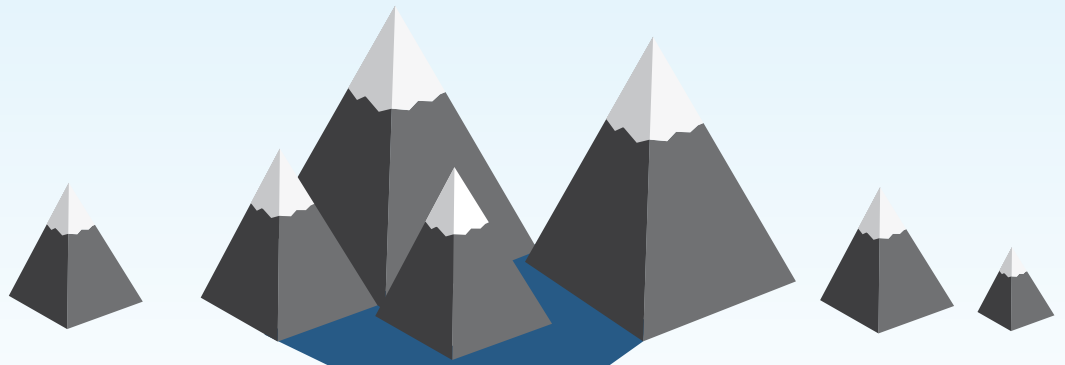




Ministry of  
Finance

Government of Chile



# INCENTIVES FOR REMOTE TERRITORIES

**LAW N° 20,655**

Published in the Official Journal on February 1, 2013



**JULY 2013**

## ATTENTION

This brochure is a simple and illustrative guide to the main benefits of the “remote territories act”. Therefore, in case of doubt, you should review the relevant regulation listed herein, direct your inquiries to the competent authorities, or seek private advice.

Chile holds a privileged geographic situation in the Latin American region. Due to this, Chile benefits from practically all climates and landscapes existing on earth.

These privileges are also the cause of certain difficulties that have affected Chile throughout its history, such as transportation limitations, centralization and hostile weather conditions.

In order to deal with these problems and foster development, some benefit and exceptions regimes, such as tax credits, employment bonuses Decree Law 15/1980, have been issued in certain remote territories of Chile.

## 1 TAX CREDIT

Investments carried out in Chile’s remote territories are granted a tax credit.

The tax credit is deductible from the corporate tax of companies making investments in fixed assets in the territories of the XV in the far north; XI and XII Regions, and in the Palena Province. In order to take advantage

of this benefit, the company must be a resident or domiciled in Chile.

This benefit is valid until year 2025. In case of credit remainders, they can be claimed until year 2045.

Investments must consist of, among others, constructions, machinery and equipment directly related to the production of goods or the rendering of services that in the same line of business of the company, acquired brand new or manufactured in the corresponding commercial year.

The percentage of the tax credit varies depending on the geographic location of the investments. For investments carried out in the XV in the far north, the tax credit is equivalent to:

**30%**

Of the amount invested.

For investments carried out in the Parinacota Province, in the XV Region, also in the far north, the tax credit is:

**40%**

The same applies to investments in the development of tourism carried out in the city of Arica.

On the other hand, the tax credit available for investments in the far south (XI and XII Regions, and Palena Province) is progressive, and will depend on the amount invested:

- 1** Investments not exceeding 200,000 UTM (US\$ 16.7 million approx.) **30%**
- 2** Investments equal or greater than 200,000 UTM (US\$ 16.7 million approx.) but not exceeding 2,500,000 UTM (US\$ 209 million approx.) **15%**
- 3** Investments equal or greater than 2,500,000 UTM (US\$ 209 million approx.) **10%**

The Tax Credit for investments carried out in the far south cannot be greater than 80,000 UTM (US\$ 6.7 million approx.), per year.

### Certain assets cannot be part of an investment project, such as:

- Those not subject to depreciation or with a useful life of less than three years.
- Motorized vehicles are also excluded, except those to be used off-road with mounted equipment (as a retro excavator), and certain aircrafts and watercrafts.

In all cases, in order to apply for the benefit, the amount of the investment **must exceed 500 UTM (US\$ 42.000 approx.)**.

Under certain conditions, investors may qualify to suspend or reduce the amount of their mandatory monthly provisional tax payment installments (pagos provisionales mensuales).



### How to apply for the benefit

There is no need to file tax forms or make any formal requests to the authorities. The tax credit is imputed on every year's tax return (April), with respect to the corporate tax of the present year.

## How the tax credit could benefit your enterprise



Manufacturing company "X&Z S.A.," with headquarters in Santiago de Chile, plans to make productive investments in Arica during year 2013. These investments will consist of the acquisition of equipment and the construction of store-houses.



The amount of the investment will be CLP\$ 25.000.000 (US\$ 52.000 approx.).



Estimated taxable income for the company on 2013 is CLP\$ 50.000.000 (US\$ 104.000 approx.). This income will be generated from activities carried out throughout the country, not necessarily in Arica.



