



CHILE'S TAX SYSTEM IN CONTEXT

Diálogos Por Un Pacto Tributario

David Bradbury

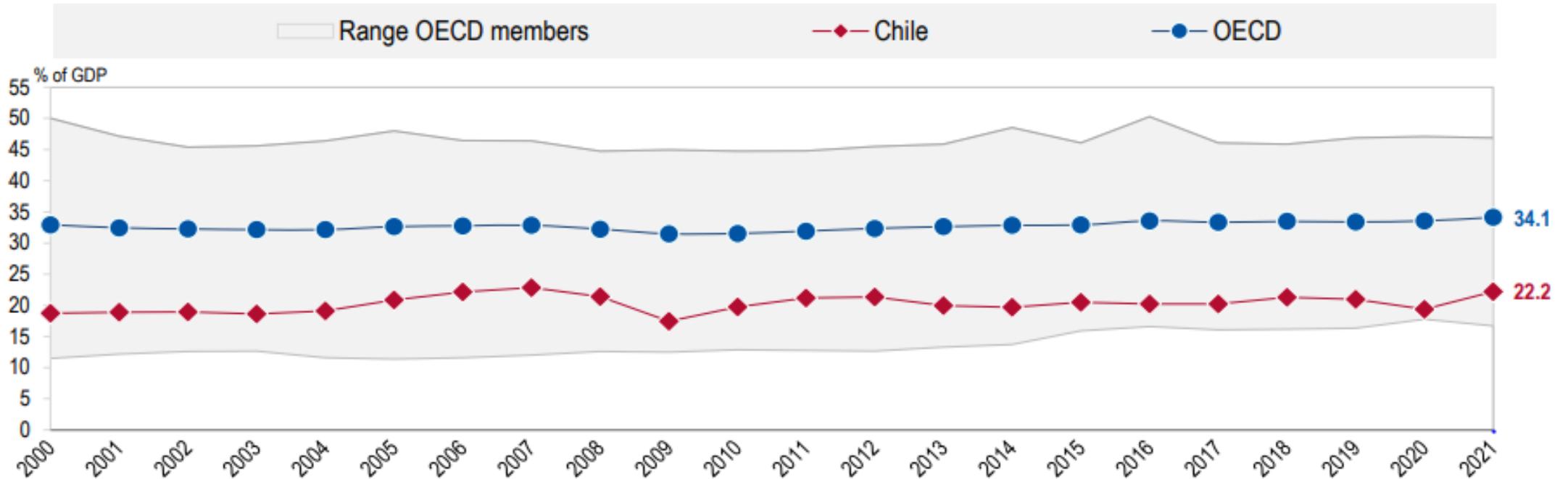
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Chile's tax-to-GDP ratio is low compared to the OECD average

