

General Information

COVID-19 has been defined as a constitutional state of emergency due to public calamity, which implies the adoption of exceptional measures to ensure to all persons the right to life, physical and psychological integrity, as well as the right to health protection.

In this context, last March 19th of 2020, the Chilean Government announced an Emergency Economic Plan to deal with its effects. Specifically, these measures intend to provide economic support mainly to small and medium companies (i.e. those with annual incomes no higher than US\$63 millions, (hereinafter “SMEs”), workers and their families. This initiative seeks to mobilize resources of US\$ 11.7 billion (approx. 4.7% of Chile’s annual GDP).

The Plan contains specific measures, under four main lines of action, as follows:

Tax measures – Direct and Indirect (e.g. payment deferrals, rate reductions...)

Injection of liquidity for businesses with emphasis on SMEs

- Suspension of monthly provisory payment (“PPM”). The Chilean Income Tax Law (“ITL”) provides that taxpayers must execute monthly provisory payments of Corporate Income Tax (“CIT”) on monthly basis. The measure seeks to suspend such payments for the following three months (between April to August) in order to provide liquidity to the Chilean companies for approximately US\$2.4 billion.
- Postponement of VAT payments. Within following three months (April, May, June), companies with sales up to US\$12,2 million will be able to postpone VAT payments. The postpone amounts can be paid in 6-12 payments, with 0% interest applicable.
- Anticipation of income tax refund for SMEs and individuals. Within the month of April of each year, Chilean annual tax returns must be submitted before the Chilean Internal Revenue Service (hereinafter “SII”). When in a tax loss position, the company can request CIT refund. Normally refunds are paid in May or June, but this measure seeks to anticipate refunds for SMEs with annual sales up to US\$2,6 millions to April 2020.
- Anticipation of income tax refund for SMEs and individuals (cont.). Individuals who qualify as self-employed will also be allowed to ask for the refund of taxes withheld within commercial year 2019 and months of January and February 2020, to be paid within month of April.
- Postponement of annual CIT payment. SMEs will be able to postpone the CIT payment, and execute it on July 2020.
- Postponement of territorial tax on immovable assets. Companies with sales up to US\$12,2 million and individuals which immovable property has a tax value up to US\$150k, may opt to defer the first quote of the territorial tax payment (which is paid on a quarterly basis) to be paid along with the next three installments of the year, interest-free.
- Temporary decrease of the stamp tax rate to 0%. Chilean Stamp Tax is triggered upon the issuance of documentation which evidence money lending transactions. This reduction of the tax rate will benefit all companies (regardless of their size) and individuals, between April to September 2020.
- Flexibility for payment of tax debts before the Chilean General Treasury.
- Business expenses deduction. Expenses associated with dealing with the health contingency will be accepted as tax expenditure, deductible by the Chilean entities in the determination of their CIT taxable base.
- Extension of Sworn Statement/affidavit filing deadline before the SII.

Employment-related measures (e.g. state compensation schemes, training...)

Protection of jobs and employment income:

- Labor Income Protection bill. The bill seeks to suspend the main obligations of the labor contract. The employee would receive his income from the accumulated income of the unemployment insurance fund. For this purpose, the Chilean National Treasury will contribute with US\$2 billion, as required.
- Employment protection bill. This bill seeks to reduce working day in 50% and allows the solidarity fund of the unemployment insurance complement workers regular income to avoid falling below of its 75%.

Economic stimulus measures (e.g. loans, moratorium on debt repayments...)	Other measures and sources
<p>Injection of liquidity for businesses with emphasis on SMEs</p> <ul style="list-style-type: none"> – Preferential payment for suppliers of the Chilean State. In the month of April 2020, the Chilean treasury will pay all invoices which are pending of payment. Subsequent invoices will be paid within 30 days. – Enabling a new portal for public procurement. It was announced the implementation of a new portal called "Compra Ágil" (i.e. Agile Purchase) which will focus on SMEs for all purchases of the Chilean State for amounts up to US\$1,8k which represent close to 80% of the State purchases. – Capitalization of the state-owned public bank "Banco Estado" for US\$500 millions. This measure will increase Banco Estado capacity to grant loans for approximately US\$4.4 billion. <p>Measures to increase available fiscal resources (cashflow)</p> <ul style="list-style-type: none"> – Two years of suspension for the Chilean State annual contribution to the Pension Reserve Fund which representing US\$500 million per year. – Process an authorization for placement of sovereign bonds up to US\$4 billion. – Redirecting resources received by public institutions to the Single Fiscal account in order to be allocated to priority and urgent concepts. This measure represents approximately US\$500 million – Increase in 18 months the term for the transfer of balances to the Strategic Contingency Fund measure which is equivalent to US\$936 million. 	<p>Income support for people in vulnerable economic situations</p> <ul style="list-style-type: none"> – Earned Income Support Bonus. Individuals who qualify in vulnerable economic situation with no formal employment relationship, will be receive a bonus equivalent to US\$60 per beneficiary. – Incorporation of a solidarity fund. A solidarity fund of US\$ 100 million will be incorporated to deal with social emergencies resulting from falls in local micro-commerce sales. These funds will be channeled through municipalities. <p>Main sources of information</p> <ul style="list-style-type: none"> — Plan de Acción por Coronavirus: https://www.gob.cl/coronavirus/plandeaccion/ — Ministros de Economía: https://www.economia.gob.cl/2020/03/06/ministros-de-economia-rr-ee-y-trabajo-anuncian-medidas-multisectoriales-para-contener-efectos-del-covid-19-en-chile.htm