

## CHILE– TAX CONSIDERATIONS ON SHORT-TERM RENTALS

This guide provides an overview of relevant income tax and VAT requirements related to private individuals and companies providing short-term rentals in Chile.

The information in this guide is given on a general level, and is based on the applicable laws at the time of preparation of this guide. Please note that these laws are subject to changes or modifications which could have an effect on the validity of the information contained in this guide. Please note that other rules will apply if you own the property through a company or through an unincorporated sole proprietorship. As such, it is important that you make sure to confirm what rules and regulations are applicable in your specific case.

Income tax and VAT can be complex, and even small variations might alter the assessment. Please note that the correct and timely preparation, filing, and payment of taxes is your responsibility.

Please note that the information contained in this guide is limited to income taxes and VAT. Other taxes may apply to you.

**Chilean Tax Authority Details:** For further information, please visit [www.sii.cl](http://www.sii.cl)

**Domestic calls:** +56- 22 395 1115/ +56-22 395 1000.

### 1. INCOME TAX

#### Who is subject to income tax?

As a general rule, Chilean resident or domiciled hosts are subject to income tax in Chile for their worldwide income.

If a Chilean resident or a non-Chilean resident owns and shares out their home located in Chile, they will be liable to account for the relevant income. A non-Chilean resident host will not get credit in Chile for taxes paid in his/her own country for property located in Chile. For property located outside of Chile, a Chilean resident host may get a foreign tax credit to the extent the property is located in a country that has an income tax treaty in effect with Chile.

Chilean income tax law defines “Chilean source income” as the income which is derived from assets (e.g. personal property, real estate, intangibles) situated in the country or from activities conducted within the country, regardless the domicile or residence of the respective taxpayer.

For the first three (3) years of residence in Chile, a foreign individual, which qualifies as residing or having a domicile in Chile for tax purposes, will only pay taxes for their Chilean source income rather than worldwide income.

At this time, tax laws in Chile have not specifically addressed short-term rental activities. As such, general rules will be applicable to the lease of short-term properties.

### **Income tax considerations**

**In case the hosts** are individuals, which are not required to determine their effective taxable income based on full accounting records, they shall be subject to taxes in Chile on their gross rental income, which will be determined based on the amount shown on the receipt from Airbnb, without any deductions.

Resident individuals in Chile are subject to a progressive tax with rates ranging from 0% to 40%. Non-residents are subject to a flat rate of 35%.

If the host is a legal entity, it is subject to a Corporate Income Tax applicable to the net income (deducting allowable expenses), with a 25% rate (in case of small and medium size enterprises) and 27% (other enterprises).

The rental income from the leasing of residential properties of up to 140 square meters of surface is exempt from income taxes (“DFL-2 regime”). This benefit will only apply for the first 2 properties owned by any individual.

### **Tax Returns**

The rental income of Chilean residents may be subject to personal income tax which shall be declared and paid on an annual basis on Form 22. The filing and payment of the annual income tax can be done through the Chilean tax authority’s website.

Income tax shall be declared and paid by April 30 of the following year. For example, the 2021 income tax shall be declared and paid before April 30, 2022.

## **2. VAT**

The lease of a furnished property is subject to VAT (19%), whereas the lease of a non – furnished property is not subject to VAT. This treatment is applicable to both individuals and enterprises.

Example of furnished property according to Chilean tax authority’s regulations: if the lease falls on an apartment with one or more bedrooms, a kitchen and a bathroom, it will be understood that the property has sufficient furniture to be considered “furnished” if, at least, it includes a sink, toilet, tub or receptacle for bathing, one or more beds or other furniture of a similar nature, as well as some furniture, such as a dining table, chairs, dishes, refrigerator, oven or stove, that allow the accommodation of one or more people.

With respect to the calculation of the VAT taxable base, the host must deduct an amount equal to 11% of the current fiscal valuation of the property from the rental income.

Lease of furnished property - VAT calculation example<sup>1</sup>:

- Property Fiscal Value: CLP 70,000,000.
- Daily rental income: CLP 50,000.

