

TAX POP - UP

March 9th, 2023

TAX REFORM



Current status

On March 8th 2023, the Chilean Chamber of Deputies rejected the Tax Reform Project (**Tax Reform**).

This means that the Chilean Government will not be able to submit a new Tax Reform for the period of 1 year. However, the President may request the Senate to approve the Tax Reform with the votes of 2/3 of the Senators.

This alternative would require a broad agreement with the opposition, which controls half of the Chilean Senate. Such an agreement would most likely mean a better tax reform, eliminating the most controversial changes.



What are the main consequences of the rejection of the Tax Reform?

- 1** The current integrated tax system will continue as it is. Therefore, the new "Capital Income Tax" with a rate of 22% will not be applied, nor will the proposed Development Rate of 2%.
- 2** Corporate Tax rate reduction from 27% to 25% will not be applied.
- 3** Special Income Tax on accumulated earnings will not be applied.
- 4** Personal Income Tax brackets wont be modified.
- 5** Family members will remain considered as non-related for CFC purposes.
- 6** The Registry of Beneficial Owners wont be created.
- 7** General Anti-avoidance Rule will be kept under the Tax Courts control, instead of being granted to the Chilean IRS.
- 8** Wealth Tax will not be created.
- 9** The elimination of the benefits associated with the DFL's 2 (small houses) is rejected. Limits on the deduction of interest on mortgage loans will not be established. Deduction of expenses related to housing rental and family care will remain not allowed.
- 10** Public and Private Investment Funds will keep their Corporate Tax exemption.