STATE AND INDIRECT TAXES IN CHILE AND LATIN AMERICA: ANALYSIS OF THE
PERIOD 2000 - 2011

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Reception Date: 06/28/13 – Approval Date: 09/11/13

ABSTRACT

The State needs financial resources to fulfill its mission in society, therefore, it is no coincidence that taxes in Latin America and particularly in Chile, are currently a topic of discussion in academic and political circles. For this reason, the cardinal purpose of this research is to describe the main features of the taxes of the countries in Latin America and Chile in particular, developing a cross-sectional analysis of the different realities in terms of taxation. To achieve this goal, we conducted an exploratory-descriptive study, and analysis of the main variables that make this type of tax, and identifying the essential components of existing tax systems.

In summary we concluded that Chile has made progress in tax revenue, but has failed to eradicate poverty and reduce the economic and social gap that becomes increasingly questioned, probably one of the main causes is the value added tax (VAT). Against this, it is necessary to continue to work in equities as simplifying our tax system and reduce tax payable amount.

KEYWORDS: State; Taxes; Tax Reform; Latin America; Public Expenditure.

INTRODUCTION

It is undeniable that states must meet multiple needs, in scenarios characterized by the
shortage of resources; in this order of things, to finance its expenditures, primarily tax collection is used, which is understood as a mandatory provision for the State or the legal person that it may indicate. Obviously, this tax affects taxpayers' equity or depositors, who must accept it, otherwise it would not be feasible to enshrine the social principle of freedom and the concomitant constitutional principle of equality.

Additionally, it should be noted, that fiscal policy is not only a means of macroeconomic management, but a tool that governments can use to achieve the expected economic development, improve the distribution of income and improve the living conditions of the most needy, which is why long discussions arise when deciding the value of a country's taxes because they have not been able to find a single answer to be able to address these variables efficiently and effectively.

Given this reality, this research aimed primarily, to describe the salient features of the tax systems of some countries of Latin America, who have made tax reforms, including the case of Chile, which establishes the technical criteria and how to optimize the collection or use of fiscal resources.

To reach the central raised purpose, there is used as methodology a mixed approach, since "(...)it involves a process of collecting, analyzing and linking quantitative and qualitative data in a single study or series of studies to respond to an approach problem" [Hernandez et. al., 2006, p. 751]^{1}. Besides, we can mention that it is exploratory in nature, since, looking "(...) examine a topic or research problem rarely studied or has not been addressed before" [Hernandez et al., 2006, p. 100]^{2}.

Additionally, it is important to understand that much has been discussed today by the tax reform that Chile has generated, so it is important to know the different proposals that have emerged in recent years and the reality of raising taxes in this country and in the countries of Latin America, to make a good decision that responds effectively to the needs of the population.

In this vein, the present paper is done in first instance as a kind of prelude that provides items for discussion, before focusing tax systems in Latin America and Chile, from a diachronic perspective; analyzing the tax results to give way to a look of the current status of the implementation of tax systems and economic development, ending with a propinquity to tax reform in Chile.
DEVELOPMENT

1. Contextual Background

Markets tend to be regulated by the forces of supply and demand, giving way to free will and self-financial regulations that indirectly affect the quality of life of individuals embedded in social economy models. The State sees its ultimate intervention in certain sectors, mainly in the economic acting as a regulator thereof and through public policy and fiscal policy can create conditions for proper social development. It is key to improving public policies related to tax collection rates resulting in improved efficiency and equity, which could promote a more equitable national development and varied development opportunities for its inhabitants.

The State, in order to finance its expenditures, has as main source of income tax collections, which can also be used for other purposes such as to discourage the production and consumption of certain goods, establishing additional taxes that raise the price of the product issue and cause the quantity demanded to retract, or to modify the distribution of income, making, for example, social groups with higher income levels pay proportionately greater amount of taxes. Larroulet (2003).

The tax or duty is defined as a mandatory provision (by law) to the State or legal persons indicated by this, which affect the assets of the obligated or contributors and are held for purposes of funding and spending. This approach is supported by the contemporary doctrine of tax law, especially Latin American law, which has been synthesized by Hector Villegas in the following definition "... taxes are cash benefits that the state requires in exercising its power of empire, under a law and to cover the costs demanded by the public needs satisfaction..." [Villegas, 2002, p. 88][3].

Due to the above, taxes have two major classifications:

On one hand, are those levied directly to the source of wealth, the estate or the income of the taxpayers, whether individuals or companies, with some progressive to the extent that income who more have pay more. On the other hand, there are those which affect it indirectly by consumers, with a downward trend since the taxes paid by the poor end up being a higher proportion of their income than the rich paid (Cajas, 2011).

Tax revenues from indirect taxes, is an important source of income for developing countries, as they are usually easier to collect, so they require less administrative cost control. Some examples of this type of tax are the Value Added Tax (VAT), tax Consumption
and Stamp tax.

