Chilean President Submits Tax Reform for Congressional Approval

Santiago de Chile, March 31 (RHC) – Chilean President Michelle Bachelet on Monday submitted a proposed tax reform to congress, saying it would aid sustainable and equitable growth in Latin America's wealthiest nation.

The bill would raise tax revenue by $8.2 billion, or 3 % gross domestic product, including an increase in the corporate tax rate to 25 %from 20 percent, Bachelet said at a ceremony in the presidential palace today.

The revenue will finance increased spending on education and health care, while enabling the government to balance the budget by the end of its four-year term, she said.

"This reform won't slow economic growth," the president said. "On the contrary, we can only have sustainable and equitable growth in an economy that improves its human capital and the quality of its public institutions."

Bachelet said the bill also includes new and improved incentives to save and invest, part of efforts to allay business concerns that higher taxes will come at the expense of growth.

Today's bill cuts the top income-tax rate to 35 percent from 40 percent for everyone except members of the government and lawmakers, Bachelet said. It also eliminates by 2018 a tax break, known as the FUT, that enables companies to defer tax payments on profits that were retained for future investment.

Meanwhile, Finance Minister Alberto Arenas dismissed opposition accusations that the threat of higher taxes had damped investment and slowed economic growth.

"No serious economist makes a connection between the tax reform and the economic slowdown," Arenas said at today's event in Santiago.

"Those who have more should effectively pay more, that's good practice in developed economies," Arenas said.

Chile has the highest income per capita in Latin America, based on purchasing power parity, with $19,105 last year, according to the International Monetary Fund.