Tax-to-GDP ratio

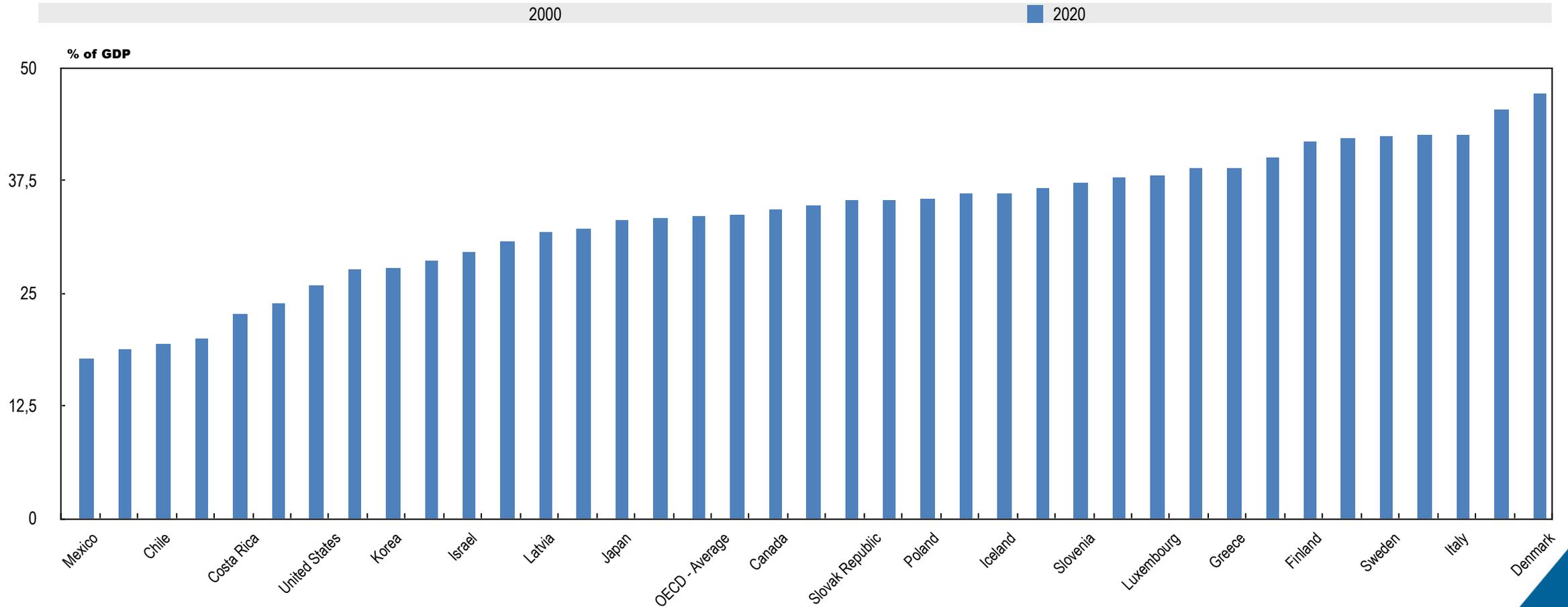


Source: OECD (2022) Revenue Statistics Database



Tax-to-GDP ratios vary widely across OECD countries, but Chile is at the bottom

Tax-to-GDP ratios

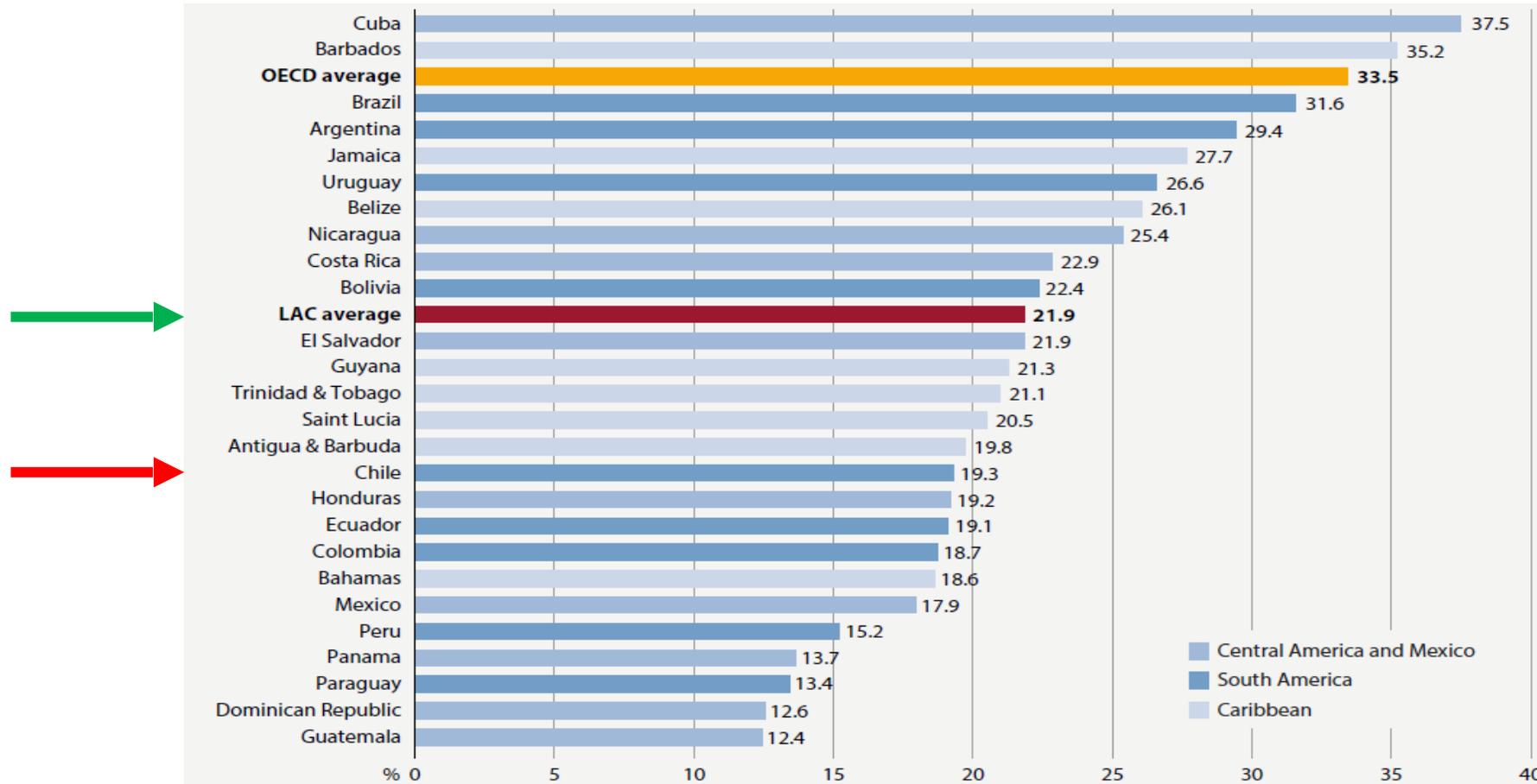


Source: OECD (2022) Revenue Statistics Database



Chile's tax-to-GDP ratio was below the average level in the LAC region in 2020

Tax-to-GDP ratios in Latin America and the Caribbean, 2020



Note: The classification of countries into different sub-regions follows ECLAC's classification and is based on the spoken language of countries

Source: OECD et al. (2022), Revenue Statistics in Latin America and the Caribbean 2022



Personal income tax & social security contributions account for a small proportion of Chile's tax mix

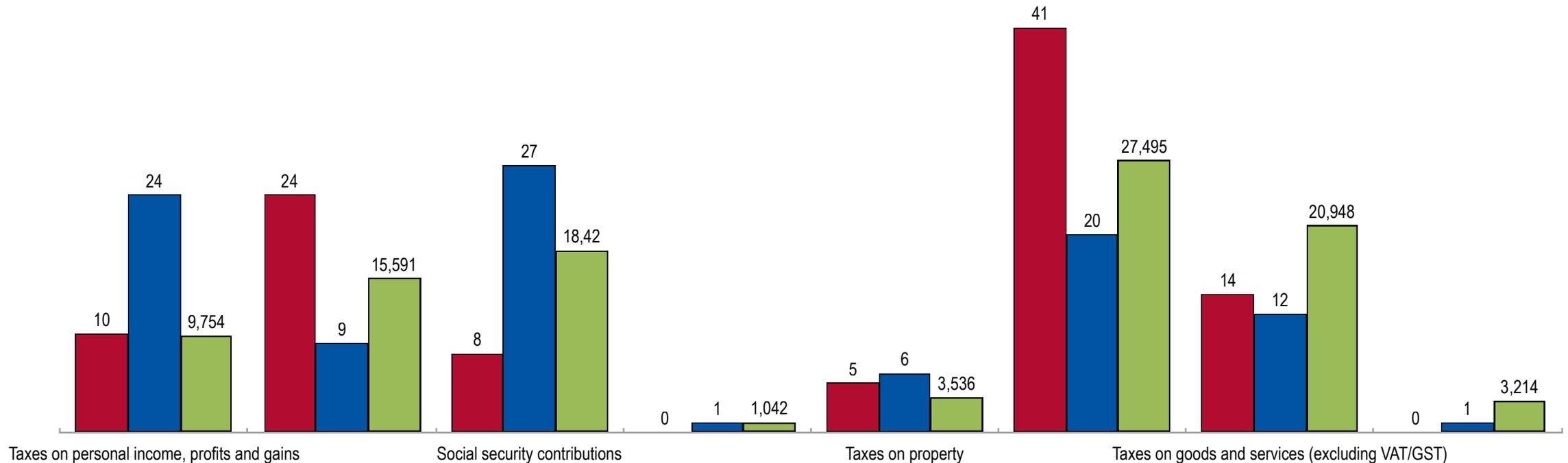
Tax mix in 2020, as a % of total tax revenues

■ Chile

■ OECD average

■ LAC Average

% of total tax revenues

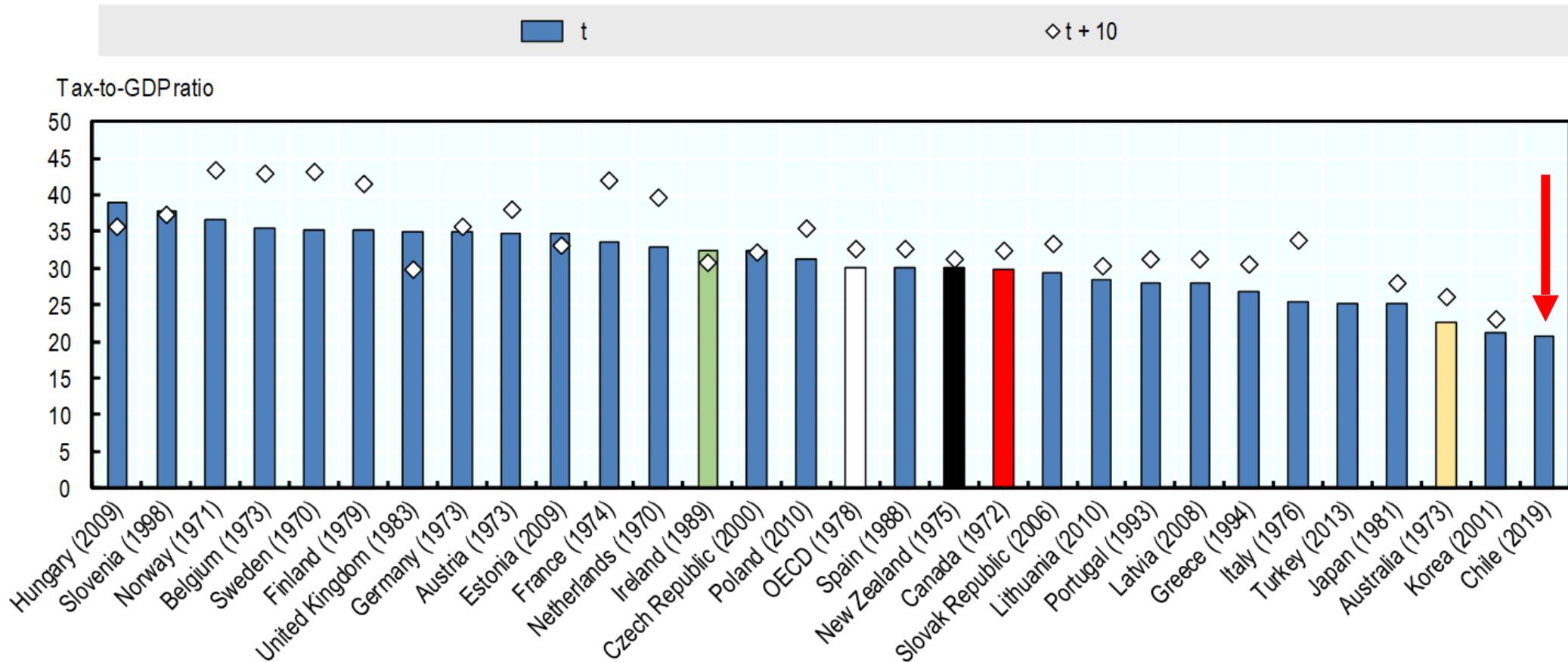


Source: OECD (2022) Revenue Statistics Database



Chile's tax share is lower than OECD countries when they had a similar income level to Chile

