

# Chile

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### What's new?

Summary of updates/Changes to R&D and government incentives from 1 January 2019 through 31 October 2020

Chile's formula for the constant changes and advances in the R&D sector is the ever-changing offer of programs and incentives by CORFO, which provide a mechanism for dealing with and adjusting to the fluctuation of priorities and opportunities in the local and global market.

### Featured government incentives

Incentive name	Description	Maximum percentage	Qualification standards	Key exclusions or issues
<b>R&amp;D tax incentive</b>	A tax credit and a deduction are available to companies subject to first category income tax that invest in R&D	A tax credit of 35% of the investment in R&D (capped at USD 1 million per year), plus a tax deduction for the remaining 65% of the investment	Eligible costs consist of direct and indirect costs, including costs of personnel, consumables, software licenses, leasing of infrastructure and equipment, subcontracting of analyses and studies, protection of results, and depreciation	At least 50% of expenses related to personnel and subcontracting must correspond to activities carried out within Chile
<b>CORFO programs for R&amp;D&amp;I</b>	A variety of programs provide cash grants and other support for the implementation, creation, or development of R&D&I related projects	Up to 90% of eligible project costs	Eligible costs and other requirements vary according to the program	Programs are subject to availability and may change frequently
<b>Foundation for Agricultural Innovation (FIA) programs</b>	Support funds are provided for the implementation of innovation initiatives in the national forestry and agricultural sector and the associated agro-food chain	Up to 70% of eligible project costs	Eligible costs and other requirements vary according to the program	Support is limited to projects related to the agricultural, agro-food, and forestry sectors

### Industries most often affected by government incentives in country

<b>Technology, Media &amp; Telecom</b>	<b>Financial Services</b>
● Telecom, Media & Entertainment	● Banking & Capital Markets
● Technology	Insurance
<b>Consumer</b>	● Investment Management
● Consumer Products	● Real Estate
● Retail, Wholesale & Distribution	<b>Life Sciences &amp; Health Care</b>
● Automotive	● Health Care
● Transportation, Hospitality & Services	● Life Sciences
<b>Energy, Resources &amp; Industrial</b>	<b>Government &amp; Public Services</b>
● Power & Utilities	Health & Social Care
● Mining & Metals	Defense, Security & Justice
● Oil, Gas, & Chemicals	Civil Government
● Industrial Products & Construction	International Donor Organizations
	● Transport

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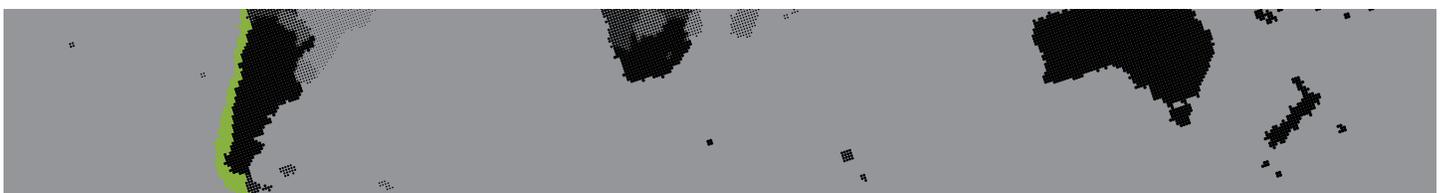
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Type	National incentive?	State, provincial, regional or local incentives? <sup>1</sup>	Filing deadlines imposed?	Is the claim made in advance or arrears? <sup>2</sup>	Nature of incentive	Maximum benefit available to large enterprises	Maximum benefit available to small and medium-sized enterprises
<b>Innovation</b>							
<b>R&amp;D tax incentive</b>	●	●	● ●	National: Arrears Local: Not Applicable	Tax credit and deduction for companies subject to first category income tax that invest in R&D, calculated based on eligible R&D expenditure	Tax credit is 35% of eligible R&D costs, capped annually at UTM 15,000 (≈USD 1,000,000). Deduction is allowed for the remaining 65% of eligible costs	Tax credit is 35% of eligible R&D costs, capped annually at UTM 15,000 (≈USD 1,000,000). Deduction is allowed for the remaining 65% of eligible costs
<b>R&amp;D grant (national)</b>	●	●	●	Varies	Grants to support R&D activities of legal or natural persons, including companies, public institutions or universities, depending on the program	Varies	Varies
<b>Technological innovation grant (national)</b>	●	●	●	Varies	Grants to support technological innovation activities of legal or natural persons, including companies, public institutions or universities, depending on the program	Varies	Varies

Key: ● = PERMANENT INCENTIVE (||) = TEMPORARY INCENTIVE (||) = NEGOTIABLE ● = NO ● = LIMITED APPLICABILITY ● = NOT APPLICABLE

- Notes:
- Green means that this incentive is currently in effect. Yellow means that the incentive has limited applicability, i.e., the requirements for this incentive limit its value to most companies. Red means that there is no incentive.
  - If the response is advance, this means that the government must approve the award of the incentive prior to the commencement/completion of the project/activity. If the response is arrears, this means that the award of the incentive is determined at the end of the tax period or after the completion of the qualifying project or activity. Most tax incentives are considered to be claimed in arrears because they are reported on tax returns.



