

Chile's rental income tax is high

INDIVIDUAL TAXATION

Nonresidents are taxed on their Chilean-sourced income. Married couples are taxed separately but the husband reports the income derived from marital community properties.

INCOME TAX

Additional Tax, AT (*Impuesto Adicional*)

Nonresidents earning Chilean-sourced income are subject to a final withholding tax at the general rate of 35%.

Other taxes paid by the nonresident such as the First Category Tax (FCT) and property taxes are credited against the taxpayer's AT liability.

RENTAL INCOME

First Category Tax, FCT (*Impuesto de Primera Categoría*)

Income from leasing property is subject to FCT at a flat rate of 20%. FCT is credited against the taxpayer's AT liability.



All business income, including rental income, is subject to FCT. Taxable income is computed by deducting income-generating expenses from the gross income.

The tax rate increases to 21% in 2014, then to 22.5% in 2015, then to 24% in 2016, and then to 25% in 2017.

CAPITAL GAINS

Capital gains on the sale or transfer of real estate are not taxable if the seller is not habitually in the business of buying and selling properties.

First Category Tax, FCT (*Impuesto de Primera Categoría*)

Selling an apartment or flat owned for less than four years, and selling other immovable property within one year of acquisition, is considered as habitual transactions. The gains are taxed as any other profit at the standard FCT rate of 20%. The taxable capital gain is computed by deducting the acquisition costs from the selling price. The acquisition cost is adjusted for inflation based on the consumer price index.

The tax rate increases to 21% in 2014, then to 22.5% in 2015, then to 24% in 2016, and then to 25% in 2017.

VALUE ADDED TAX (*Impuesto al Valor Agregado*)

Chile imposes 19% VAT on most goods and services. As a general rule, the sale of real estate is exempt from VAT but, the leasing of real estate is subject to VAT.

PROPERTY TAX

Real Estate Tax (*Impuesto territorial*)

Real estate tax is levied on Chilean property annually, payable by the property owners. The tax base is the cadastral value of the property, and an exemption is granted for properties whose cadastral value does not exceed a certain limit. The tax rate is 1.2% for urban properties and 1% for rural properties.

For residential properties, the tax rate is 1% on part of the cadastral value not exceeding a certain limit and 1.2% on the remaining part.