventual Value Added Tax exposure). - Direct capital gain planning. - Relief of Chilean indirect transfer tax. - Relief of expense deduction limitation when paid to related party in US. - Potential structure Chile as a Hub, considering the reduced WHT rates on payments from/for the US.	Companies should review the measures included in the Treaty in order to determine the impact in their future operations.
2	**Rejection of Tax reform and new "Fiscal Pact":** Due to the rejection of the tax reform proposed by the Chilean government on March 2023, in August 2023, the government announced a new Fiscal Pact, which will consist of a set of measures that include modifications in compliance and control rules, the modernization of the State to strengthen the transparency of public expenditure and an agenda to promote investment, productivity and growth, among others.	Taxpayers should review the measures included in the Fiscal Pact, to consider the impact on future operations.

Sep Oct Nov Dec

Compliance Risk management Cash-flow and ETR impact

Use text boxes above the timeline to plan your actions for coming months

No.	Fact	Action
3	**New mining royalty:** The new mining royalty bill, Law No. 21.591 establishes that mining operators will be subject to an ad-valorem component (1%) and an operating-margin component (8%-26% for big mining companies), based on their level of sales and the type of minerals exploited. The sum of these components will correspond to the mining royalty, for which mining exploiters may be liable, subject to a maximum taxation limit that considers the royalty, corporate income taxes, and final taxes. The mining royalty bill has entered into force on 01 January 2024. As a result, the current tax on the mining activity will be effectively repealed on that date.	Mining companies should analyze the components of the new mining royalty to determine its application to the activities performed. Furthermore, mining companies subject to the royalty will be obligated to report their financial information to the Chilean Financial Market Commission.
4	**Foreign Exchange (FX) rates:** The following provisions are applicable: - Foreign assets registered in USD have to be tax revaluated considering the exchange rate at the end of the year. - Current USD/EUR exchange rate in Chile is CLP 946 (last year FX rate was CLP 855). - The variation between FX rate of years end (i.e. 31 December 2022 and 31 December 2023) is considered as a taxable income or loss. - To avoid the exposure of being taxed for exchange rate fluctuation, companies may elect carry their books in USD.	Taxpayers should apply Chilean FX rules to operations made in foreign currency.
5	**Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI)** The MLI entered into force for Chile on 01 March 2021. Its entry into force is subject to ratification by the partner countries with which the agreement has been signed. Currently, there are 21 agreements signed with Chile in which both parties have the agreement in force.	Entities should review the DTTs signed by Chile to determine the disposition that will be affected by the MLI in order to consider the impact in future operations.
6	**Research and Development Investments (R&D):** Incentive to private R&D Investments is a tax credit granted to taxpayers of CIT equivalent to 35% (annual cap of USD 1,000,000) of the total R&D cash payments made under the respective duly certified contracts. The amount of the credit may not exceed 15,000 Monthly Tax Units (which are calculated as of December of each period). This benefit will be in force until 31 December 2025.	Taxpayers should determine the compliance with the requirements for the application of the benefit.

No.	Fact	Action		
	Advance Transfer Pricing Agreements (APAs):			
7	APAs are applicable since 2012. Under APAs, Chilean Tax Authority resolves disputes through an early and collaborative audit prior to the execution of the intercompany transaction. APAs improve the taxpayer's relationship with the Chilean Tax Authority and prevents Transfer Pricing disputes.	Taxpayers that opts for an APA with the Chilean Tax Authority shall elaborate a tax audit support file with documentation that supports its operations. The documentation will include information regarding the type of transactions to be studied, the characteristics of the properties or services in question, the functions, risks and properties involved, the contractual terms between the parties, among others.	●	☐

Contacts:

Felipe Espina
Partner, International Tax and Transaction Services - Chile
EY Consultores Limitada
felipe.espina@cl.ey.com

Janice Stein
Partner, Transfer Pricing Services - Chile
EY Consultores Limitada
janice.stein@cl.ey.com

Juan Antonio Rivera
Partner, Global Compliance & Reporting - Chile
EY Consultores Limitada
juan.antonio.rivera@cl.ey.com

Raúl Arias
Partner, Accounting Compliance and Reporting - Chile
EY Consultores Limitada
raul.arias@cl.ey.com

Pablo Fernández
Manager, International Tax and Transaction Services - Chile
EY Consultores Limitada
pablo.fernandez1@ey.com

Federico de Bonilla
Senior Manager, Transfer Pricing Services - Chile
EY Consultores Limitada
federico.debonilla@cl.ey.com

Jorge Vergara
Senior Manager, Global Compliance & Reporting - Chile
EY Consultores Limitada
jorge.vergara@cl.ey.com

Cristopher Pérez
Manager, Accounting Compliance and Reporting - Chile
EY Consultores Limitada
cristopher.perez@cl.ey.com

EY | Building a better working world

EY exists to build a better working world, helping create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EYG no. 007469-24Gbl
ED None

ey.com