Tax shares, selected OECD countries
(in the year countries had closest income to Chile's 2019 level)

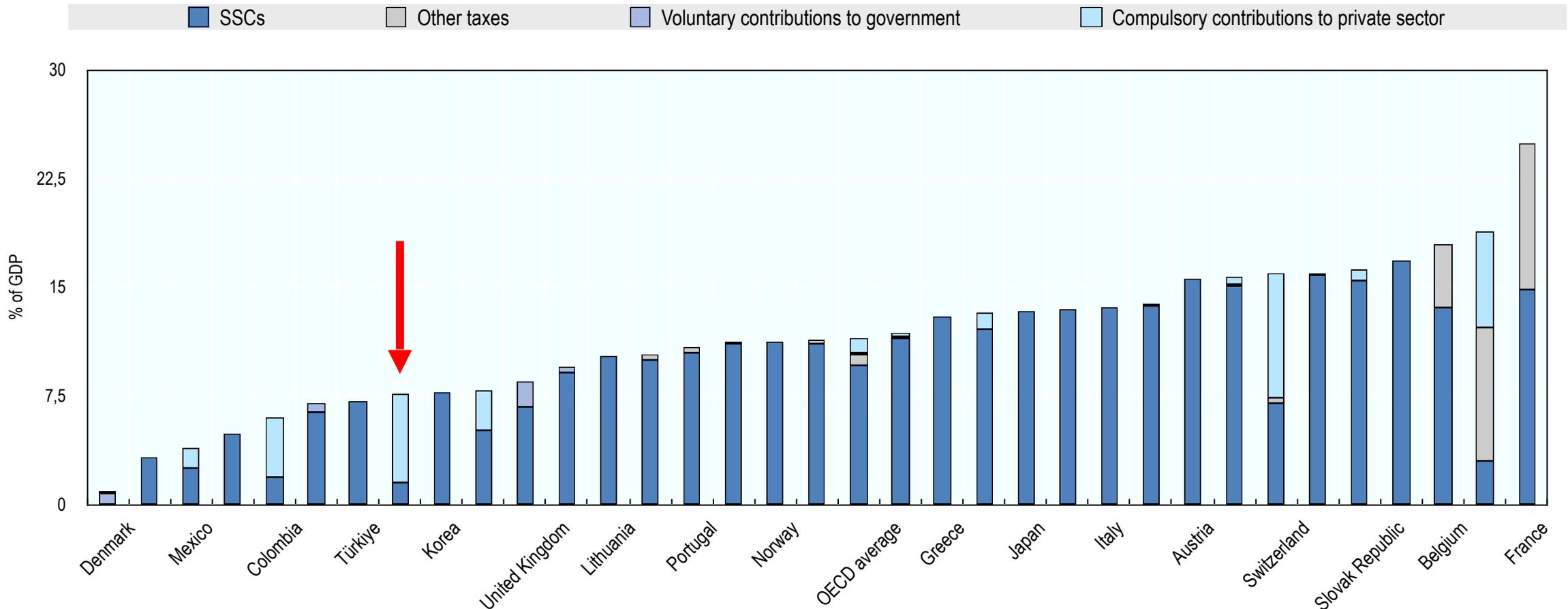


Source: OECD (2022) Country Tax Policy Review of Chile



Compulsory social contributions to the private sector play a role in several OECD countries including Chile

Financing of social security benefits, % of GDP, 2020

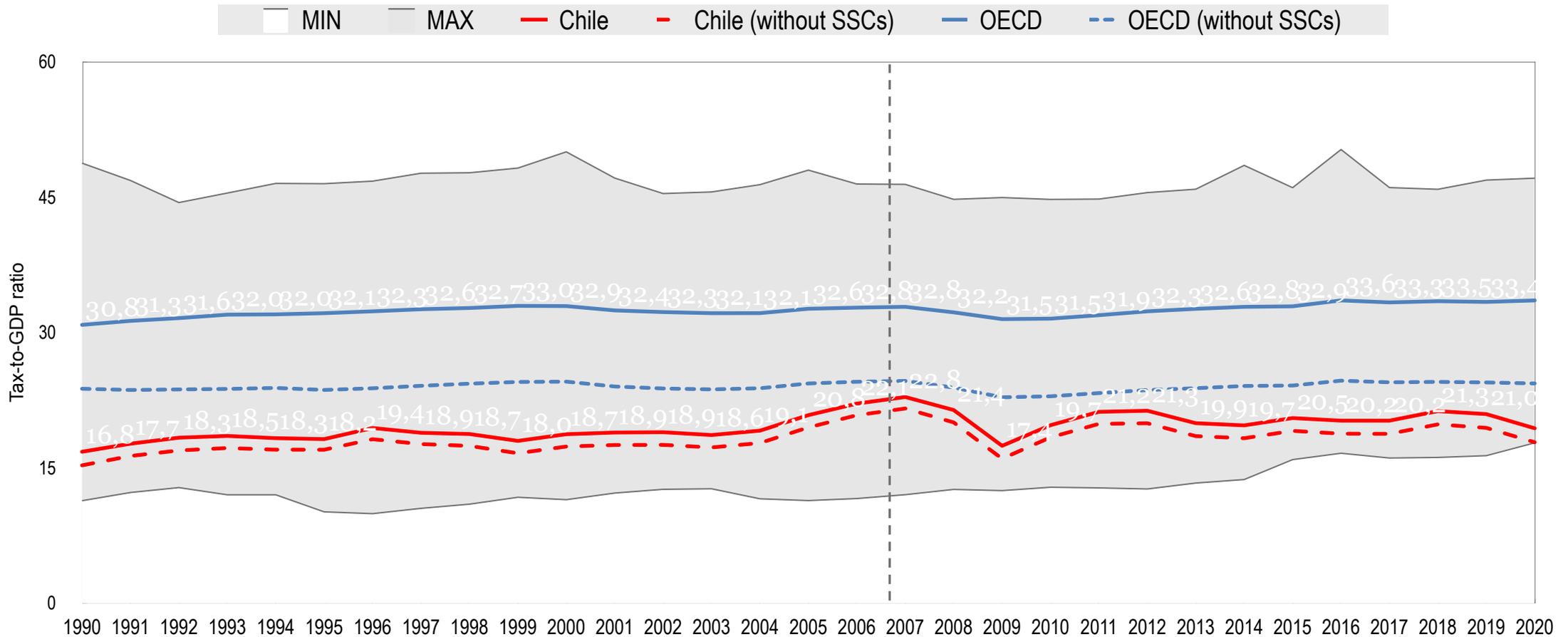


Source: OECD (2022) Country Tax Policy Review of Chile



Chile's tax-to-GDP ratio remains low, even when social security contributions (SSCs) are excluded

