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## ECONOMIC MEASURES TO PROTECT CHILEAN FAMILIES FROM THE IMPACT OF COVID-19

H.E. Chilean President, Mr. Sebastián Piñera, along with Chilean Finance Minister, Mr. Ignacio Briones, have just announced extraordinary economic measures to protect the health, income and work of Chilean households. The measures move, as a whole for the coming months, fiscal resources for up to USD\$11.75 billion, hence becoming an unprecedented package of socio-economic measures in Chilean history. The package is only possible thanks to how cautious we have been in the past, allowing us the chance to accumulate a series of fiscal and financial shock-absorbers to face emergencies such as the one we are currently experiencing.

The measures are aimed at tackling 3 lines: (1) Strengthening the Health System Budget; (2) Protecting household income; (3) Protecting jobs and the companies that generate them.

1. **Strengthening the Health System Budget.** The Public Health Budget shall be supplemented with the constitutional 2% to cater to expenses resulting from the sanitary emergency. This effort is additional to the special fund announced last weekend.
2. **Protecting Chilean households' income.** A group of initiatives is presented with the sole purpose of protecting labor income for Chilean households:
  - a. **Bill of Law "Covid-19" on Protection of labor income.** The payment of income shall be secured for individuals who, on account of the emergency, must remain at home without any possibility of working from there (tele-jobs). This guarantee shall be allowed whenever: (a) there is a mutual agreement with the employer; (b) health authorities so instruct it. If these conditions are met, the worker shall go on to receive an income from the unemployment insurance, as per the usage rules currently in force and effect, but maintaining his/her labor ties and every labor right, so the employer shall continue to pay social security and health contributions. For this to be possible, up to USD\$2 billion will be injected into the Unemployment Support Fund of State and Employer Contributions.
  - b. **Urgency for Bill of Law on Job Protection.** The Bill on job protection has been placed for immediate discussion. The proposal allows for a reduction of working hours, setting off the drop in salary with resources from the Unemployment Support Fund of State and Employer Contributions.
  - c. **Covid-19 Bonus.** A bonus shall be created, equivalent to the Household Sole Subsidy (SUF [from the Spanish *Subsidio Único Familiar*]), which will benefit 2 million people without a formal employment. This effort entails the use of resources for USD\$130 million.
  - d. **Solidarity Support Fund to face the crisis.** Creation of a Solidarity Support Fund for USD\$100 million, aimed at tackling the social emergencies resulting from a drop in sales of local micro trade. Funds to be channeled via municipal councils.
3. **Protecting jobs and the companies that generate them:**
  - a. Tax Initiatives:
    - 3-month suspension of Provisional Monthly Payments (PPM [from the Spanish *pago provisonal mensual*]) of the income tax for companies. This will allow 700,000 companies

to have more resources at hand for their cash-flows. This entails the commitment of resources for up to USD\$2.4 billion for the coming 3 months.

- VAT payment postponed for the coming 3 months for every company with sales lower than UF350,000, enabling its payment in 12 monthly installments at an actual interest rate of 0%. This will allow for a liquidity injection of up to USD\$1.5 billion for 240,000 companies during 2H2020.
- Postponement, till July 2020, of the income tax payment for SMEs as per their tax statements during Income Operation next April. This will imply freeing cashflows for USD\$600m in the case of 140,000 SMEs.
- Postponement of the April real estate tax payments for companies with sales lower than 350,000 UF, and for individuals with properties that boast a fiscal appraisal lower than CLP\$133m. This installment may be paid at any moment during the year, with a 0% applicable interest rate. This involves resources for USD\$ 670 million. The State shall set off the drop in transient municipal revenues.
- Transient reduction of stamps tax to 0% for every credit operation during the coming 6 months. This will lower financing costs for households and companies. This initiative has a fiscal cost of up to USD\$ 420m.
- Relief measures shall be applied to the treatment of tax debts with the General Treasurer of the Republic, focused on SMEs and lower income individuals: i) flexibility to enter into payment agreements on tax debts with the General Treasury of the Republic, without interests or fines; ii) temporary suspension of judicial collection actions and auctions on tax debts.
- Every corporate expense associated to the sanitary contingency shall be accepted as tax expense.

b. Other liquidity measures

- Acceleration of payments to suppliers and vendors catering to the State: At the beginning of April, all invoices issued to the name of the State and pending payment shall be paid in cash, triggering an immediate liquidity of approximately USD\$1 billion. In turn, every invoice issued hereinafter to the name of the State shall be paid before 30 days (USD\$ 500 million monthly). This is the first stage in the agenda towards centralized payments.
- New capitalization of State-owned Banco Estado, for USD\$ 500 million: These resources shall be destined mainly to the granting of financing to individuals and SMEs. This measure shall increase Banco Estado's credit capacity in approximately USD\$ 4.4 billion.