Taxing Energy Use 2018

Chile

This note describes the taxation of energy use in Chile. It contains the country's energy tax profiles, followed by country-specific information to complement the general discussion in *Taxing Energy Use 2018* (OECD, 2018). The note contains four energy tax profiles for Chile:

Figure 1: Effective tax rates on energy use in national currency and EUR/GJ, 2015, including electricity output taxes and energy use from biomass

Figure 2: Effective tax rates on energy use in national currency and EUR/tCO_2, 2015, including electricity output taxes and energy use from biomass

Figure 3: Effective tax rates on energy use in national currency and EUR/tCO_2, 2015, excluding taxes on electricity output, including carbon emissions from biomass

Figure 4: Effective tax rates on energy in national currency and EUR/tCO_2, 2015, excluding taxes on electricity output and carbon emissions from biomass

The main insights from the second vintage of the *Taxing Energy Use* database, including a systematic comparison of patterns of the taxation of energy use across countries, sectors and fuels are available in *Taxing Energy Use 2018* (OECD, 2018) at: http://oe.cd/TEU2018.

1. Energy tax profiles for Chile

Figure 1. **Effective tax rates on energy use in national currency and EUR/GJ, 2015, including electricity output taxes and energy use from biomass**

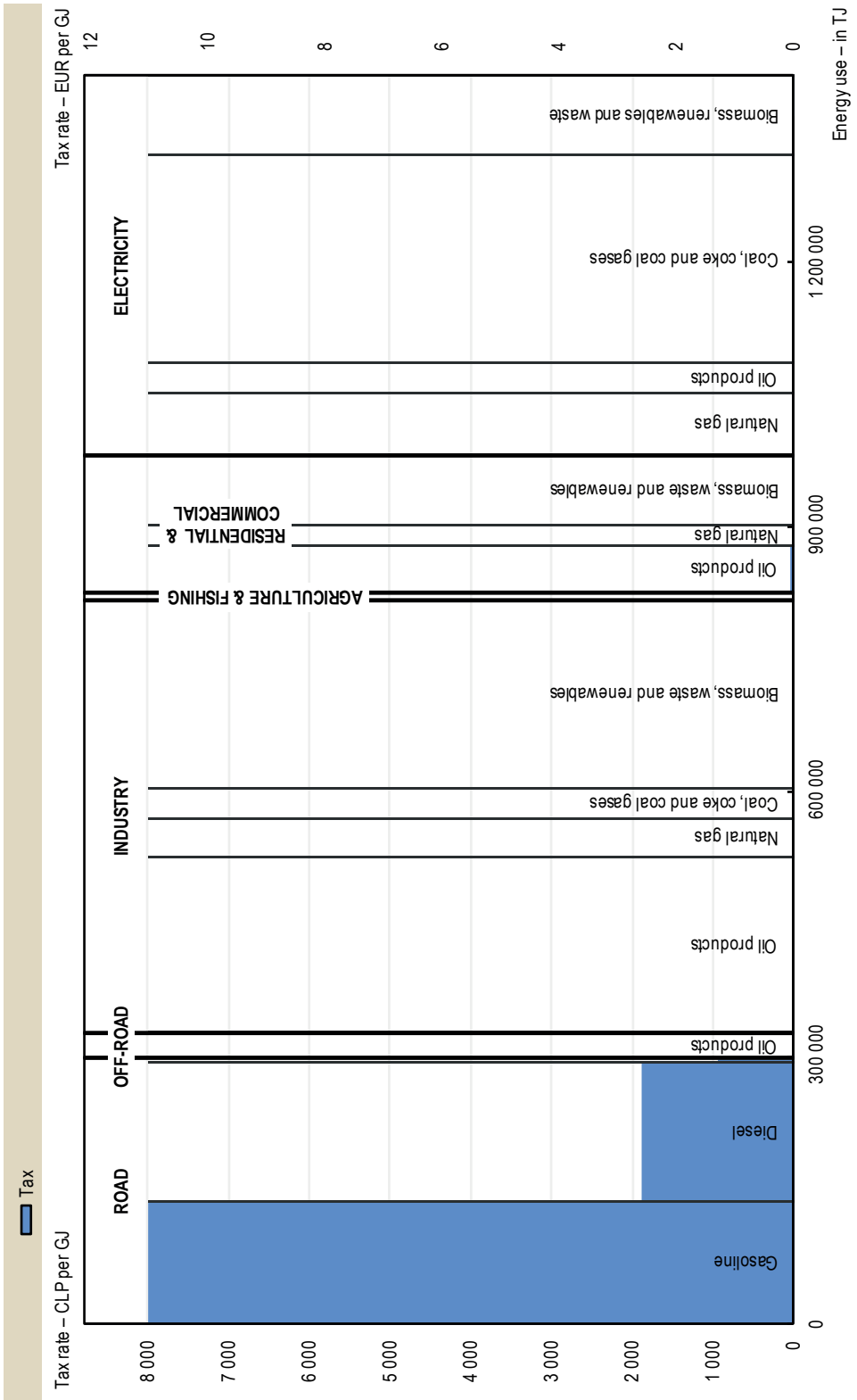


Figure 2. **Effective tax rates on energy use in national currency and EUR/tCO_2, 2015, including electricity output taxes and carbon emissions from biomass**

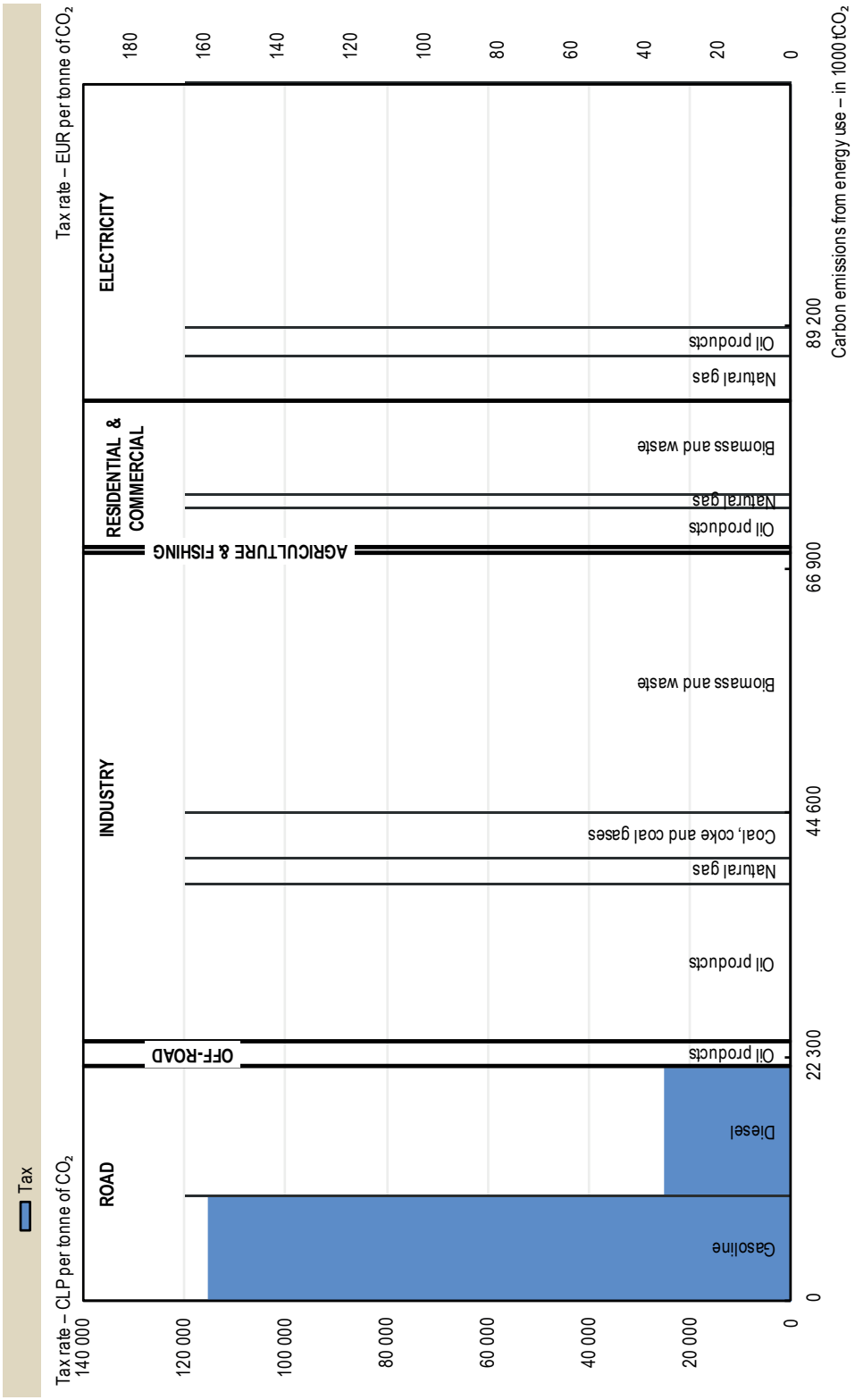


Figure 3. **Effective tax rates on energy use in national currency and EUR/tCO$_2$, 2015, excluding taxes on electricity output, including carbon emissions from biomass**