Tax-to-GDP ratio in Chile and the OECD average, 1990 - 2020

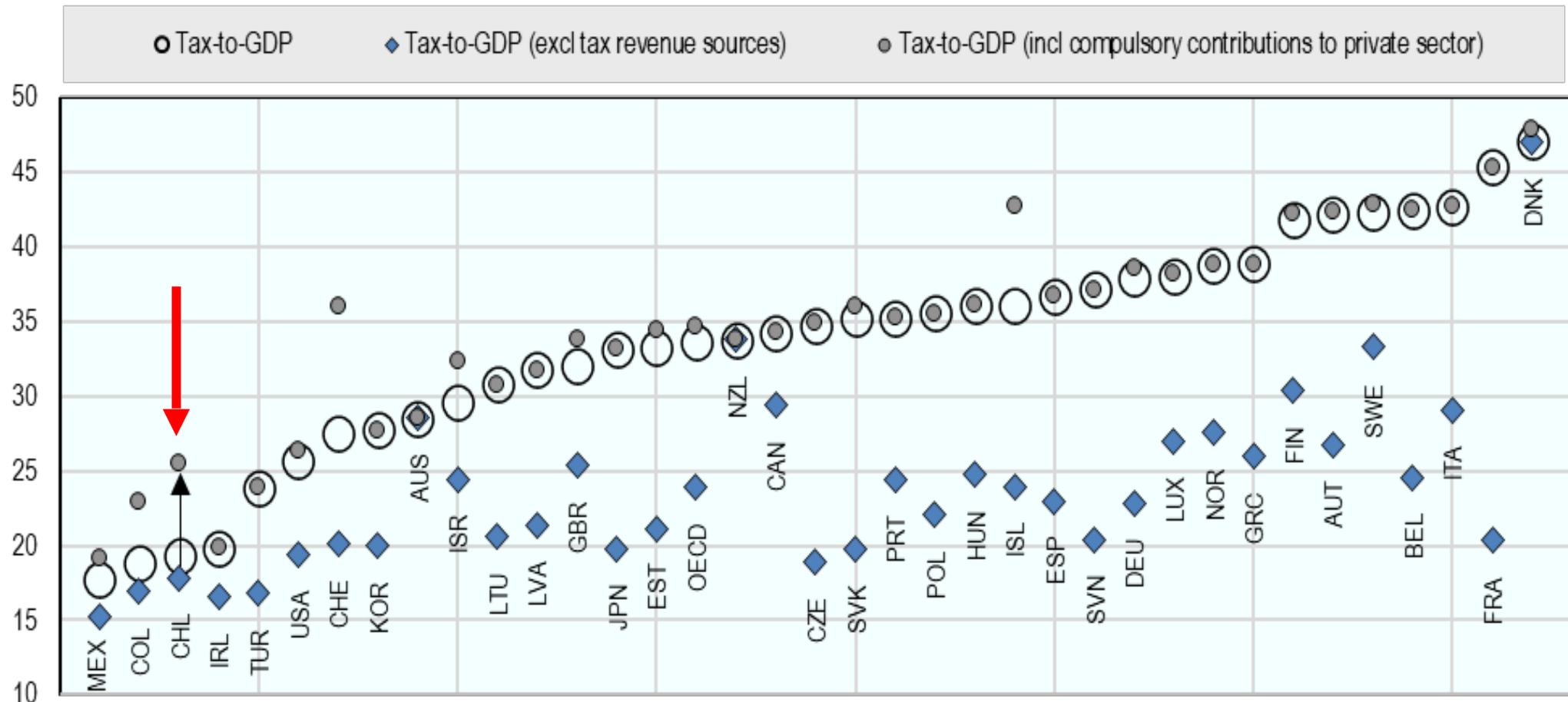


Source: OECD (2022) Country Tax Policy Review of Chile



Chile's tax share remains low, whether SSCs are excluded or private sector contributions are included

Tax-to-GDP ratios and financing of social-security type benefits, % of GDP, 2020

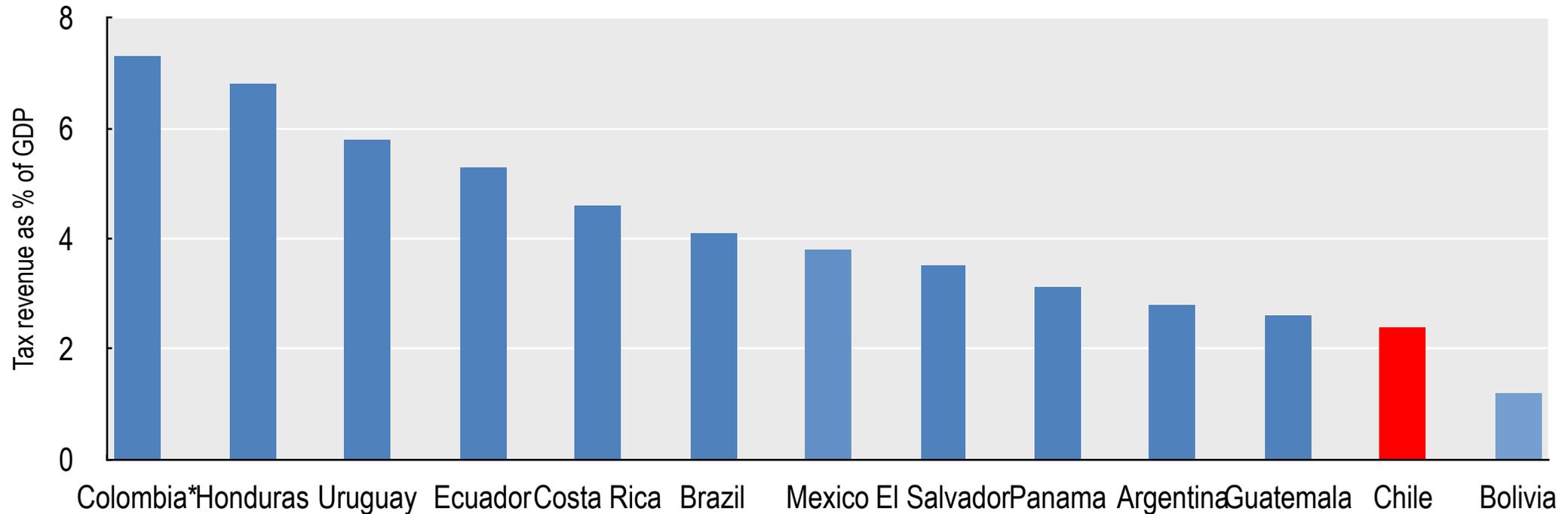


Source: OECD (2022) Country Tax Policy Review of Chile



Tax expenditures remain modest overall compared to other countries in the LAC region