**VAT to be paid per day:**

Daily rent income (incl. VAT)	CLP 50,000
<b>less</b>	
11% fiscal value (CLP 70,000,000*0,11/365)	CLP 21,096
<b>Gross amount</b>	CLP 28,904
Tax base (CLP 28,904/1,19)	CLP 24,289
<b>VAT due (CLP 24,289*19%)</b>	<b>CLP 4,615</b>

**Administrative obligations**

Once the host starts renting out their properties, they need to inform the Chilean tax authority through Form 4415 which can be found on the Chilean tax authority's [website](#).

**Bookkeeping**

A host will not be required to maintain accounting records for tax purposes in connection to rental of property as the tax is reported with respect to the gross income equivalent to the lease amount as per the respective lease agreement, without any deductions.

Hosts organized as enterprises must maintain accounting records. The nature and number of records vary depending on whether the host is either a small / medium size enterprise (subject to a simplified accounting system) or a taxpayer subject to the normal tax regime (subject to a full accounting records system).

**VAT Returns**

The host has the obligation to declare and pay the corresponding VAT on a monthly basis, by filing Form 29. The filing of Form 29 and the tax payment can be conducted online, using the Chilean tax authority website.

The VAT return filing and VAT payment is generally due on the 12th day of the following month. Payment of VAT should be carried out to the National Treasury, by means of the Chilean tax authority [website](#). In practice, tax payments might be carried out at any banking institution, either online or at a bank office.

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<sup>1</sup> Within the Chilean tax authority website, it is possible to have access to a calculator, which provides support to taxpayers who need to declare and pay VAT related to the lease of furnished property.

## **Tax documents**

The host shall issue the corresponding electronic invoice or bill (*boleta*) to the renter. Both electronic invoice or bill are issued through the Chilean tax authority website, which has detailed instructions for filing these documents.

### **3. OTHER TAX CONSIDERATIONS**

#### **Real estate tax**

Real estate tax is an annual tax calculated on the fiscal value of the property. In general, the owner of the property has the legal obligation to pay the real estate tax in 4 installments (April – June – September–November). This applies to both Chilean residents and non-Chilean residents.

Fiscal values are periodically reassessed by the Chilean tax authority, by means of general reassessment procedures. Fiscal values are also readjusted based on the variation of the inflation of the previous semester.

The real estate tax rate applicable to residential properties ranges between 0,933% and 1,088%, depending on the fiscal value of the property. Real estate tax law contemplates a tax exemption for properties up to USD 50,000 approx. (2023).

Law 21.210 introduced a real estate surcharge, which applies in case that the fiscal value of one or more real estate owned by the same individual or enterprise exceeds the amount of 670 annual taxable units (CLP\$ 515.000.000, US\$ 570.000 approx.). The rates of this surcharge range from 0,075% to 0,425% (modified by Law 21.420 of 2022).

#### **Municipal tax**

Generally, all economic activities shall be subject to a municipal tax for both Chilean and non-Chilean residents.

In cases of taxpayers which are not legally obliged to demonstrate their income based on a general balance sheet (i.e. individuals), the municipal tax amounts to 1 monthly tax unit per year – equal to USD 70 approx. (2023).

Municipal tax is an annual tax, which could be paid in 2 installments (January – July). In this case, the host will be legally obliged to pay the Municipal tax to the corresponding Municipality where the property is located.

#### **Summary – Host Taxation in Chile on short-term lettings**

- VAT: Lease of furnished property is subject to VAT (19%).

- Income tax: rental income is subject to income tax, which shall be calculated based on the provisions of the lease agreement, without any deductions (in case of individuals), or considering allowable deductions (in case of enterprises). Eventually, rental income obtained by individuals might be exempt of income tax (i.e. DFL-2 regime).
- The host shall inform the Chilean Tax authority by means of Form 4415 within 2 months from the date he/she started renting their property. This procedure can be done online.
- In regards to tax documents, the host shall declare and pay the corresponding VAT on a monthly basis by means of Form 29. The host shall issue the corresponding electronic invoice or bill (*boleta*). Payment of VAT should be made out to the National Treasury, by means of the Chilean tax authority website by the 12<sup>th</sup> on the following month.
- Real estate tax will apply on the fiscal value of the property. As of 2020 a surcharge of real estate tax is applicable, when the fiscal value of one or more properties owned by the same individual or enterprise exceed CLP\$ 515.000.000, US\$ 570.000 approx.
- Municipal tax may apply.