

Ministerio de Hacienda



Emergency Plan to Protect Family Incomes, and Boost the Economy and Employment

Finance Commission
Cámara de Diputadas y Diputados

June 16th, 2020

Ignacio Briones R. | Minister of Finance

Context: Economic Emergency Plan

Phase I: Mobilizes US\$ 12.1 billion in fiscal resources (March 19, 2020)

Line of Action	Measures	Amount (MM US\$)
Reinforce the Health System's Budget	Supplement health's budget with a constitutional contribution of 2% of the budget	1,400
	Special fund to finance health expenditures	260
Protection of Households' incomes and Jobs	Additional resources for the Unemployment Fund	2,000
	Targeted cash transfers	167
	Municipal Solidarity Fund to face the crisis	100
Liquidity Measures for the Productive Sector	3 month suspension of provisional monthly income tax payments (PPM)	2,400
	Deferral of VAT payments	1,500
	Anticipation of income tax refund	770
	Deferral of income tax for SMEs	600
	Deferral of April's property tax	670
	Anticipation of income tax refund for independent workers	200
	Withholding refund for independent workers for activities executed in January and February, 2020	118
	Transitory reduction of stamp tax to 0%	420
	Acceleration of payments on public procurement contracts	1,000
New capitalization of Banco Estado	500	
Total		12,105

Context: Economic Emergency Plan

Phase II: Mobilizes **US\$ 5 billion** in fiscal resources (April 8, 2020)

The measures aim to protect economic activity and incomes of the most vulnerable. With this, both phases consider the mobilization of fiscal resources of up to US \$ 17.1 billion (6.9% of GDP).

Phase	Measures	Amount (MM US\$)
Phase I		12,105
Phase II	Economic Activity Protection Plan (FOGAPE's SME capitalization)	3,000
	Plan to protect the income of the most vulnerable people	2,000
Total		17,105

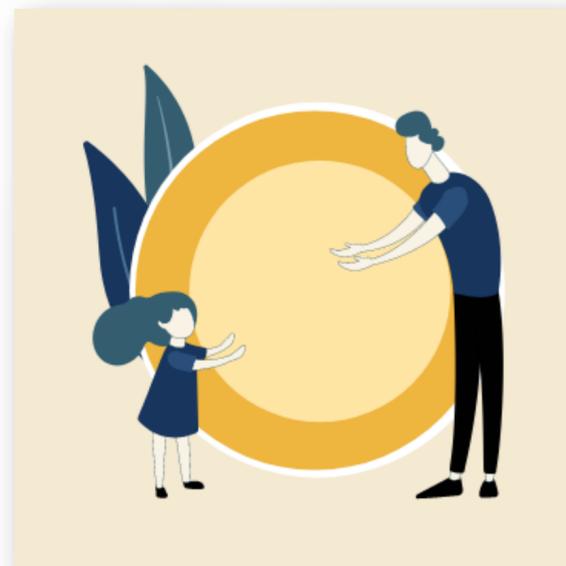
National Agreement: Emergency Plan to Protect Family Incomes, and Boost the Economy and Employment

Agreement subscribed on June 14th, 2020, in order to protect **family incomes** and to establish a path for **future recovery** and **fiscal consolidation**, that considers resources for up to US\$12 billion over the next 24 months.



