
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:

International Assignment Services

Roberto Carlos Rivas
(56 2) 2940 01 50
roberto.c.rivas@cl.pwc.com

Gonzalo Soto
(56 2) 2940 05 47
gonzalo.soto@cl.pwc.com

Nicolas Soza
(61 3) 8603 4280
nicolas.soza.zamora@cl.pwc.com

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PwC does not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

© 2014 PwC. All rights reserved. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.