Tax revenue forgone from tax expenditures as a % of GDP



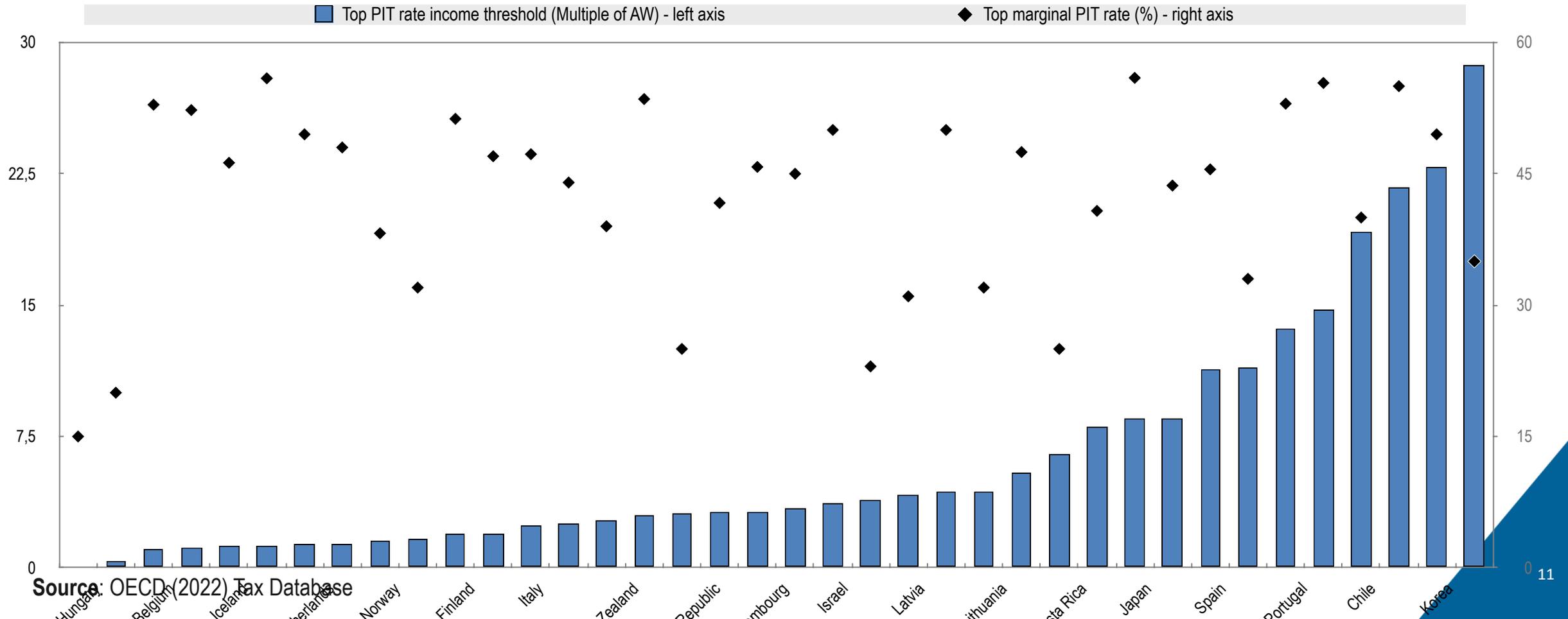
Source: OECD (2022) Country Tax Policy Review of Colombia

Note: Tax expenditures are provisions in the tax legislation that modify the tax liability of specific groups of individuals or businesses



The top personal income tax (PIT) rate in Chile only takes effect at very high income levels

Top PIT rate income threshold (multiple of the average wage) and top marginal PIT rate (%) in 2021



Source: OECD (2022) Tax Database



In Chile, a large proportion of individuals pay no or low levels of personal income tax

Tax schedule

Tax rates	Taxable income (CLP)
0.0%	8,775,702
4.0%	19,501,560
8.0%	32,502,600
13.5%	45,503,640
23.0%	58,504,680
30.4%	78,006,240
35.0%	201,516,120
40.0%	

Average wage in Chile in 2021 CLP 10,776,819



At 100% of the average wage (after accounting for tax allowances), the worker falls into first bracket of the tax schedule and pays no income tax



At 200% of the average wage (after accounting for tax allowances), the worker falls into the second bracket of the tax schedule. The average income tax rate at this income level is 1.6%

