

R&D Tax Incentives¹: Chile, 2019

Design features

Chile provides R&D tax relief through a volume-based R&D tax credit.

- When introduced in 2008, it covered only extramural R&D expenditures (Law 20.241). In 2012, the scope of the tax credit was extended to also cover in-house (intramural) R&D.
- In case of insufficient tax liability, unused credits can be carried-forward indefinitely.
- A ceiling of 15 000 Monthly Tax Units (UTM) applies to eligible R&D volumes; a floor (minimum R&D expenditure threshold) of 100 UTM determines the project's eligibility for R&D tax support.

Table 1. Main design features of R&D tax incentives in Chile, 2019[†]

R&D tax credit - Law 20.570 (modified Law 20.241)	
Tax incentive*	Tax credit
Type of instrument	Volume-based
Eligible expenditures [†]	Current and depreciation (machinery and equipment, buildings)
Headline rates (%)	26.25** (35 gross)
Refund	No
Carry-over (years)	Indefinite carry-forward
Thresholds & ceilings	Floor
	100 UTM***
	Ceiling (R&D expenditure)
	15 000 UTM***

* Chile also offers an accelerated depreciation of assets used in the process of R&D (immediate write-off for machinery and equipment, and straight line depreciation over 5 years for buildings); ** A baseline tax allowance of 100 is taken as a benchmark for current expenditures (Chile allows for a 65% tax allowance aside the tax credit); *** UTM: Monthly tax unit; 1 UTM ~ USD 73 (100 CLP = 0.127 EUR, Q3 2019).

[†]For additional information: [OECD R&D Tax Incentive Compendium](#) and [Eligibility of current and capital expenditure for R&D tax relief](#)

Source: OECD, R&D Tax Incentive Database, <http://oe.cd/rdtax>, December 2019.

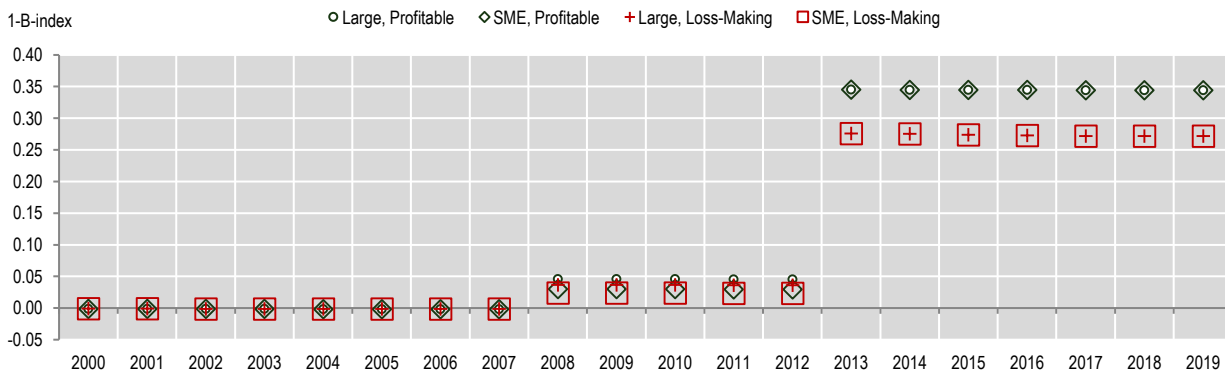
Recent developments and trends

Differences in the design of R&D tax incentives drive significant variation in the expected generosity of tax relief per additional unit of R&D investment. In 2019, the marginal tax subsidy rate for profit-making (loss-making) SMEs in Chile is estimated at 0.34 (0.27), well above the OECD median of 0.19 (0.17). The tax subsidy rate for large enterprises is equal to 0.34 (0.27) in the profit (loss)-making scenario, substantially larger than the OECD median of 0.14 (0.10). These estimates model the provisions for the R&D tax credit and the accelerated depreciation of R&D capital.

Following the introduction of R&D tax support in 2008, the generosity of R&D tax incentives in Chile increased significantly with the extension of the scope of R&D tax support to cover intramural R&D in 2012. In 2013, the first year in which the new tax credit is modelled, the implied R&D tax subsidy rate for SMEs (large firms) increased from 0.03 (0.05) to 0.35 in the profit-making scenario. In the loss-making case, the R&D tax subsidy rate for SMEs (large firms) rose from 0.02 (0.04) to 0.28 in 2013 and has been stable ever since. If the ceiling on R&D expenditure is considered in the modelling of R&D tax subsidy rates, the rate of large firms in 2019 drops from 0.34 (0.27) to 0.14 (0.11) in the profit (loss)-making scenario, and the one for profitable (loss-making) SMEs from 0.34 (0.27) to 0.22 (0.17).

Figure 1. Implied tax subsidy rates on R&D expenditures: Chile, 2000-19

1-B-Index, by firm size and profit scenario



Source: OECD, R&D Tax Incentive Database, <http://oe.cd/rdtax>, December 2019.

