

# **Chile: New caps to calculate social security contributions and employment tax withholding**

*January 16, 2014*

## ***In brief***

The Chilean Taxation Office has advised that effective January 1, 2014, the new maximum caps to calculate Chilean social security contributions and relevant allowable deductions for withholding employment tax purposes are as follows:

- **Mandatory Pension (AFP) and Mandatory Health (Isapre):** The maximum contributions (deductible for Chilean employment tax withholding purposes) are now calculated over a monthly salary cap of UF 72.30, rather than the UF 70.30 cap that was in force up to December 31, 2013. This would generally apply to local employees in Chile, Chilean outbound expatriates who continue contributing into their Chilean pension/health schemes while overseas, and inbounds to Chile who contribute into the Chilean pension/health schemes.

This new cap may also be taken into account for determining the pre-tax deduction available for non-Chilean individuals who are seconded to Chile but maintain their pensions in their home country (if certain requirements are met). Further advice should be sought on how this may be applied.

- **Unemployment Insurance:** The maximum contribution (deductible for Chilean employment tax withholding purposes where paid by the employee) is now calculated over a cap of UF 108.50, rather than the UF 105.40 that was in force up to December 31, 2013. The employer contribution is also calculated on the same cap.

These new caps are effective January 1, 2014. Global mobility professionals should consider updating their expatriate population's secondment payments, hypothetical tax calculations, as well as secondment cost projections, etc.

### ***Let's talk***

For a deeper discussion of how the caps above might affect your business, please contact your IAS engagement team or one of the following IAS professionals with PwC Chile:

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