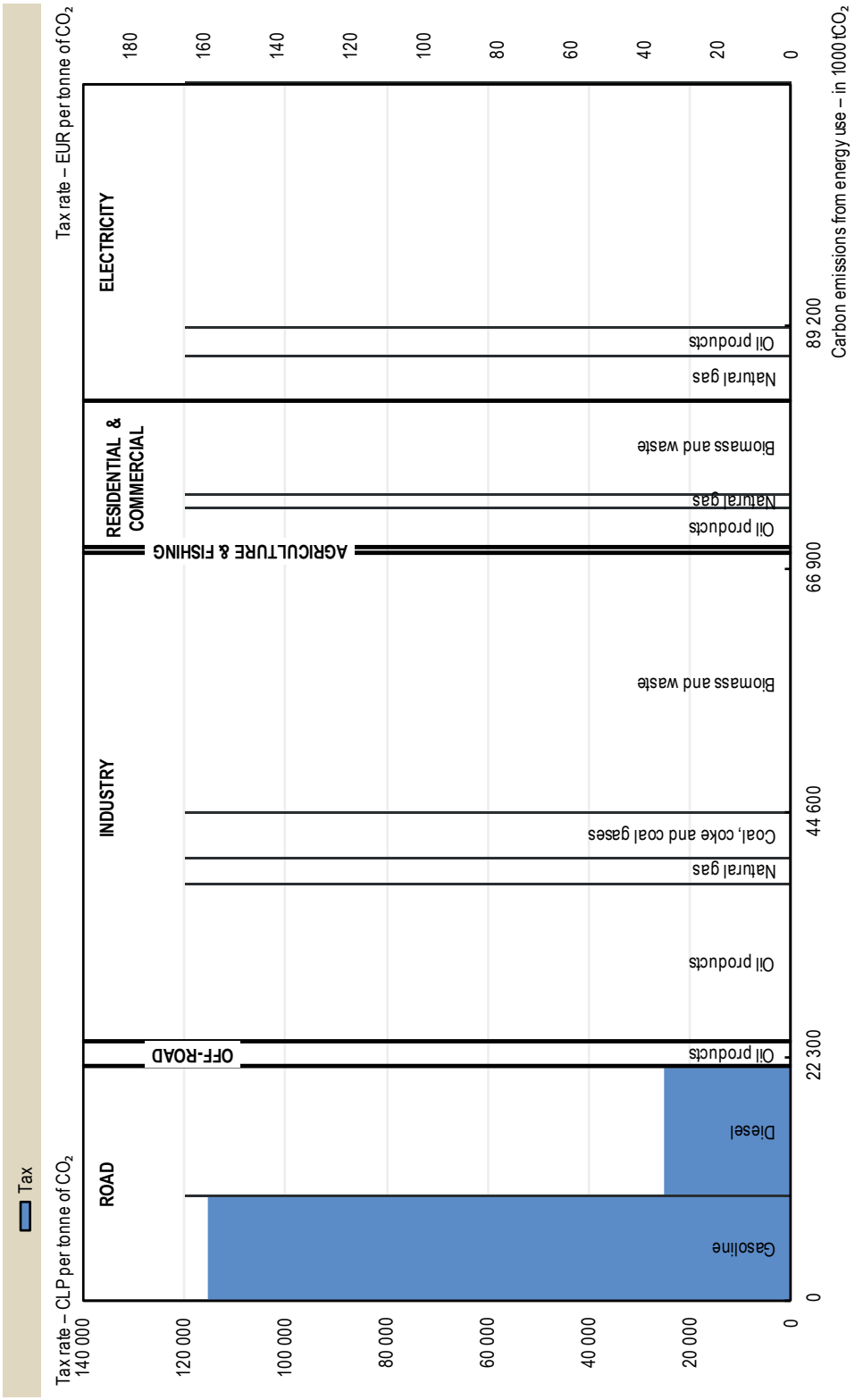