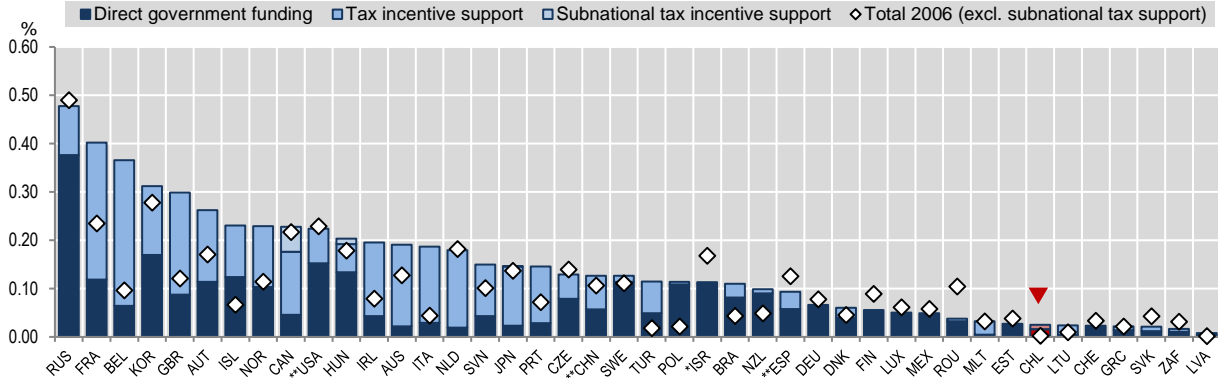
Note: Implied marginal tax subsidy rates, presented for different firm size and profitability scenarios, are calculated (see [methodology](#) and [country-specific notes](#)) based on headline tax credit/allowance rates. Headline tax credit/allowance rates provide an upper bound value of the generosity of R&D tax incentives, not reflecting the effect of thresholds and ceilings that may limit the amount of qualifying R&D expenditure or value of R&D tax relief.

¹ Disclaimer: <http://oe.cd/disclaimer>

Public support for business R&D: the policy mix

In 2017, **Chile** is among OECD and partner economies that provide the lowest level of total government support for business R&D, at a rate equivalent to 0.03% of GDP.

Figure 2. Direct government funding of business R&D and tax incentives for R&D, 2017 (nearest year)
As a percentage of GDP



* Data on tax support not available. ** Data on subnational tax support not available

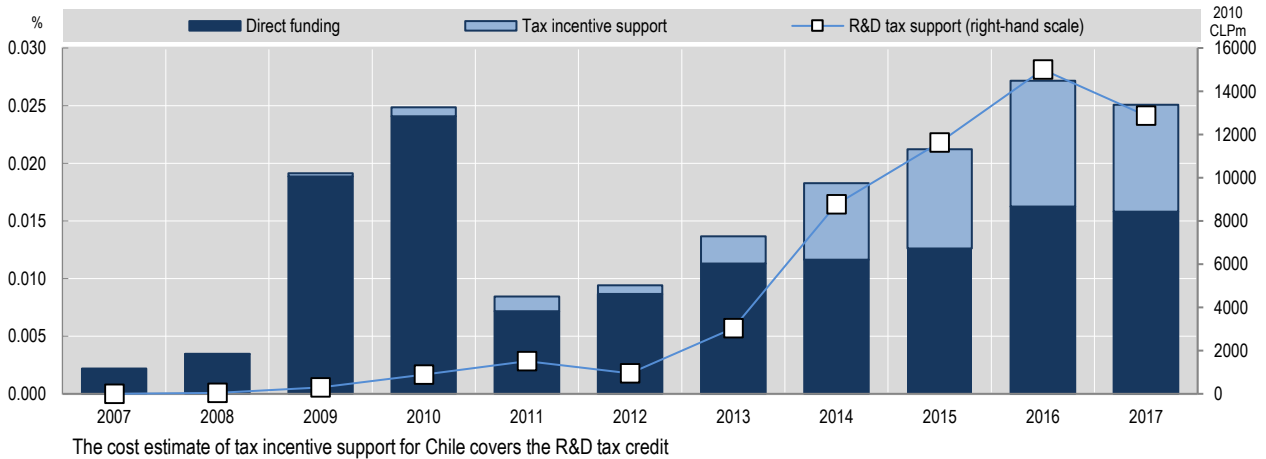
Source: OECD, R&D Tax Incentive Database, <http://oe.cd/rdtax>, December 2019.

- From 2007 to 2017, total government support for BERD as a percentage of GDP increased in **Chile** by 0.02 pp, while the OECD median (2006-17) increased by 0.015 pp.
- During this period, business R&D intensity in **Chile** increased from 0.11% to 0.12%.
- In 2017, R&D tax incentives accounted for 37% of total government support for BERD in **Chile**.

Trends in government support for business R&D

Since the introduction of R&D tax support in 2008, the importance of R&D tax relief has increased in **Chile** both in absolute and relative terms, with a decline notable in the most recent year.

Figure 3. Direct government funding of business R&D and tax incentives for R&D, Chile, 2007-17
As a percentage of GDP, 2010 prices (right-hand scale)



The cost estimate of tax incentive support for Chile covers the R&D tax credit

Source: OECD, R&D Tax Incentive Database, <http://oe.cd/rdtax>, December 2019.

- The cost of tax support rose (in 2010 prices) from CLP 38 million in 2008 to CLP 12 878 million in 2017, with a notable increase following the extension of the tax credit to cover intramural R&D in 2013. In 2016, a high number of firms applied for the credit.
- As percentage of GDP, the amount of tax support increased steadily to reach 0.01% of GDP in 2017.
- Direct funding of BERD² increased from 0.002% of GDP to 0.016% of GDP over the 2007-17 period.
- The share of tax incentives in total government support rose from 1% in 2008 to 37% in 2017.

Please cite this note as: OECD (2019). "R&D Tax Incentives: Chile, 2019", www.oecd.org/sti/rd-tax-stats-chile.pdf, Directorate for Science, Technology and Innovation, December 2019.

² A break in the BERD time series is recorded for 2009 and 2013.