1

Fiscal Framework for the next 24 months and consolidation path thereafter



2

Protection of Family incomes

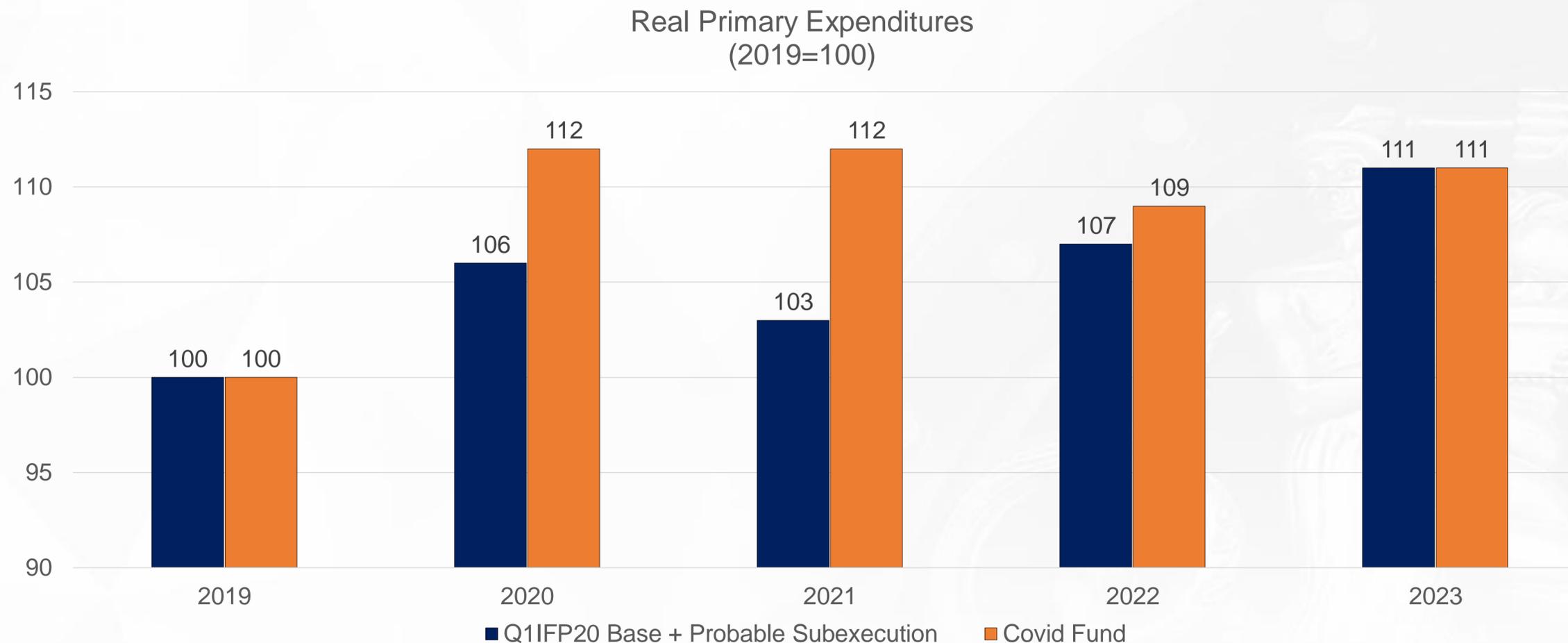


3

Plan for economic recovery and employment

Fiscal support remains through 2021

The Agreement includes the commitment to maintain fiscal support to the economy through 2021, instead of reducing it. As a result, resources in next year's Budget Law (September 2022) are already fixed, contributing to public debt stabilization.



Source: Proposal prepared by counsel of 16 economists.

2. Protection of Family Incomes

EMERGENCY FAMILY INCOME | (IFE 2.0)

- Increases benefits, complementing formal **incomes to guarantee up to CLP\$100,000 per person per month for a family up to 4 people.**
- **Increase of IFE coverage**, from 60% to 80% of the most vulnerable households.
- **Extension of benefits:** during June and July a 100% of the benefit will be given. During the 3rd month, it will be considered an equivalent of 80%, with possibility to increase to 100%, if necessary.
- Minimum benefit of CLP\$25,000 per person for qualifying households.



2. Protection of Family Incomes

EMERGENCY FAMILY INCOME (IFE 2.0) – SOME EXAMPLES

1. Household of 3 with no formal incomes

- ✓ Will receive CLP\$300,000 (CLP\$100,000 per person)

2. Household of 4, one with suspended contract and receiving CLP\$250,000 from unemployment insurance.

- ✓ Will receive CLP\$150,000, reaching a total income of CLP\$400,000, equivalent to CLP\$100,000 per person.

3. Household of 2, one that receives a pension of CLP\$80,000 and another with income of CLP\$50,000

- ✓ Will receive a benefit of CLP\$70,000 reaching a total income of CLP\$200,000, equivalent to CLP\$100,000 per person.

4. Household of 4, one with income of CLP\$150,000 and other unemployed, receiving CLP\$200,000 of the unemployment insurance

- ✓ Will receive a benefit of CLP\$100,000 (the minimum of CLP\$25,000 for every member), reaching a total income of CLP\$450,000, equivalent to CLP\$112,500 per person.

People per household	Maximum benefit
1	CLP\$100,000
2	CLP\$200,000
3	CLP\$300,000
4	CLP\$400,000
5	CLP\$467,000
6	CLP\$531,000
7	CLP\$592,000
8	CLP\$649,000
9	CLP\$705,000
10 or more	CLP\$759,000

2. Protection of Family Incomes

EMPLOYMENT PROTECTION LAW

- **Access to the unemployment insurance is extended to unemployed workers** that are currently not eligible.
- Increase in unemployment insurance **replacement rate**.
- **Benefit will be extended as long as the IFE 2.0 is active.**
- Unemployment insurance payouts will be compatible with IFE 2.0.
- **Reduced work schedule extended** from February-2021 to July 2021.