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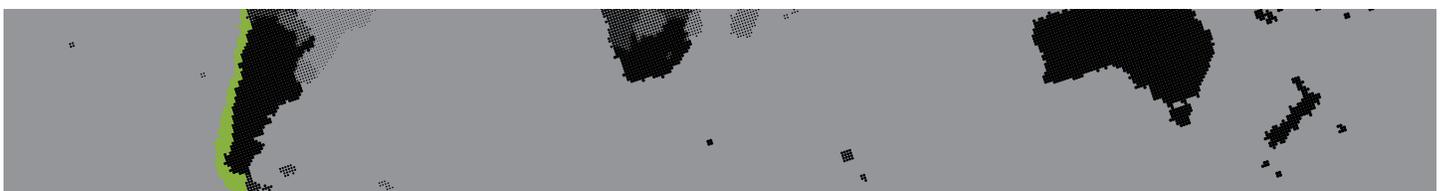
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<b>Investment</b>							
Capex incentives	●	●	●	Varies	Incentives for capex investments of legal or natural persons, including companies, public institutions or universities, depending on the program	Varies	Varies
Employment incentives	●	●	●	Varies	Employment incentives for legal or natural persons, including companies, public institutions or universities, depending on the program	Varies	Varies
Training incentives	●	●	●	Varies	Training incentives for legal or natural persons, including companies, public institutions or universities, depending on the program	Varies	Varies
<b>Environmental sustainability</b>							
Sustainability incentives	▨	●	●	Varies	Sustainability incentives for legal or natural persons, including companies, public institutions or universities, depending on the program.	Varies	Varies

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### Country background

Currently, the three main sources of research, development and innovation (R&D&I) programs and legislation in Chile are:

- The R&D Tax Incentive Law, which aims to contribute to improving the competitive capacity of Chilean companies by establishing a tax incentive for investment in R&D that allows the tax recovery of up to 52.55% of expenditure allocated to R&D activities;
- CORFO programs, which are different public programs offering cash grants or credits to finance innovation, training and employment; and
- Foundation for Agricultural Innovation (FIA) programs, which provide support for the implementation of innovation initiatives in the national forestry and agricultural sector and the associated agro-food chain, through project financing, young seed capital, tours, consultancies, events and studies for innovation.

### Innovation Incentives

#### R&D tax incentive

##### Nature of incentives

R&D Tax Incentive Law 20,241 (as modified by Law 20,570) establishes a tax incentive for private investment in R&D. The tax incentive consists of a tax credit against first category income tax of 35% of the amount invested in R&D, capped annually at approximately USD 1 million. The remaining amount invested may be deducted, regardless of the company's line of business.

If a company is in a tax loss situation or does not have enough tax against which to apply the R&D tax credit, the credit can be carried forward indefinitely to subsequent years.

##### Eligible companies

Chilean taxpayers (natural or legal persons) that are subject to first category income tax, which taxes on the basis of accounting income, are eligible for the R&D tax incentive.

### Eligible industries

All industries are eligible for the R&D tax incentive on costs incurred in qualifying activities.

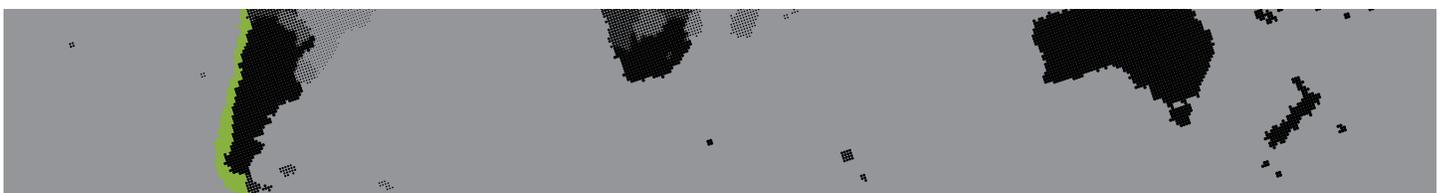
### Qualifying costs

In general, the following are considered qualifying R&D costs:

- Research: Methodical investigation that aims to generate new knowledge in the scientific or technological field, which may be basic or applied. Basic research is understood as that which consists of experimental or theoretical work undertaken primarily to acquire new knowledge of the underlying foundations of phenomena and observable facts, without any particular application or use in view. Applied research also consists of original investigation undertaken in order to acquire new knowledge; it is, however, directed primarily towards a specific, practical aim or objective.
- Development: Systematic work, drawing on knowledge gained from research and practical experience, which is directed at producing new materials, products or devices; starting up new processes, systems and services; or substantially improving existing ones. It also includes the development of computer programs, provided that such development leads to greater knowledge with the aim of systematically solving a scientific or technological uncertainty or to generate a substantial and innovative improvement in a process, product and/or service.