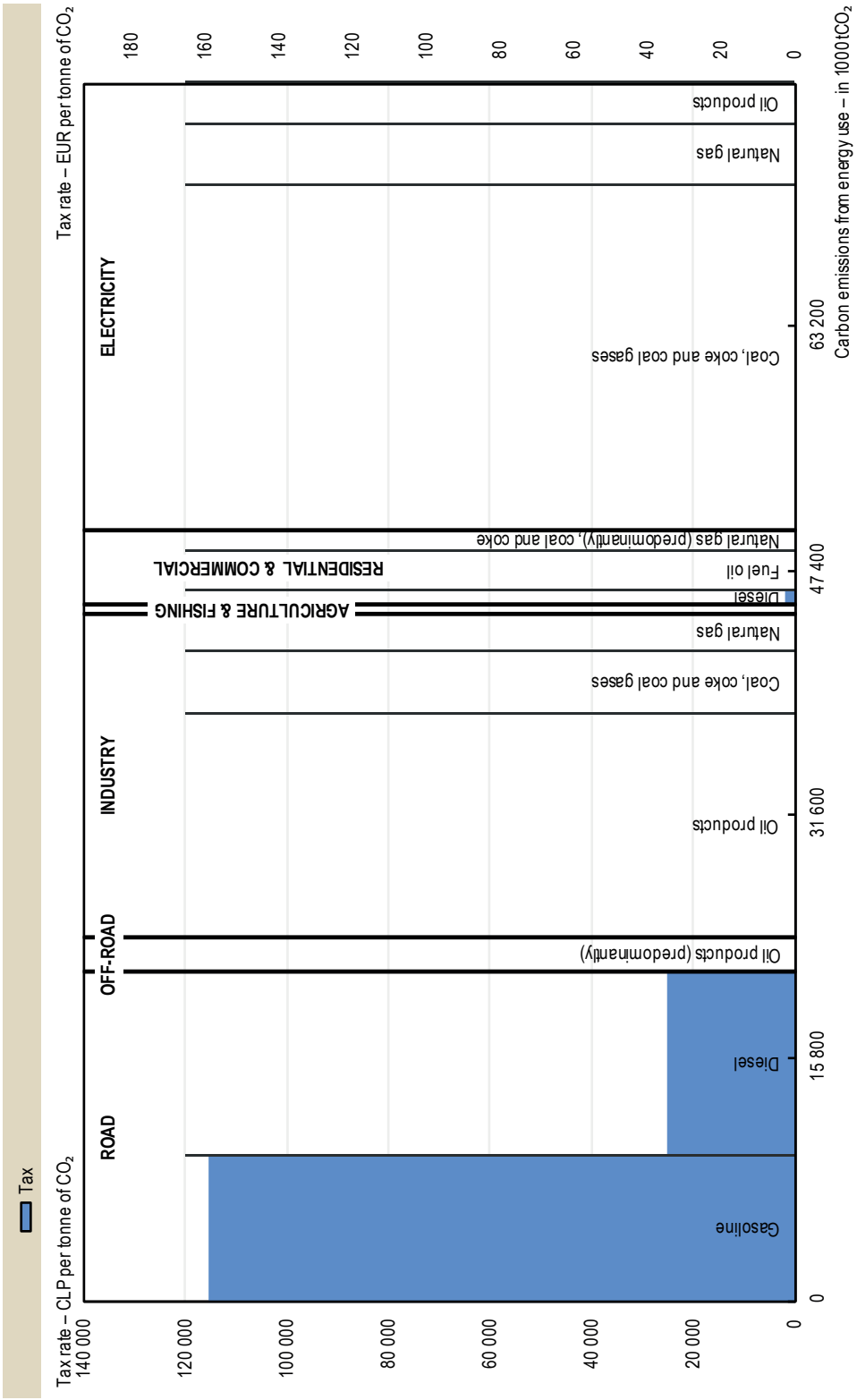