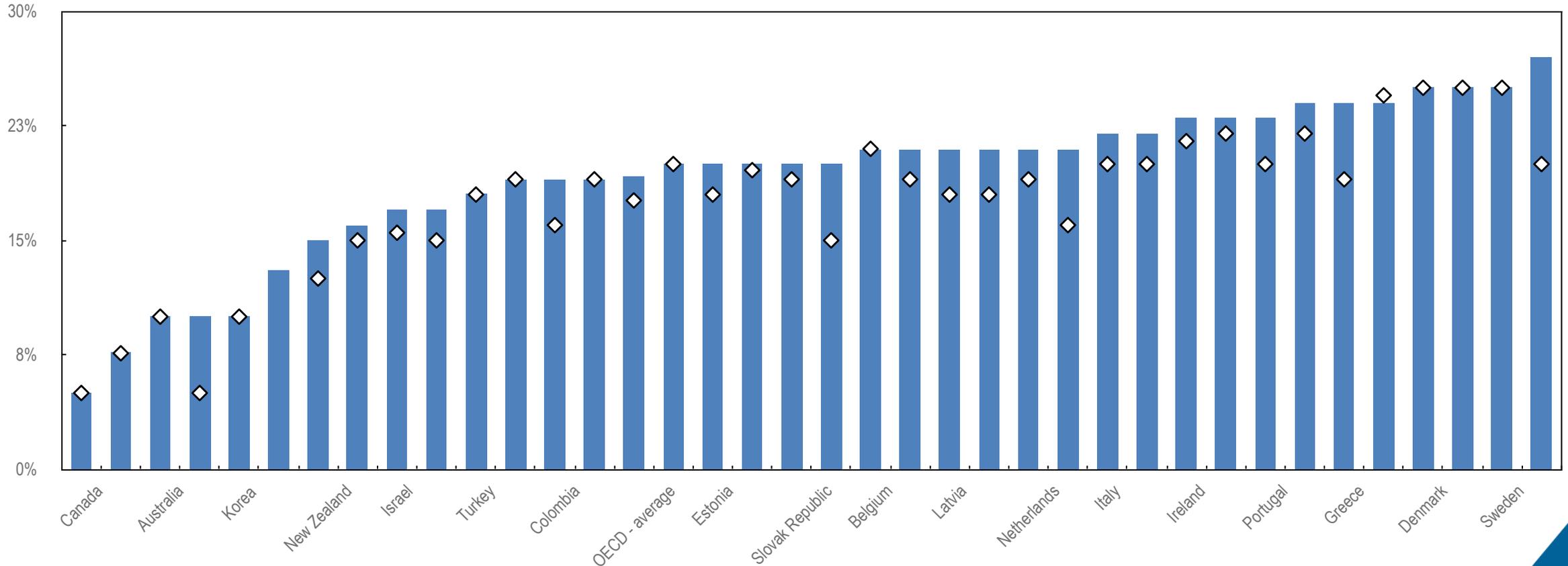


The standard VAT rate in Chile is close to the average rate across the OECD

Standard VAT/GST rates

◇ 2008

■ 2022

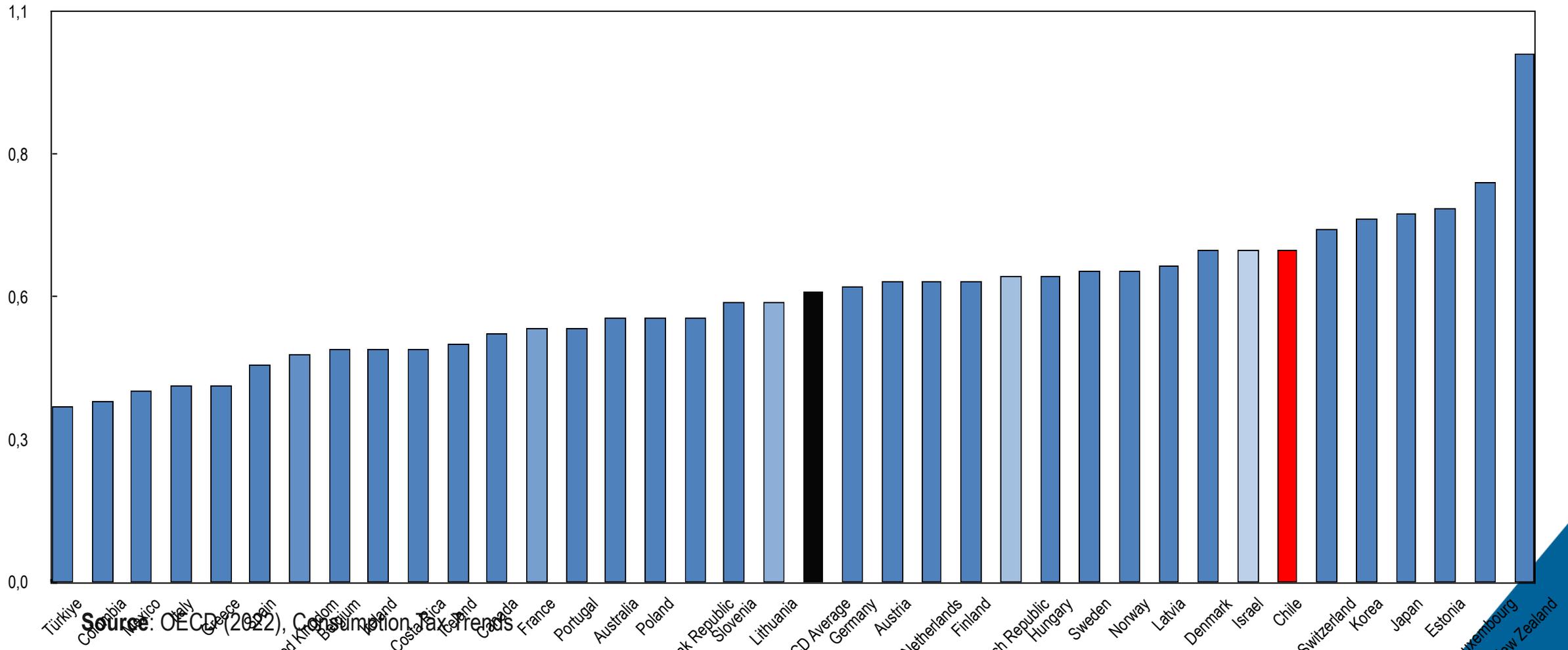


Source: OECD (2022), Consumption Tax Trends



Chile's VAT base is slightly broader than in other OECD countries

2020 VAT/GST revenue ratios (VRRs)

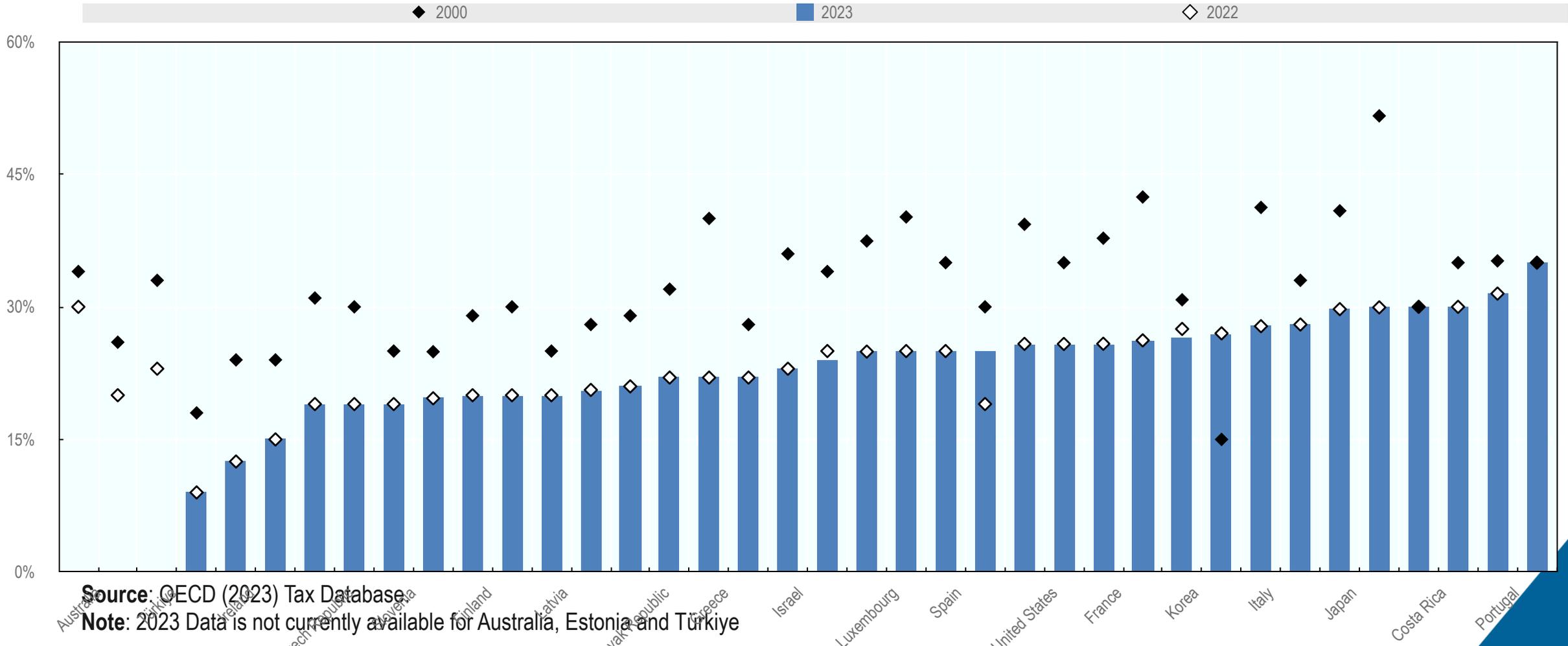


Source: OECD (2022), Consumption Tax Trends



Chile's statutory corporate income tax (CIT) rate is at the higher end of the rates in the OECD