Eligible expenses include:

- Personnel costs, including remunerations and fees of employees, experts and advisors;
- Direct costs, including for materials, consumables, supplies and reagents; raw materials for laboratory analysis, testing, etc.; non-inventory materials; parts and components; bibliographic material; software licenses and related services; travel costs and related subsistence allowances, etc.;



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- Costs of subcontracting to third parties or hiring of services necessary for the execution of the project such as for laboratory analysis, analytical studies, characterization of materials, molecular analysis, physical-chemical analysis; or testing;
- Costs of renting or leasing vehicles, offices, equipment, infrastructure, laboratories, or machinery;
- Costs of property protection for industrial property (invention patents, utility models, drawings and industrial designs), intellectual property (IP), and registration of new plant varieties, including fees, consulting services, expert reports, opposition defenses, publications, and patent studies;
- Normal or accelerated depreciation costs associated with computer and laboratory equipment, instruments, buildings, and infrastructure, including expenses necessary for operation and implementation of required assets, construction of laboratories, buildings, or pilot plants and for the adequacy of infrastructure; and
- Indirect costs, including basic services such as water, electricity, telephone, internet, etc.

### IP and jurisdictional restrictions

At least 50% of expenses related to personnel costs and/or subcontracting must correspond to activities carried out within Chile.

### Other concerns

- The R&D tax benefits apply with respect to internal R&D expenses and/or the costs of hiring an entity to execute the R&D project.
- The annual credit is limited to UTM 15,000 (approximately USD 1 million) per taxpayer.
- Companies in a tax loss position or that do not have sufficient tax against which to apply the tax credit can apply it in subsequent years.
- The R&D tax incentive is available in addition to other public financing support.

- Each company that contributes to an R&D project is eligible for tax benefits on the amount of its contribution.
- R&D expenses may be recognized as from the submission of a Declaration of Intent to use the R&D Law.

### R&D&I grants through CORFO programs

#### Nature of incentives

CORFO is the Chilean economic development agency that works to improve the competitiveness and the productive diversification of the country by encouraging investment, innovation and entrepreneurship.

The CORFO programs consist of a variety of calls with different requisites and objectives, all centered on the support of legal or natural persons for the implementation, creation, or development of R&D&I projects. This may also include projects centered on increasing productivity, training personnel, or networking different institutions.

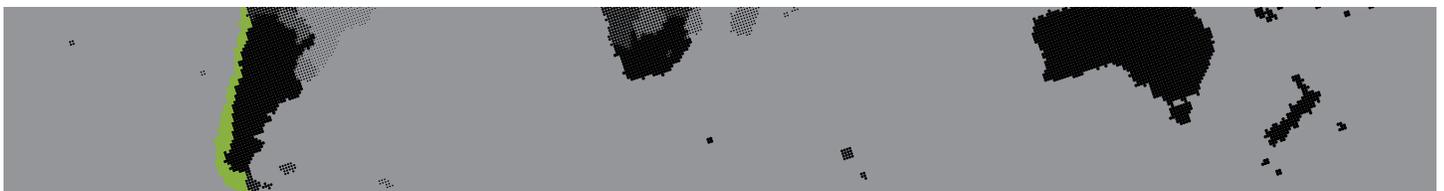
As there are a number of programs and application dates are subject to change, checking CORFO's website periodically is recommended.

CORFO also periodically finances strategic projects for the country, either by creating new programs or, for permanent programs, requesting new applications each year. For example, CORFO is financing the development of clean technologies, the development of electromobility, and the management of water resources.

The following are some of the CORFO programs:

#### Innovative High Technology

CORFO supports R&D projects with high technological and commercial risk so that they can grow at a global level. It is a program for companies that aim to develop tech innovation (with R&D components) from prototype to commercial validation, with global impact expected.



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### Create and Validate

CORFO supports the development of new or improved products, processes and/or technology-based services, from low resolution prototypes to their validation at industrial and/or commercial scale. It is a program for companies that aim to develop tech innovation from prototype to commercial validation, with some projects requiring an R&D component (with internal or external capacities). It is also a program for companies that aim to expand (nationally and internationally) their technological innovation.

### Regional Innovation

CORFO supports the development of new or improved products, processes and/or services, from low-resolution prototypes to their commercial validation, which contribute to the regional economy.

