



Chile News

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Personal Income Tax Rate Cut

Bill sent to the Congress with high priority

The Minister of Finance, Nicolas Eyzaguirre, announced that the bill reducing the income tax rate paid by persons will be sent today to the Lower House, using a fast track procedure, defined as "suma urgencia".

The bill considers three mechanisms to cut down the income tax rate paid by contributors:

1. To raise the lower bound of the exempted range for the income tax payment. That is, people with a monthly income below Ch. 380,000 (approximately US\$ 590) will be exempted from the income tax payment.
2. The interest paid for mortgage loans will be deducted from the income base in the calculation of the tax payment. This benefit will consider the full amount of paid interest if the worker's monthly income is less than or equal to Ch. 2.5 million (approximately US\$3,900), and a decreasing deduction as the income increases.
3. Tax payers with monthly income above Ch. 2.5 million will obtain a reduction in their marginal tax rate, ranging from 3% to 8%. In addition, the maximum marginal rate will be 40% instead of 45% (currently these workers pay a tax in the range of 35% to 45%).

The workers' income tax rate cut implies a reduction of US\$ 150 million in fiscal revenues, which will be offset by a gradual increase in the corporate tax from 15% to 17% in a period of 3 years.