April 30, 2012 News & Regulatory Updates

Last Thursday, April 26, 2012, Chilean President Sebastian Pinera announced details of his tax overhaul package. One aspect of note is the elimination of import duties by 2015. The bill was introduced to the Chilean Congress today, April 30. Chile currently imposes a 6% import tax, or duty, on goods imported from countries without a joint FTA with Chile. Chile currently has FTAs with China, Japan, the EU, US, Canada, Mexico and various countries in South America. Under the duty elimination program, duty would be reduced to 4% in 2013, 2% in 2014 and entirely eliminated in 2015.

Chilean Finance Minister Felipe Larrain stated "We aspire to turn Chile into a free port like Hong Kong and Singapore and we'd be the only country in South America without import duties."

In addition to eliminating duties, the tax overhaul package would increase the corporate income tax from 18.5% to 20% as well as lower taxes for low and middle income taxpayers, lower tax evasion and raise the tax levied on alcoholic beverages with a higher alcohol content..

In total, the tax overhaul package is expected to increase annual government revenues by $700 million to $1 billion. The increased revenue will solely be used to fund education initiatives including low interest student loans.