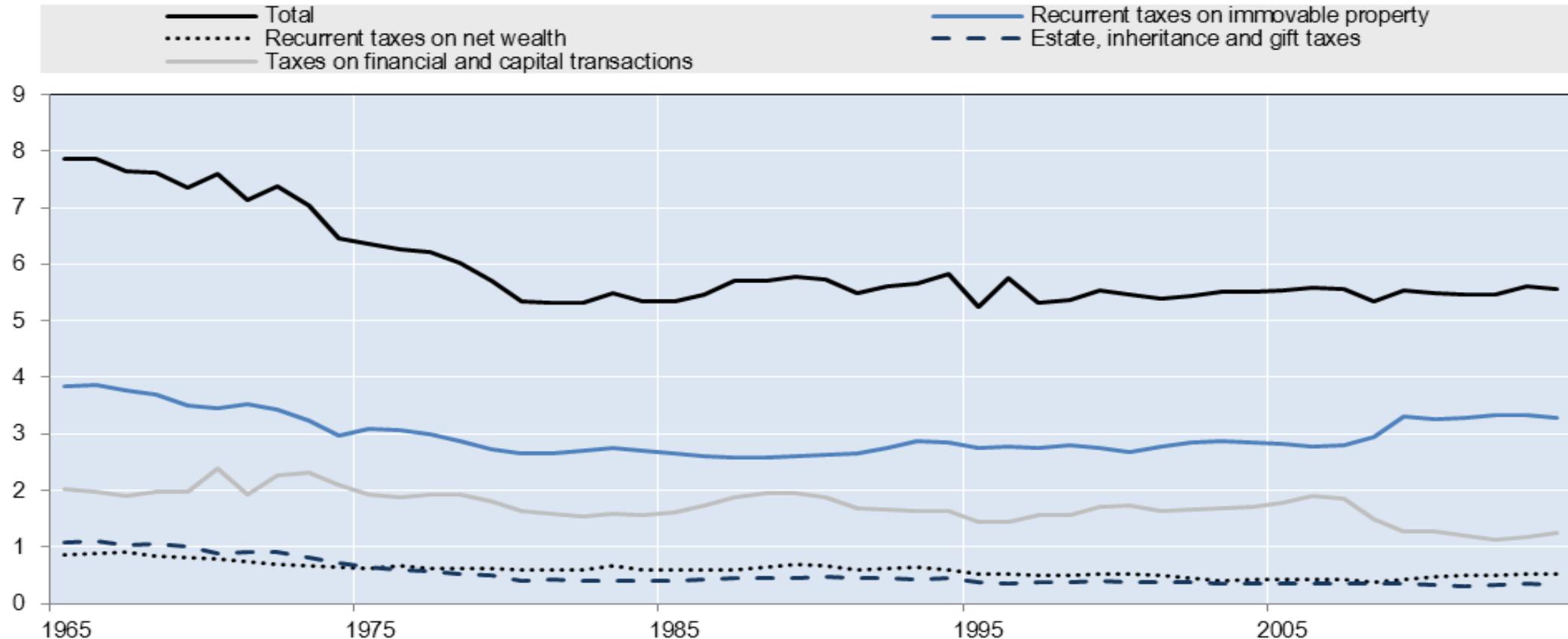
Combined statutory CIT rates





Overall, across the OECD revenues from wealth and property taxes have declined

Property tax revenues as a share of total taxation – OECD average since 1965

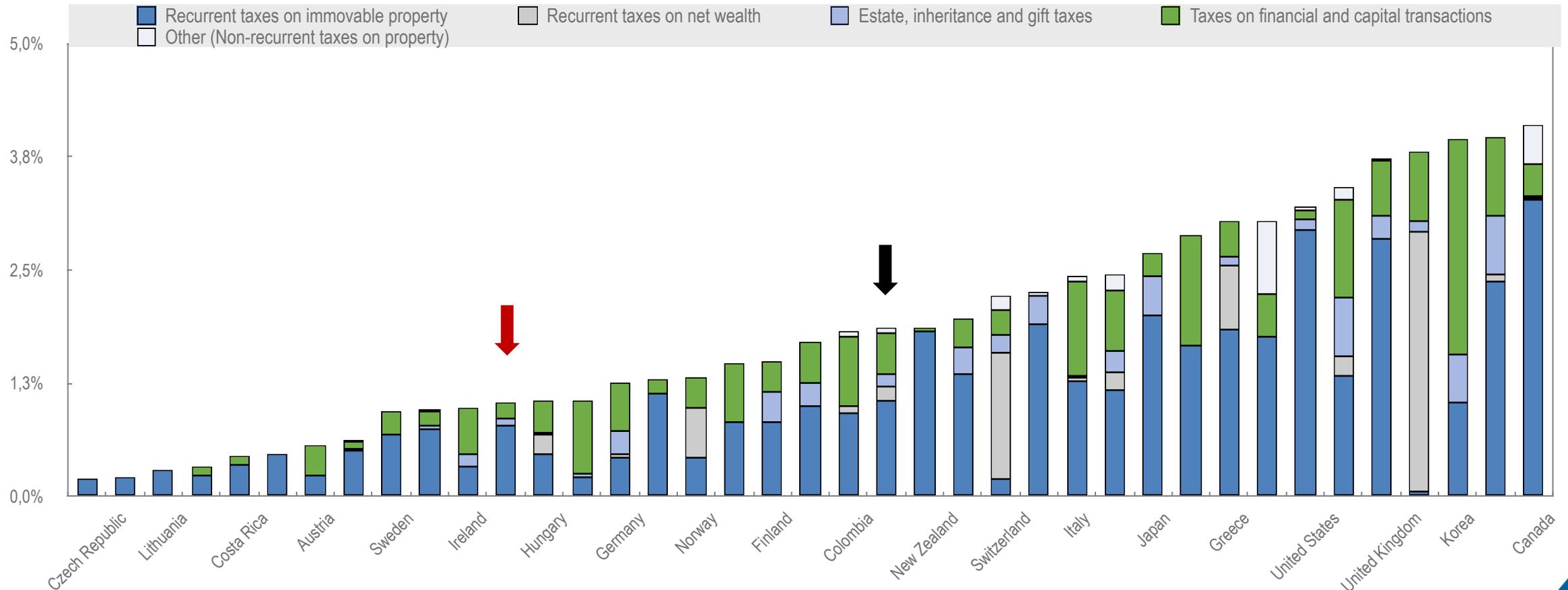


Source: OECD Revenue Statistics Database



Chile raises relatively low levels of property tax revenues

Property tax revenues as a share of GDP in 2020



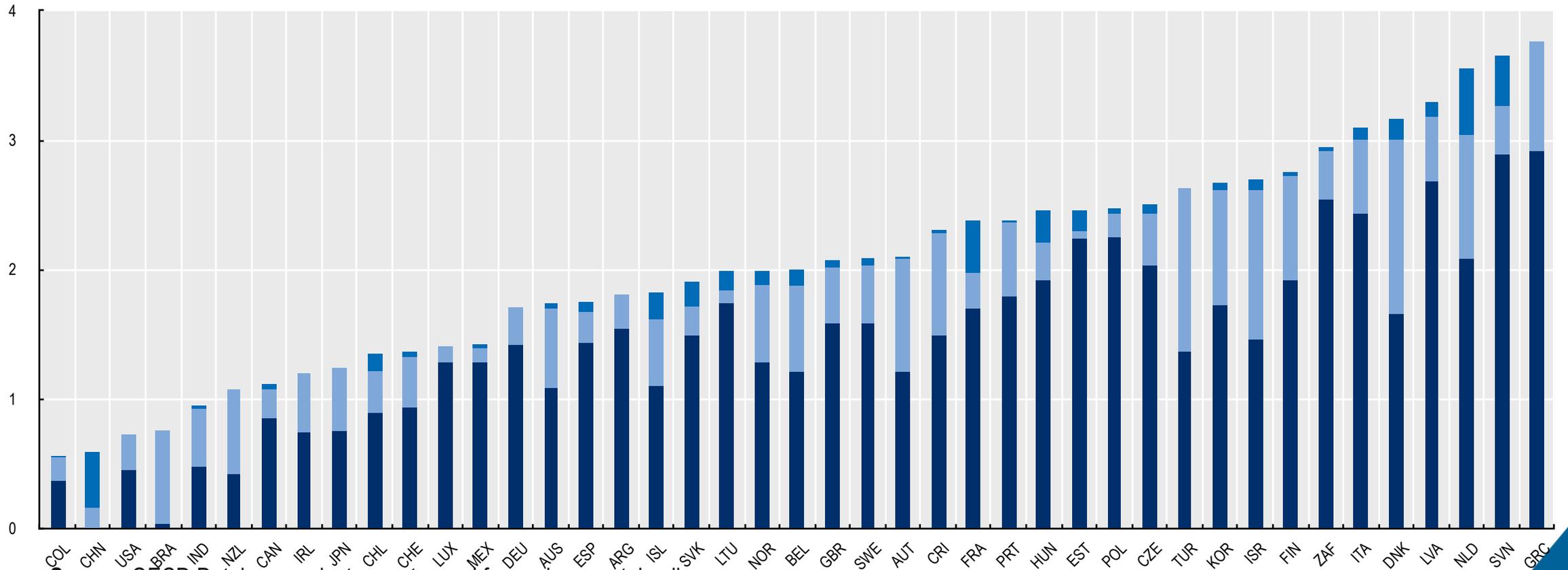
Source: OECD (2022) Revenue Statistics Database



Chile raises relatively low revenues from environmentally related taxes

Revenues from environmentally related taxes as a share of GDP for 2000, 2010 & 2020
OECD and selected G20 and LAC countries

