

# GMS Flash Alert

2023-061 | March 17, 2023



## Chile - Tax Reform Bill Rejected by House of Representatives

The Tax Reform Bill that was introduced by Chile's government in July 2022 was rejected on March 8, 2023, by the House of Representatives (*Cámara de Diputados*).<sup>1</sup> The initiative did not achieve the required quorum, with 73 in favor, 71 votes against, and 3 abstentions. The bill included several significant reforms, including a new higher tax bracket of 43 percent to apply for monthly resident income tax withholdings (Second Category Tax) and annual tax (Global Complementary Tax), increasing the medium- to high-income brackets, a new capital gains tax in respect of Chilean securities, and eliminating the current rental income exemption.

Since the initiative was first introduced in early July 2022 by the government, the original text had been subject to various amendments by the different parties involved. (For prior coverage, see [GMS Flash Alert 2022-147](#), August 8, 2022.) However, the bill did not obtain the required support when the legislation was voted on in the House of Representatives.

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### WHY THIS MATTERS

There has been much discussion and many concerns expressed by employees on international assignment subject to Chilean tax law and by their employers regarding the consequences of some of the reforms, should they pass.

The rejection of the bill leaves the tax reform wounded – if not killed – for the time being. Had it passed, its impact would have been felt in terms of the monthly and annual income tax rates, brand-new wealth tax, deductions currently allowable, to name a few.

The gross salary received by employees would have gone up; and the overall cost for their employers would have increased as a result of the amount of taxes that companies would have had to pay for those employees under an equalized compensation package, as detailed in [GMS Flash Alert 2022-147, August 8, 2022](#).

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## A Future for Tax Reform?

The government has two alternatives in this matter: (1) to send the bill to the Senate (although the Secretary of Treasury (*Ministerio de Hacienda*) has recently stated that the bill will not continue its discussion phase in the House of Representatives or in the Senate), or (2) the government has the option to wait one year after the House rejection date and deliver a new bill /update of the original proposed tax reform.

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### KPMG INSIGHTS

When there is uncertainty in a tax system, it raises anxiety amongst both personal and corporate taxpayers. Clearly there continues to be a desire for reform in Chile, but getting legislative agreement on the “right” mix of reforms is tricky and challenging.

Employers with questions around the outlook for future tax changes and how to plan around that should consult with their qualified tax professional or a member of the Global Mobility Services team with KPMG in Chile (see the Contacts section).

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### FOOTNOTE:

1 Chamber rejects the idea of legislating the proposed tax reform bill, *Cámara rechaza proyecto de la reforma tributaria*, was published (in Spanish) on the House of Representatives’ official website on March 8, 2023: <https://www.camara.cl/cms/noticias/2023/03/08/camara-rechazo-el-primer-proyecto-de-la-reforma-tributaria-impulsada-por-el-ejecutivo/> .

Also, see the video "Cámara rechaza reforma tributaria" (in Spanish) on the YouTube page of "Diputadas y Diputados de Chile," a government undertaking, at: <https://www.youtube.com/watch?v=q3VGVIPut1Q> .

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## Contact us

For additional information or assistance, please contact your local GMS or People Services professional or one of the following professionals with the KPMG International member firm in Chile:



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The information contained in this newsletter was submitted by the KPMG International member firm in Chile.

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