Figure 4. **Effective tax rates on energy use in national currency and EUR/tCO_2, 2015, excluding taxes on electricity output and carbon emissions from biomass**



2. Country-specific notes

This note describes the taxation of energy use in Chile. It contains the country's energy tax profiles, accompanied by country-specific information to complement the general discussion in *Taxing Energy Use 2018* (OECD, 2018). Tax rates are those applicable in April 2015, energy use data are for 2014.

The data shown in the energy tax profiles is from the OECD's *Taxing Energy Use* (TEU) Database. More detail on the TEU Database, the calculation of effective tax rates on energy use and the interpretation of the energy tax profiles can be found in *Taxing Energy Use 2018* (OECD, 2018).

Energy and carbon taxes

The main taxes on energy use in Chile are the following:

- The Specific Excise Tax (Impuesto Específico para Combustibles, IEC) is levied on gasoline, diesel, LPG, CNG used in road and offroad transport. Tax rates of the specific excise tax are expressed in Unidad Tributaria Mensual (UTM), an official unit of account whose value is adjusted monthly to reflect general price inflation, based on the consumer price index. The fixed component of the excise tax was converted from UTM to CLP using data from Servicios de Impuestos Internos (2015), as shown in Table 1 below.
- In addition to IEC, the Stabilisation Mechanism of Fuel Prices (Mechanismo de Estabilisatión de Precios de los Combustibles, MEPCO) works to dampen international oil price fluctuations for domestic consumers. MEPCO values are updated on a weekly basis, and in consultation with national officials, average MEPCO values for the one-year period up to 1 April 2015 were calculated and added to the IEC rates as shown in Table 1.

Table 1. **Rates of the Chilean specific excise tax on transport fuels (IEC) as at 1 April 2015, and average rates of the fuel price stabilisation fund (MEPCO) for the 52 weeks prior to 1 April 2015**

	Fixed rate components (IEC)		Variable components (MEPCO)		Total
Fuel	UTM per unit	CLP per litre (used as benchmark)	UTM per unit	CLP per litre	CLP per litre
Motor gasoline	6 UTM per m^3	259.44	0.1385	5.99	265.43
Diesel	1.5 UTM per m^3	64.86	0.0836	3.61	68.47
LPG	1.4 UTM per m^3	60.54	-0.1467	-6.34	54.20
CNG	1.93 UTM per 1 000 m^3	0.08	-0.2230	-0.01	0.07

Source: Calculations prepared in consultation with national officials, based on Servicios de Impuestos Internos (2015a) and Servicios de Impuestos Internos (2015b).

- Kerosene for residential use is subject to the Stabilization Fund for Petroleum Prices (Fondo de Estabilización de Precios del Petróleo, FEPP), which also serves to smooth price fluctuations for domestic consumers of kerosene. FEPP values vary on a weekly basis, and they have been averaged for the one-year period up to April 2015, and included in the *Taxing Energy Use* data at CLP 15.32 per litres (converted from USD 25.92/litre, using the average CLP/USD exchange rate for April 2015).

These taxes are included in the energy tax profiles of Chile. Where more than one tax rate applies to an energy user or fuel, the energy tax profile shows their sum.

Effective tax rates on energy use for different fuels and users

The tax rates on different fuels and uses are linked to Chile's energy use[1] to calculate effective tax rates on energy use (in CLP/TJ and EUR/TJ) or CO_2 emissions from energy use (in CLP/tCO_2 and EUR/tCO_2). Energy use and the CO_2 emissions associated with it are shown for six economic sectors: road transport, domestic offroad transport, industry, agriculture and fishing, residential and commercial, and electricity.

The energy tax profiles (Figures 1 and 2) for Chile show effective tax rates for different fuels and uses in terms of the fuels' energy and carbon content, respectively. Figures 1 and 2 include energy use and carbon emissions from biomass and they show output taxes on electricity. Figure 3 is identical to Figure 2, except that taxes on electricity output are excluded. Figure 4 excludes carbon emissions from biomass and taxes on electricity output.

- Fuel use in the **road** sector is almost fully taxed and taxed at the highest rates compared to other sectors, both in terms of the fuels' energy and carbon content. Within the road sector, gasoline is taxed at a far higher effective tax rate, diesel and LPG are taxed at a lower rates in terms of TJ and in terms of CO_2. The tax rate on CNG use is the lowest.
- Except for kerosene use in the **residential** sector, fuel use in **industry, residential** and **commercial, agriculture and fishing** and **electricity** sectors is entirely untaxed.

Reported tax expenditures and rebates

No tax expenditures from specific taxes on energy use are included in the *Taxing Energy Use* data for Chile.

Sources

The main insights from the second vintage of the *Taxing Energy Use* database are analysed in:

OECD (2018), *Taxing Energy Use 2018 – Companion to the Taxing Energy Use Database*, OECD Publishing, Paris. http://dx.doi.org/10.1787/9789264289635-en.

Apart from the general sources included in OECD (2018) and consultation with national delegates, the following country-specific sources were used:

Servicios de Impuestos Internos (2015a), "UTM - UTA - IPC 2015", Available at: www.sii.cl/pagina/valores/utm/utm2015.htm.

Servicios de Impuestos Internos (2015b), www.sii.cl/pagina/valores/valyfechas.htm.

1. Data on energy use is taken from the IEA's *Extended World Energy Balances*, see Chapter 1 of *Taxing Energy Use 2018* (OECD, 2018) for additional detail.