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Ministry of Finance of Chile
Investor Relations Office

Economic Acceleration Agenda – Additional Measures to Bolster Growth

Change of Validity of the Semi-instant assets write-off

On Monday August 12th, Minister of Finance Mr. Felipe Larraín announced an additional measure within the economic acceleration agenda, geared towards further boosting investment.

The Tax Modernization bill, currently under discussion in Congress, includes a transitory norm that allows for 50% of the value in investments in fixed assets to be depreciated instantly for all those investments made during the 24 months following the publication of the law in the Official Gazette. This measure also includes a special treatment to those investments in the region of “La Araucanía” allowing the instant asset write-off of 100% of fixed assets investments.

The amendment proposed today establishes that the policy will take effect on October 1st of this year for the following 24 months, regardless of when the bill is passed.

This amendment avoids uncertainties regarding the timing of the approval of the bill, and provides a direct incentive to invest from the fourth quarter of this year, due to the lower cost of capital.

Considering that the effect on investment growth of the Tax Modernization bill is estimated at around 2.9 percentage points annually, it is reasonable to suppose that this policy will boost investment growth in 0.7 percentage points quarterly and up to 0.2 percentage point of GDP growth for this year.

Previous Announcements of the Economic Acceleration Agenda

At the beginning of June, the Minister of Finance and the Minister of Public Works, announced an investment acceleration plan for approximately US$ 1.4 billion, that will materialize between the second half of the current year and through 2020. It is estimated that the total impact on GDP growth of these measures will be between 0.3 and 0.5 percentage adding up this year and the next one.

Additionally, at the end of June, and together with the Ministry of Housing, a new plan was announced to accelerate the delivery of housing subsidies, which considers to give 15,000 new social and territorial integration subsidies. It is estimated that this plan will create 45,000 new jobs, associated with investments of US$ 1 billion (about 0.3% of GDP).

It is important to note that both measures totalize a stimulus exceeding US$ 2.4 billion and are considered within the budgetary spaces allowed by the fiscal rule. These measures imply an advance in the implementation of these policies that would have been otherwise implemented in the years 2020 or 2021.