CÁMARA
CHILENO BRITÁNICA
DE COMERCIO

Doing Business in Chile
Guide 2025

SME

(TAX BENEFITS / GOVERNMENT BENEFITS)

Executive Summary

The Chilean Income Tax Law (ITL)[1] offers several tax regimes aimed at supporting and stimulating growth for Small and Medium Enterprises (SMEs) - (PYMEs)[2]. They include the Pro-Pyme tax regime, and the Pro-Pyme Transparente regime, and the Presumed Income regime. The first two were introduced as part of the 2020 tax modernization law (No. 21,210), and provide various incentives specifically tailored for SMEs.

The Pro-Pyme tax regime, detailed in Article 14 D) No. 3 of the ITL, applies to companies with gross income not exceeding 75,000 UF (USD 3,000,000) over the last three years, including the income of related parties, among other requirements.

The Pro-Pyme Transparente regime, outlined in Article 14 D) No. 8 of the ITL, is available to SMEs whose owners are final taxpayers. Under this regime, SMEs are exempt from First Category Tax (FCT), and shareholders are subject to final taxes on an attributed basis for the income generated by the SME. This means the SME's income is taxed at the shareholder level with final taxes (i.e., global complementary tax or additional tax), regardless of withdrawals. The penalty tax on disallowed expenses does not apply under this regime, and there are additional benefits for municipal tax payments.

The Presumed Income Regime provides tax benefits to SMEs that meet specific requirements, including annual net sales of agricultural products not exceeding 9,000 UF[3] (USD 350,000). Under this regime, taxpayers pay First Category Tax (FCT)[4] and final taxes based on a presumed tax base, equivalent to 10% of the cadastral value of their agricultural land.

Other tax benefits for SMEs, include:

- Reinvestment of Taxable Profits. Very Accelerated Depreciation.Increased Credit for Purchase of Fixed Assets.
- Simplification of the tax administration process.
- Potential for an overall lower tax burden.

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1 Ley de Impuesto a la Renta, or (ITL)

2 Pequeñas y Medianas Empresas or (PYMEs)

3 The Unidad de Fomento (UF) is an inflation-indexed unit of account used in Chile for various financial and economic transactions. The UF's value is adjusted daily based on changes in the Consumer Price Index (CPI), allowing it to preserve its purchasing power over time. The quoted USD equivalents are set at the time of publishing this article and should be considered as approximates.

4 The FCT is a tax on income from business activities and applies to entities like corporations, partnerships, and individual entrepreneurs. FCT applies initially, and final taxes are applied to distributed profits, such as the global complementary tax for Chilean shareholders or additional tax for foreign shareholders.

CONTEXT

Profits earned by Chilean companies (both incorporated entities and individual entrepreneurs) are normally subject to an initial level of First Category Tax (FCT) at a rate of 27%. Final taxes are then applied when income is distributed: for individual Chilean shareholders, a surtax or global complementary tax applies at progressive rates from 0% to 35-40%; for foreign shareholders, an additional tax applies at a flat rate of 35%. The most relevant alternative tax regimes for SMEs are explained below.

TAX REGIME 14 D) No. 3 (PRO-SME)

This regime, outlined in Article 14 D) No. 3 of the ITL, applies to SMEs who meet the following requirements:

(a) Gross income must not exceed 75,000 UF (USD 3,000,000) over the previous three years or 85,000 UF (USD 3,300,000) in a single year, in both cases considering the income of related parties.

(b) Adjusted-tax equity lower than 85,000 UF (USD 3,300,000) when starting activities.

(c) at least 65% of the income must correspond to non-passive activities.

Companies under this tax regime are subject to a reduced First Category Tax (FCT) rate of 25%, temporarily reduced to 12.5% for the 2024 tax year, and are taxed on a cash basis, with the immediate depreciation of all fixed assets. Shareholders can fully apply the paid FCT to their final taxes, unlike the general tax regime, which requires returning 35% of the credit.

To calculate the income subject to FCT, expenses or expenditures—such as purchases, imports, services rendered, salaries, fees, and interest—paid within the same commercial year must be deducted from the income received, in accordance with the deductibility requirements established by law. However, expenses that are rejected by the SII[5] will be subject to a penalty tax of 40%.

These companies are subject to a Monthly Provisional Payment ("PPM") at a preferential rate of 0.25% of their monthly income, which may increase to 0.5% if the gross income of the company

exceeds 50,000 UF (USD 2,000,000) per year. This payment will be set off against the final FCT liability. This compares favourably with the usual PPM of 1% - 27% applicable to taxpayers under the general tax regime.

Finally, SMEs under this regime are subject to municipal tax, which is levied on commercial or industrial activities at a variable rate between 0.25% and 0.5%, depending on the municipality where the company is domiciled. The municipal patent is calculated based on a simplified taxable capital, within the specified rate range.TAX REGIME 14 D) No. 8 (PRO-PYME TRANSPARENTE)

5 Servicio de Impuestos Internos – the Chilean IRS.

This option is available if, in addition to meeting the requirements in Article 14 D) No. 3, the SME's owners are final taxpayers. They must notify their intent before the end of the fourth month of the respective commercial year.