■ Energy use ■ Motor vehicles and transport ■ Other



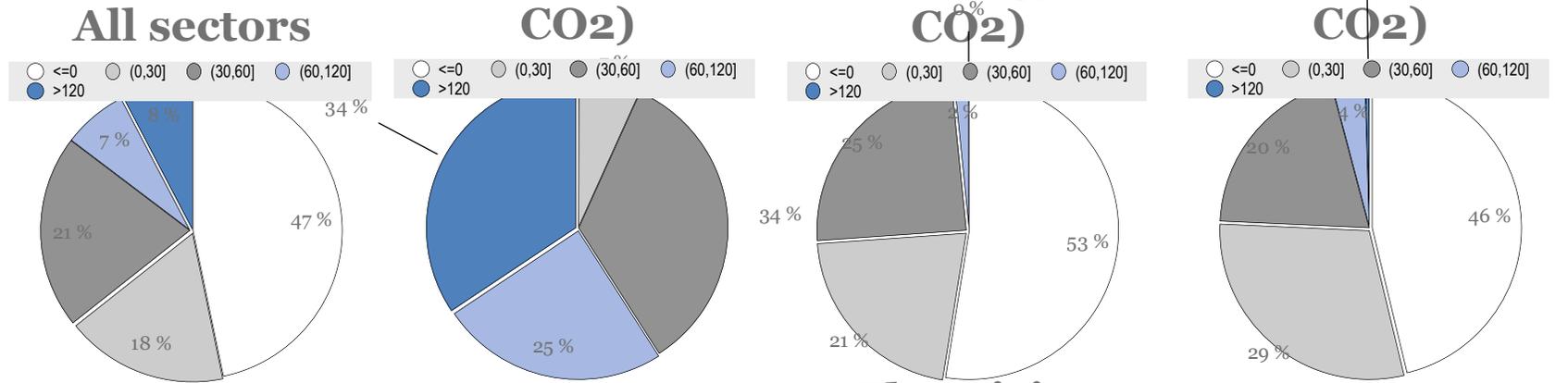
Source: OECD Database on instruments used for environmental policy



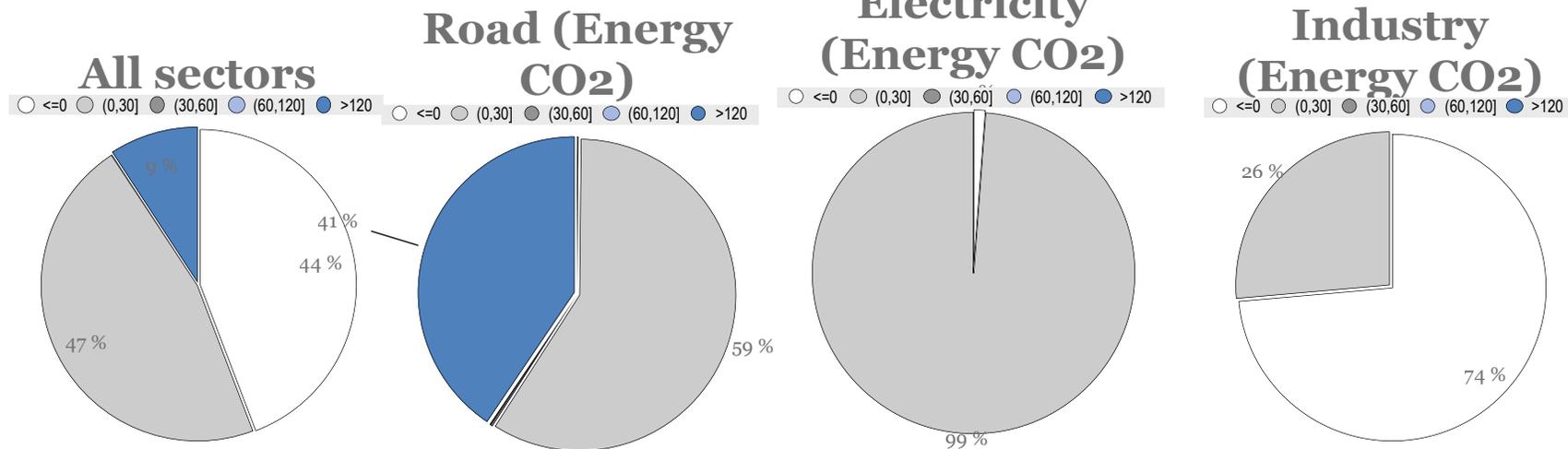
A large % of Chile's CO₂ emissions are untaxed or taxed at modest rates outside of road transport

Proportion of Greenhouse Gas (GHG) emissions (in CO₂e) taxed at different net effective carbon rates in 2021 in EUR/tonne (excluding CO₂ emissions from combustion of biofuels)

OECD
(weighted average)



Chile

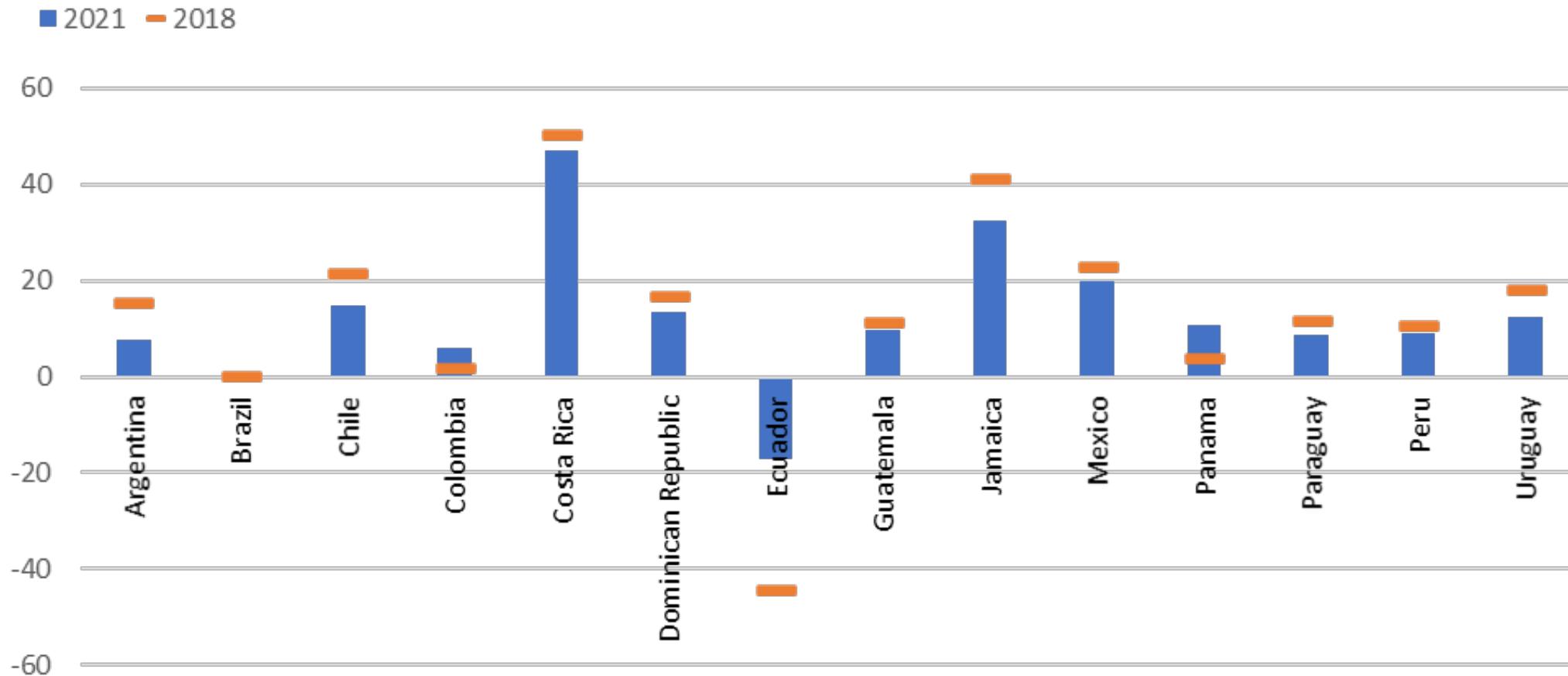


Source: OECD (2022) Pricing Greenhouse Gas Emissions



Chile's average net ECR is in the middle of the pack in LAC countries

Average Net ECR in EUR/tCO₂e, by country, 2018-2021





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