When filing the company's tax return in April 2014, tax credit is imputed as follows:

Corporate tax  
(20% flat rate)

**CLP\$ 10.000.000**

(20% of CLP\$  
50.000.000 tax base)

Tax credit for investments carried out in remote territories

**CLP\$ 7.500.000**

(30% of the amount of the  
investment CLP\$ 25.000.000)

Corporate tax  
(after tax credit)

**CLP\$ 2.500.000**



By virtue of the tax credit, the company making investments in Arica saves CLP\$ 7.500.000 in corporate tax.

If the company does not produce taxable income during year 2013, the tax credit may be carried forward until the company generates taxable income, until year 2045.

### Exclusions

Companies with overdue tax and customs debts are not entitled to this benefit.

### Competent authorities

- National Tax Agency (Servicio de Impuestos Internos)  
[www.sii.cl](http://www.sii.cl)
- National Customs Agency (Servicio Nacional de Aduanas)  
[www.aduana.cl](http://www.aduana.cl)

### Relevant regulation

- Law N° 19,606  
<http://bcn.cl/6vdu>
- Law N° 19,420  
<http://bcn.cl/w0f8>
- Law N° 20,655  
<http://bcn.cl/180q6>
- Circular letters N° 50/1995; N° 64/1996; N° 29/1999; N° 46/2000, and N° 45/2008, issued by the National Tax Agency  
[www.sii.cl](http://www.sii.cl)

## 2 EMPLOYMENT BONUS

The Employment Bonus is a fixed monthly amount payable to employers for every worker hired under a labor agreement. The bonus is equivalent to 17% of an amount not exceeding CLP\$ 182.000 monthly (US\$ 380 approx.), adjusted each year for inflation.

For the year 2013, the monthly amount of the bonus for each worker is

**CLP\$ 31.837**  
**(US\$ 66 approx.)**

payable to employers that meet the abovementioned prerequisites.

In order to qualify for the bonus, workers must live (permanent address) and work in Regions I and XV, in the far north, and Regions XI and XII, and the provinces of Chiloé and Palena, in the south and far south.

In the southern territories (Regions XI and XII, and the provinces of Chiloé and Palena), the bonus is granted only to employers that pay wages that are 20% greater than the minimum wage in force at the time in Chile.

Workers with part-time labor agreements may also benefit their employer with the bonus, which is calculated proportionally.

This benefit is valid through December 31, 2025.

### Necessary conditions to receive the bonus:

- A.** The employer must not be receiving a special afforestation bonus as established by Decree Law N° 701.
- B.** Social security contributions of employees, with respect to the month the bonus is paid, must be up to date and not overdue.
- C.** Employers for which the bonus is requested must live (permanent address) and work in the aforementioned remote territories.
- D.** Certain activities are excluded from the benefit, including public sector activities, médium and large copper and steel mining industries, public companies, banks, financial corporations, health insurance companies (ISAPRES), and pension funds administrators (AFP), among others.
- E.** Applicants must file a sworn statement declaring not having been convicted in the last six months for anti trade union practices or violation of any fundamental workers rights.



## How to apply for the benefit

Employers must file form 71 (Solicitud de Bonificación a la Contratación de Mano de Obra en Zonas Extremas), which can be made in the following link: “bonificación zonas extremas”

\*users must be registered on website.

## How the employment bonus could benefit your enterprise



Manufacture company “X&Z S.A.,” with headquarters in Santiago de Chile, will hire a small workforce to execute certain tasks in Putre (XV Region). In order to carry out this job, three workers are hired.



The workers have a permanent address in Arica, and each has monthly earnings of CLP\$ 200.000 (US\$ 417 approx.).



“X&Z S.A.” is entitled to receive CLP\$ 31.837 (US\$ 66 approx.) every month, for each hired worker (total of CLP\$ 95.511, US\$ 200 approx.).



However, if the tasks are carried out in the province of Palena, in order to receive the bonus, the hired workers must have a permanent address in that province, and the amount of the wage paid must be 20% greater than the mandatory minimum wage. Considering that the current mandatory minimum wage is CLP\$ 193.000 (US\$ 402 approx.), the amount paid to the employees in order to benefit from the bonus must be greater than CLP\$ 231.600 (US\$ 482 approx.).

## Public agencies involved in the employment bonus

- Social security institutions linked to the National Treasury Agency’s website (i.e. PREVIRED).
- Social Prevision Agency (IPS).
- Regional offices of the National Treasury Agency where the bonus is paid.  
[www.tesoreria.cl](http://www.tesoreria.cl).

## Relevant regulation

- Law N° 19,853  
<http://bcn.cl/6v4s>
- Law N° 20,655  
<http://bcn.cl/180q6>
- Circular letter N° 4/2013, issued by the National Treasury Agency  
[www.tesoreria.cl](http://www.tesoreria.cl)
- Circular letter N° 27/2004, issued by the National Tax Agency  
[www.sii.cl](http://www.sii.cl)

### 3

## DECREE LAW N° 15/1980

Decree Law 15/1980, issued by the Ministry of Finance, is a bonus payable to productive investments that small and medium investors with gross sales not exceeding CLP\$ 915 million per year (US\$ 1.9 million approx.) carry out in Regions I and XV in the far north, and Regions XI and XII, and the provinces of Chiloé and Palena, in the south and the far south.