### Consolidate & Expand Innovation

The objective of this program is to support the national and international expansion at a commercial and/or industrial level, and the validation and packaging in the destination markets of a marketable technological product. A marketable technological product is a prototype of a product, service and/or process, with R&D components, whose operational and functional behavior, both technical and commercial, has been verified under real conditions and presents potential for commercial success.

### Connect and Collaborate

The objective is to increase the development of innovative solutions to solve problems and challenges of productivity and/or competitiveness of national companies, through projects executed in a collaborative manner.

### Join Innovation

CORFO seeks to increase the development of innovative solutions to solve problems and challenges of productivity and/or competitiveness of national companies, through linkage with collaborating entities. This is done through financing the hiring of collaborating entities for the provision of services that provide capabilities to solve problems or challenges of productivity and/or competitiveness that the beneficiary has identified.

### Strengthening SMEs

CORFO supports the operation of centers to help SMEs improve their productivity levels through the adoption and use of mainly digital technologies.

### New Engineering for 2030 in Regions

This program helps universities that teach civil engineering to transform their institutional practices, training and links with industry and society for purposes of contributing to the productive development of the country through innovation, entrepreneurship, development and technology transfer.

### Technology Network

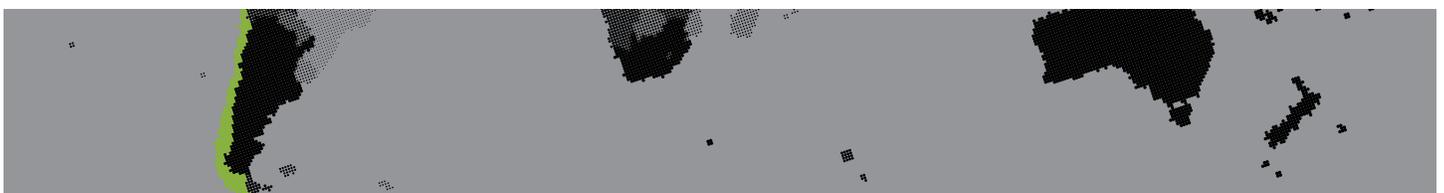
This line of support seeks to enable groups of between 10 and 15 companies to close technological and management gaps through peer-to-peer exchange and technical assistance, incorporating tools and best production practices, and promoting the construction of alliances between entrepreneurs to increase their relational capital and improve their productivity and competitive position.

### Reactivation Support Projects

The objective of this program is to empower a group of companies and/or entrepreneurs from a given location or economic sector, so that they can improve their productive and management skills through technical assistance, training, and co-financing of productive investment. This program also supports companies in the reactivation of their economic activity or at the beginning of a different one, and in the recovery and/or improvement of their productive potential and their management within social, economic, and health frameworks, through the granting of financing for work plans to develop skills and capacities, investment and/or working capital.

### Regional Technology Dissemination Program

The objective of this program is to help improve the competitiveness of a group of regional companies, preferably SMEs, through prospecting, dissemination, transfer and absorption of knowledge, in order to increase their productivity, generate jobs, and sustain their business strategy.



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### Regional Public Goods

CORFO supports the development of solutions that solve information asymmetries, address market failures and/or coordinate and facilitate the productive decision-making of companies, with impact on regions.

### Human Capital Scholarships

CORFO supports workers in various productive and geographic sectors of the country through specialization courses, where there is a lack of qualified personnel or where existing staff require strengthening of fundamental skills for better job performance.

### Eligible industries and qualifying costs

All industries are eligible, although some programs have their own target industries, beneficiaries and qualifying costs. Qualifying costs include costs for personnel, subcontracting, renting or leasing, protection of results, and equipment/infrastructure (investment or depreciation costs), and other direct and indirect costs.

### Potential changes

These programs change constantly, so some of the ones listed here may not be always available, but there are always new initiatives taking place.

### R&D&I grants through FIA programs

#### Nature of incentives

The mandate of the FIA is to foster a culture of innovation in the agricultural, agro-food, and forestry sector for the promotion of innovation initiatives that contribute to improving the living conditions of farmers in all regions of the country.

Innovation programs provide funding for the development and adoption of innovations in products, services and/or processes that contribute to the efficient solution of strategic challenges in the national forestry and agricultural sector and/or the associated agro-food chain.

### Eligible industries and qualifying costs

FIA programs are focused on entities related to the forestry and agricultural sector and/or the agro-food chain. Some examples are companies dedicated to the production of raw materials from the forestry and agricultural sector; companies in the agro-food chain that are dedicated to the transformation of raw material from the forestry and agricultural sector; companies that provide services and develop products for the forestry and agricultural sector and/or the national agro-food chain; or research institutions that develop products/services and/or processes together with companies from the forestry and agricultural sector and/or the agro-food chain. Qualifying costs vary according to the program.

### Potential changes

Future projects must fall within one of these three areas: water efficiency and adaptation to climate change, development of innovative markets, or innovation in processes.

