

INPATRIATES

Chile

Tax facts for international assignees



INCOME TAX: WHO IS LIABLE

There is no special in-patriate regime in Chile. A foreign individual rendering dependent or independent personal services in Chile without acquiring Chilean domicile or resident status is treated as a non-resident or non-domiciled individual.

Resident individuals are taxed on their worldwide income; non-residents are taxed only on Chilean source income.

Resident/Domiciled

Residents are individuals present in Chile, uninterruptedly or not, for a period or periods exceeding in the aggregate 183 days in any twelve-month period.

Domiciled persons are individuals that have the intention to stay in Chile on a permanent basis, which can be assumed from the person's circumstances (e.g. employment contract, the person's family residence, children's school, etc.). Chilean domicile mainly reflects the intention of the expatriate to establish a principal place of business or residence in Chile over a certain period of time.

A foreign individual that acquires Chilean domicile or residence is liable to income tax only on his Chilean-source income during the first 3 years in the country (this period may be extended by the tax administration in special cases). After this period has elapsed (i.e. more than 3 years) foreigners will be subject to income tax (Second Category Tax) on their worldwide income.

Depending on the type of income, a tax return must be filed annually or monthly. This income tax, called the Second Category Tax ("Impuesto Unico de Segunda Categoria"), has progressive rates ranging from 0% to 40% on the net salary.

Nonresident

Business travelers that are considered non-residents and not domiciled in Chile are taxed on any income derived from Chilean sources. Depending on the type of income, a tax return must be filed annually or monthly. This tax is called Additional Tax or Non-Resident Income tax ("Impuesto Adicional"). The income is subject to a final withholding tax at the general rate of 35% on the gross amount derived.

A non-resident expatriate is subject to a 20% withholding tax on remunerations earned in Chile derived from scientific, cultural or sporting activities; and subject to a 15% withholding tax on technical, professional and engineer services.

INCOME TAX RATES

Employment income is subject to second category income tax, while investment income and profits earned from a business are subject to the Complementary Global tax. The first category tax is creditable against the complementary global tax.

The individual income tax is charged at progressive rates ranging from 0% to 40%. Tax on income from employment is withheld by the employer on a monthly basis.

Foreign taxes may be credited against domestic taxes or treated as a deductible cost.

SOCIAL TAX RATES

Social security is mandatory in Chile. Employees working in Chile are subject to the payment of social security contributions, which are deducted from their gross salary with certain caps. These contributions must be withheld by the employer and are paid as 10 percent to the pension fund administrator plus its commission and 7 percent to the health institution.

These figures are calculated over the gross salary with a cap of 80,2 UF per month (approximately USD 2,800). This cap is adjusted annually, with consideration placed on the variation of the real wage rate, determined by the National Institute of Statistics.

Tax rates for residents	
Income Tax rates (Second Category Tax)	Progressive; Top Bracket 40% (over 310 annual tax units)
Capital gains (Complementary Global Tax)	Yes, part of business income (subsequently subject to individual income tax with credit for business income tax paid); Gains on non-habitual immovable property transactions are exempt; Listed shares are exempt under conditions
Unilateral double taxation relief	Yes
Tax rates for Non-residents	
Income Tax rates (Additional Tax)	35% (business income tax paid is creditable)
Capital gains on sale of shares in resident companies	Part of business income (when paid abroad subject to 35% with a credit for the 20% paid)
Withholding Tax rates	
Income Tax rates (Additional Tax)	35% (business income tax paid is creditable).
Capital gains on sale of shares in resident companies	Part of business income (when paid abroad subject to 35% with a credit for the 20% paid).

For further information and to register for future updates contact expat@bdo.global

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