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LEGAL ALERT

Bill to reactivate tourism is introduced to Chilean Chamber of Deputies

On May 7th, 2024, the President of Chile sent a bill (the “Bill”) to the Chamber of Deputies aimed at reactivating tourism and promoting the audiovisual industry, in order to revitalize one of the most affected sectors by the Covid-19 pandemic and to close the gaps that still exist in the arrival of foreign tourists to our country.

The main points included in the Bill are described below:

VAT refund to foreign tourists

Non-residents who enter the country exclusively for tourism purposes will be entitled to a refund of paid VAT for the purchase of personal goods in local commerce, with the intention of using or consuming them outside the country. This applies provided that such purchases in total exceed 3 UF (approximately USD 120), with a maximum refund amount of 15 UF (approximately USD 600) and a limit of two uses of this benefit within a 12-month period.

Additionally, the value of each good purchased must be higher than 0.5 UF (approximately USD 20). Tax documents will be required to prove the effective VAT paid, along with the passport or identification document and departure tickets.

The amount of the refund will be equal to the VAT paid on the acquisition of such goods, less the costs of managing the refund service. Furthermore, the refund operation may be awarded to individuals through public bidding.

New lodging rate

Currently, services offered by hotel companies and taxpayers who rent furnished properties registered with the Chilean Internal Revenue Service, when provided to foreign tourists, are exempt from VAT.

In this context, the project proposes the implementation of a tourism tax of 1.25% on the nightly rate, applicable to foreign tourists staying in tourist accommodations or short-term rentals, including those booked through digital platforms.

The foreign tourist will be the taxable person, but the establishment will be responsible for withholding, declaring, and remitting the tax. However, if the service is paid through intermediaries operating on digital platforms, the responsibility will fall on them.

VAT refund for services contracted in national territory by non-resident audiovisual production companies

Non-resident companies that carry out audiovisual production projects in Chilean territory will have the right to request a VAT refund for services contracted in Chile, excluding those projects intended to be exhibited exclusively within the national territory.

Additionally, the Bill proposes the creation of a “Registry of National Audiovisual Producers” managed by the Chilean Internal Revenue Service. Through this registry, foreign audiovisual production companies can centralize their services contracted in Chilean territory, facilitating the entire operation. In this case, services contracted with the companies in the registry will be considered export services, exempt from VAT.

Other general modifications

An International Tourism Promotion Fund is created to finance actions for the promotion of Chilean tourism abroad. It will be administered by the Ministry of Economy, Development, and Tourism, with resource allocation managed through the National Tourism Service.

To support these efforts, the International Tourism Promotion Commission is created to propose the international marketing plan to the Undersecretary of Tourism. This plan aims to position Chile as a tourist destination. Market Committees, which are public-private collaboration bodies, are also legally recognized and strengthened to propose specific promotion actions in the markets prioritized by the international marketing plan.

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