The bonus is **20%** of the amount of the investment, and cannot exceed CLP\$ 1.14 billion (US\$2.37 million approx.)

The bonus is paid with resources that are provided by the Promotion and Development Fund (Fondo de Fomento y Desarrollo), which transfers CLP\$ 2.500 million (US\$ 5.2 million approx.) to investment projects each year.

This bonus is payable until year 2025, and it's not compatible with any other fiscal benefit granted with respect to the same assets acquired as part of the investment project (i.e. if a company made investments in a remote territory and was granted a tax credit pursuant to Law N° 19,420 or Law N° 19,606, it may not apply for funding granted under the DFL 15/1980 bonus).



### How to apply for the benefit

Applications must be submitted each year from November 15 to December 31 (for funds to be distributed the following year). Investments already under development are most likely to receive funds than prospective investments.

Applications must be submitted to the Provincial Government or the local CORFO Agency corresponding to the territory where the investment will take place.

Applications are decided by a Council, which also prepares the bonus terms and conditions for each year. The bonus is awarded by the Administrator of the corresponding Region.

In order to receive the bonus, investments must consist of constructions, machinery, equipment, animal breeding and small-scale fishery, all directly related to the production of goods or the rendering of services within the line of business of the investor, and be part of the investor's fixed assets.

Certain activities are excluded from the benefit, including those directly or indirectly connected with the large copper and steel mining industry, large-scale fishery, public sector activities, government-owned companies, etc.

## How this bonus could benefit your investment project



Manufacture company “X&Z S.A.” will make investments in the XI Region, consisting of the construction of a greenhouse and the acquisition of an irrigation system.



The estimated amount of the investment will be CLP\$ 20.000.000 (US\$ 41.700 approx.).



The company applies for the bonus at CORFO's local office, which is finally awarded. The company receives 20% of the investment, that is, CLP\$ 4.000.000 (US\$ 8.330 approx.).

## Public agencies involved in the tax credit benefit

- Regional Intendancies
- CORFO's regional offices  
[www.corfo.cl](http://www.corfo.cl)
- National Tax Agency  
[www.sii.cl](http://www.sii.cl)
- National Customs Agency  
[www.aduana.cl](http://www.aduana.cl)
- Treasury Service  
[www.tesoreria.cl](http://www.tesoreria.cl)
- National Audit Office  
[www.contraloria.cl](http://www.contraloria.cl)

## Related regulations

- Law N° 20,655  
<http://bcn.cl/180q6>
- DFL N° 15/1980  
<http://bcn.cl/5ijq>
- Decree Law N° 3,529  
<http://bcn.cl/4r5y>
- Circular Letter N° 39/1992, issued by the National Tax Agency  
[www.sii.cl](http://www.sii.cl)
- DL N° 3,529  
<http://bcn.cl/4r5y>
- Circular N° 39 de 1992, issued by the National Tax Agency  
[www.sii.cl](http://www.sii.cl)

## OTHER BENEFITS OF THE LAW 20,655

### 1 Lowers the minimum value of the goods that foreign tourists can purchase with the right to refund VAT

Article 4 of the Law No. 18,841, allows foreign tourists that carry and export goods purchased in a Free Zone to claim back the VAT and the specific tax on spirits and soft drinks that were charged, if the value of the goods exceeds a UTM (unidad tributaria mensual), or monthly tax unit, of approximately CLP\$ 40.000.

In order to boost trade within the Free Zone and to attract foreign tourists, the recently approved law proposes to lower the value to a minimum amount of 0.5 UTM, or approximately CLP\$ 20.000.

### 2 Renews benefits for companies setting up in Arica, in relation to the Free Zone regime

The companies operating within the Free Zone use both imported inputs (which do not pay VAT) and services or supplies such as water, electricity, etc. (which are subject to VAT) in the production of goods.

If these companies sell or export their produced goods abroad, these companies can be reimbursed the value of the VAT charged on the services or supplies used as inputs in the production of such goods (the export itself is exempt from VAT, so the fact that they can recover this tax is a relief). However, the sale of these goods within the Free Zone or to other users of the Free Zone, does not constitute a sale that is eligible to be reimbursed of the VAT charged on the terms indicated, which increases the cost of these goods.

The bill proposes to grant the industries that are installed or to be installed in Arica and that are users of the Free Zone the right to recover the VAT charged on the services or supplies used in the production of goods, regardless of whether they sell goods within the Free Zone or to other users of the Free Zone.

### 3 Renews other benefits for firms located in Arica

The current law extends through 2025 an allowance which consists of an exemption from customs duties of goods, produced by industrial manufacturing companies installed in Arica and that are eligible to the Free Industrial Zone, to be exported to the rest of the country.

The bill proposes that the companies that are not eligible under the Free Zone to be permitted to enjoy, through 2025, the exemption from customs charges incurred during the importation of raw materials used to produce goods to be sold and exported to the rest of the country.



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