SUPPORT TO INDEPENDENT WORKERS

- Benefits given to independent workers will be compatible with IFE 2.0. These include subsidies for incomes below CLP\$ 500,000, complemented by preferential government loans.



2. Protection of Family Incomes

FUNDS FOR MUNICIPALITIES, SOCIAL ORGANIZATIONS AND HEALTH

Funds to support Municipalities (US\$ 120 million)

- Allocation criteria according to vulnerability index, based the “COVID Municipal Solidarity Fund” model.

Fund to support health services (US\$ 500 million)

- Focus on primary attention.
- Second phase of health fund for COVID.
- Emphasis on actions to implement through the primary health system, sanitary residences and others.

Funds to support social organizations (US\$ 20 million)

- Fund to support NGOs, using public and transparent allocation criteria.



3. Economic Recovery: Support to Employment and Investment

EMPLOYMENT RECOVERY

Employment Subsidies

- Temporary increase in the coverage of existing youth and female hiring subsidies **from 40% to 60% most vulnerable**.
- Hiring subsidy equivalent to half of the monthly minimum wage (CLP \$160.250), for a 12-month period with a maximum amount of 20UTM (~CLP\$ 1,000,000).
- A corporate income tax credit equivalent to 23% of the total salary of every new dependent worker to be hired by the company.

Flexibility

- Transitory adjustments to the labor market's regulatory framework, allowing for adjustments in hours worked and functions, in line with current sanitary conditions.
- Flexibility through a permanent dialogue with the public-private councils.



3. Economic Recovery: Support to Employment and Investment

EMPLOYMENT RECOVERY

Telecommuting in the Public Sector

- Agreement to work on legislation on the regulation of tele-working working in the public sector.

Fund on Training and Capacity Building

- Funds to support workers' training, with special emphasis on the most affected by the crisis.
- Strengthening of the labor market's intermediation programs and digital training through SENCE and SERCOTEC.
- Special emphasis on unused resources of the Tax Training Franchise.



3. Economic Recovery: Support to employment and Investment

PUBLIC INVESTMENT

Public Investment Plans for 2020 and 2021

- Mainly through the Ministry of Public Works and Ministry of Housing, in hydroelectric infrastructure, logistics and housing.
- Fast execution and regional coverage.
- Emphasis on sustainability and climatic change mitigation (dams, drinking water and others).
- Expedited execution of concessions projects in the pipeline, facilitating administrative processes.



3. Economic Recovery: Support to employment and Investment

Support to SMEs

SMEs Financing

- Improving credit guarantees (FOGAPE-COVID), modifying deductibles and higher guarantees for SMEs.
- Support to SMEs through different programs (SERCOTEC, FOSIS, INDAP y CORFO)

Cutting red tape to entrepreneurs and re-capitalization of SMEs

- Allowing SMEs to begin operations while in the process of obtaining authorizations for up to 1 year, instead of the ex-ante requisite.
- Improve the reorganization process in case of bankruptcy, to diminish costs and time of reorganizations of SMEs.



3. Economic Recovery: Support to employment and Investment

TRANSITORY TAX INCENTIVES

- **50% reduction of the corporate income tax rate for SMEs during 2020, 2021 and 2022.**
- 3-month extension on the suspension of provisional monthly income tax payments.
- Refund of VAT credits to SMEs, in good-standing with the local IRS.
- 100% depreciation on fixed asset investments until 12/31/2022.
- Investment projects to be executed until 12/31/2021 will be exempt of the 1% regional contribution.



3. Economic Recovery: Support to employment and Investment

FINANCING OF LARGE CORPORATES

Easing Access to Credit (FOGAPE+)

- Partial state guarantees (60%) in bond issuances or in loans provided to large firms currently not considered by FOGAPE-COVID.
- State to be compensated at market-based interest rates, consistent with the level of risk.

Support for Strategic Firms

- Support to solvent strategic firms based on transparent and pre-established criteria.
- State to be compensated accordingly based on the eventual financial risk.
- Specific financial support may consider a combination of the following:
 - i. State guarantees to facilitate third-party funding;
 - ii. Debt that may be converted to equity;
 - iii. Ownership for a pre-established period.



National Agreement: Emergency Plan to Protect Family Income and for Economic Recovery

TRANSPARENT FRAMEWORK

- Regular reporting on the **disbursement status to Congress.**
- Web domain with information on the disbursement of the funds.
- **The Budget Office will send a monthly report to Congress.**





Thank you

