

# CHILE TAX NEWS

LAW N° 20.455



PERCENTAGES



INCOME



## PROVISIONAL MONTHLY TAX RATE AMENDMENT FOR 2012.



Based upon Law N° 20,455, in 2010 the First Category Income Tax rate of 17% (Corporate tax rate), set by Article 20 of the Income Tax Law, was temporarily raised to 20% for 2011 and to 18.5% for 2012. Thus, the taxpayers required to file the mandatory Provisional Monthly Payment (PPM) under article 84 letter a) of the Income Tax Law, must yet again adjust the PPM's rate applicable to gross incomes obtained from January to March 2012.

To adjust this rate, the PPM rate applied during December 2011 must be multiplied by a factor of 0.925.

**“Regarding to income obtained in January, the PPM payment may be made until February 13, 2012”**

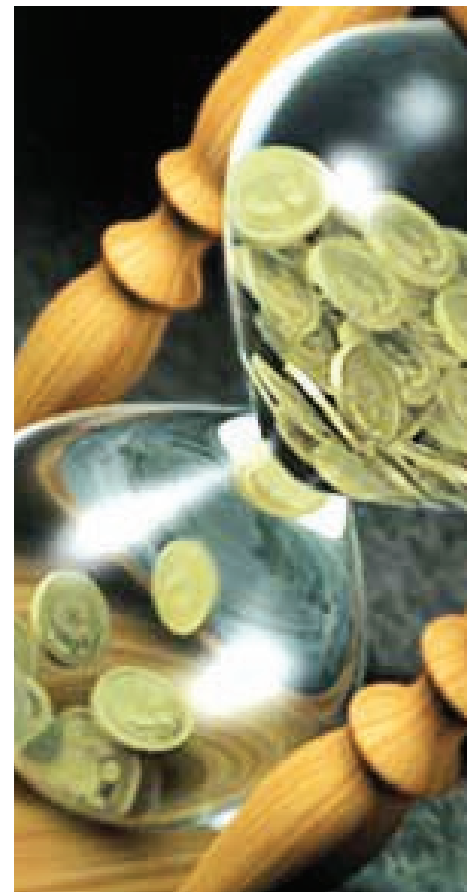
Therefore, if the rate applied during December 2011 was 2.5%, the gross income obtained from January to March 2012 will be subject to a 2.3% new rate, which is determined as follows:

$$2.5\% \times 0.925\% = 2.3125\%$$

(By approximation 2.3%)

**ON THE OTHER HAND, TO DETERMINE THE MANDATORY PPM (PPMO) RATE THAT SHALL BE APPLICABLE TO THE GROSS INCOME OBTAINED FROM APRIL THROUGH DECEMBER 2012,**

the First Category Income Tax applied to the 2011 taxable base must be recalculated, applying a transitory 18.5% tax rate.



The recalculation of the PPMO rate applicable from April 2012 to December 2012, can be explained by means of the following example:

1. Background	Rate	
Taxable base determined on 31.12.2011		80.000.000
Corporate Tax to be paid on April 2012	20%	16.000.000
PPM 2011 updated		9.500.000
PPM rate 2011		
January-March	2,0%	
April-December	2,5%	
<b>Recalculation of the Rate</b>		
<b>2. Adjustment by the Increase of the First Category Tax rate</b>		
(80.000.000 x 18,5%)	18,5%	14.800.000
<b>3. Average Rate</b>		
Rate applied from January to March 2011	2,0 % x 3	6,0%
Rate applied from April to December 2011	2,5 % x 9	22,5%
<b>Average Rate</b>	$((2,0 \% \times 3) + (2,5 \% \times 9)) / 12 =$	<b>2,38%</b>
<b>4. Increase of the Average Rate</b>		
$((\text{Corporate Tax} - \text{PPM}) \times 100 / \text{PPM})$		
$\frac{14.800.000 - 9.500.000}{9.500.000} \times 100$		<b>55,79%</b>
<b>5. Adjust of the Average Rate</b>		
$(2,38\% \times 1,5579) = 3,7078$		<b>3,70%</b>

Considering the example above, due to the temporary amendment of the First Category Income Tax, the adjusted PPM rate applicable during 2012 would be the following:

January to March	2,3%
April to December	3,7%

**RODRIGO BENÍTEZ**  
rbenitez@bdo.cl

**ROCIO SALGADO SÚAREZ**  
rsalgado@bdo.cl

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