Under this regime, the SME is exempt from First Category Tax (FCT), and shareholders are taxed on an attributable basis for the income generated by the SME. This means that the SME's income is subject to final taxes (i.e., global complementary tax or additional tax) at the shareholder level, regardless of withdrawals.

For determining the SME's income, expenses paid within the same year are deducted from the income received. The penalty tax on disallowed expenses, which applies under other regimes, does not apply here."

Municipal taxes under this regime are normally paid based on a simplified tax equity, under the same considerations as in the Pro-Pyme tax regime, unless the income is lower than 50,000 UF (USD 2,000,000). In this case the municipal tax is levied at only 1 UTM[6] (USD 70) per year.

THE PRESUMED INCOME REGIME

The presumed income regime is an exception to the general tax regimes that may benefit SMEs involved in the agricultural sector. Under this regime, taxpayers pay the FCT and final taxes (global complementary tax or additional tax) on a presumed tax base as determined by the ITL.

Under this regime, agricultural income earned by an eligible owner, tenant, or usufructuary of immovable property is presumed to be 10% of the land's cadastral value. When actual agricultural income exceeds the presumed amount, this setup offers a tax benefit, as the difference between the presumed and actual income is exempt from FCT at the company level and from final taxes at the taxpayer level.

Conversely, if the actual income is lower than the presumed income (or even negative), this regime would impose a higher tax burden on the company. In such cases, agricultural companies would likely opt for taxation under the general tax regimes. This choice must be made within the first four months of the commercial tax year and cannot be altered afterward..

Another attractive feature of this regime is that the taxpayer is only required to keep a simplified sales ledger to calculate the limit of its net sales. They are fully exempt from keeping accounting records, thus minimizing the administrative burden.

In general terms, the agricultural presumed income regime applies to taxpayers who are owners, usufructuaries or tenants of agricultural real estate property and who meet the following additional conditions:

6 The *Unidad Tributaria Mensual* (UTM), or Monthly Tax Unit, is a tax reference unit in Chile used for calculating fines, taxes, and other financial obligations. The UTM's value is adjusted monthly based on inflation, helping it maintain its real value over time

They must be one of the following:

i. Limited liability stock companies (sociedades por acciones).

ii. Limited liability companies (Sociedades de Responsabilidad Limitada).

iii. Individual limited liability companies (Empresarios Individuales de Responsabilidad Limitada - EIRL).

iv. Individual entrepreneurs (Empresarios Individuales).

v. Communities or cooperatives.

If the taxpayer operates under joint ownership, as a cooperative, or as a company other than a corporation, it must consist solely of individuals throughout the period it is subject to the agricultural presumed income regime.

- Taxpayers must not hold or derive income from equity interests, investment fund quotas, or shares, unless the income generated from these sources does not exceed 10% of total annual revenue.
- The taxpayer must not receive income subject to First Category Tax that requires full accounting records, except when holding or deriving income from equity interests, investment fund quotas, or shares within the 10% annual revenue limit.
- Annual net sales of agricultural products must not exceed 9,000 UF (USD 350,000). Occasional transfers of fixed assets are excluded from this calculation.

To calculate the 9,000 UF limit, agricultural sales made by related entities, as defined by the ITL, must be added to the taxpayer's total. If combined sales (including those of related parties) exceed 9,000 UF, neither the taxpayer nor its related parties will qualify for the agricultural presumed income regime, and they must instead apply the general tax regimes.

For new companies, the sales requirement is replaced by a capital threshold, requiring that their effective capital not exceed 18,000 UF (USD 700,000)."

There is also a presumed income regime for transportation and mining activities. For transportation, the First Category Tax (FCT) is calculated at 10% of the vehicle's current value for taxpayers with sales up to 5,000 UF (USD 200,000). For the mining industry, a variable rate is applied on annual net sales for taxpayers with sales up to 17,000 UF (USD 700,000).

OTHER TAX BENEFITS FOR SMEs

- Reinvestment of tax profits: SMEs with annual revenue not exceeding an average of 100,000 UF (approximately USD 4,000,000) may, except those under the tax transparency regime, benefit from a tax deduction equivalent to 50% of their taxable income that is reinvested (i.e., not withdrawn) in the company. This deduction is capped at 4,000-5,000 UF per year (approximately USD 150,000-200,000). To qualify, taxpayers must not hold or derive income from equity interests, investment fund quotas, or shares, unless such income represents no more than 20% of total annual revenue.

- Very Accelerated Depreciation: SMEs with annual revenue averaging between 25,000 UF and 100,000 UF (approximately USD 1,000,000 – USD 4,000,000) are eligible for highly accelerated depreciation on new fixed asset investments, allowing for depreciation at one-tenth of the asset's normal useful life.

Increased credit for purchase of fixed assets: SMEs with annual revenue not exceeding an average of 25,000 UF (USD 1,000,000) are currently eligible for a credit against Corporate Income Tax (CIT) of 6% of the value of new fixed asset investments. For SMEs with annual revenue between 25,000 UF and 100,000 UF (USD 1,000,000 – USD 4,000,000), the credit ranges between 4% and 6%, decreasing as company revenue increases (i.e., the higher the revenue, the lower the credit).