For the Chilean case, the legality of the tax rises in the Constitution, in its first article it states:

"... The State is at the service of the human person and its purpose is to promote the common good, which should help to create the social conditions that allow each and every one of the members of the national community to greater spiritual and material fulfillment possible, with full respect for the rights and guarantees established by this Constitution" [Constitution of the Republic of Chile, 1980, 2005, p. 5](4)

2. Historical Evolution of the Tax Systems in Latin America and Chile

The evolution of tax systems in Latin America has been marked over the past two decades, the need for countries in the region to increase their tax revenues in order to meet the requirements of the nation. For this we have increased tax revenue through indirect taxes and a widening of the basis, which implies the renunciation of the principle of progressivity, while its goes through neutrality and universality of taxes to taxpayers.

Complementing this, the product of international trade agreements, countries have tended to reduce taxes related to foreign trade, in order to optimize international trade relations. As an example, in Latin America there are different sub regional realities which have developed their own integration frameworks, such as the Southern Common Market (MERCOSUR), which is composed of Argentina, Brazil, Paraguay (currently suspended for violation of the Democratic Clause in the Ushuaia Protocol), Uruguay and Venezuela who recently joined as a full members, as well as Bolivia, Chile, Colombia, Peru and Ecuador that integrate as associate members. On the other hand, there is the Andean Community (CAN) which is composed of Bolivia, Colombia, Ecuador and Peru. In turn, the Central American Common Market (CACM), consists of Costa Rica, Guatemala, Honduras, El Salvador and Nicaragua and incorporates Dominican Republic in certain areas.

Based on these developments and as a result of mobility of markets and bilateral agreements it is that each country has tried to work on a balance of income and tax expense, in order to achieve a degree of harmony in the resource utilization. Thus, today we can highlight a series tax measure, which can be seen in Figure Nº1.
In regard to tax reforms in Latin America, they are designed to earn revenue and reduce costs of the distortions caused by taxes and how these enter the treasury. Recent reforms have emphasized the income adequacy, horizontal equity and neutrality, simplicity, and compatibility between the tax system and administrative capacity, as designated by Ricardo Carciofi and William Barris in their study Tax Reforms in Latin America, for ECLAC (1994), in Santiago Chile.

The evolution of trends and tax reforms implemented in Latin America has varied from decade to decade. During the 80’s, it was working on breaking down the progressive rate structure of the income and property taxes, which were considered optimal measures of equity goals and stabilization, on the other hand, there were established emphasis on broad-based taxes low rates on household consumption such as Value Added Tax (VAT).

During the 90’s, the countries considered the unification of VAT rates, on the other hand, they sought a reduction of income tax of individuals from 48% to 35% on average for Latin America, for the Chilean case the maximum rate to this tax corresponded to 45% during the decade.

As can be discerned in Figure Nº 2, the tax reforms implemented in recent decades, generated some effect on the administration of the Latin American countries.
3. Tax results in Latin America and Chile

Fiscal policy is not only a means of macroeconomic management, but a tool that governments can use to give a boost to national development, reducing poverty and inequality, all the above mentioned, are reflected in current organizational settings, in an ethical public management (Burotto and Ganga 2012).

However, in the period between 2000 and 2011, government revenues totaled an average of 22.89% of GDP (Gross Domestic Product) in Chile compared to 17.61% in Latin America. In the same period, total expenditures accounted for 21.16% of GDP in Chile and 19.79% in Latin America. The proportion of income and expenditure in GDP increased in Chile and Latin America during this period.

In the same period, revenue from indirect taxes in Latin America totaled an average of 8.75% of GDP compared to 9.82% in Chile, in turn, tax revenues from direct taxes, had the same trend in Latin America totaling an average of 4.46% of GDP from Chile reached 6.12%, as can be seen in Figure Nº 3.
Figure Nº 3: Average income from direct and indirect taxes 2000-2011 period  
(Figures as percentages of GDP)  
Source: Own Elaboration¹

This should respond in part to the structure of taxation possessed by countries in the region, which have some similarities and differences with Chile. Regarding indirect taxes, as shown in Table Nº1, one can note that there are different types of taxes that are used in indirect collection, such as:

- VAT: Value Added Tax.
- ICE: Species Consumption Tax.
- HDI: Direct Tax on Hydrocarbons.
- IPI: Excise Tax.
- ISS: Tax on Services.
- ISC: Selective Consumption Tax.

A comparative analysis of indirect taxes in Latin America can be seen in Table Nº 1.

¹Background obtained from ECLAC database http://interwp.cepal.org/sisgen/ConsultaIntegrada.asp?IdAplicacion=6&idTema=140&idIndicador=821&idioma=e
# Table N°1. Indirect Taxation: Comparative Analysis of Latin America

<table>
<thead>
<tr>
<th>Country</th>
<th>Indirect Tax</th>
<th>Rate</th>
<th>Reduced or zero rate</th>
<th>Voluntary registration of foreign companies for VAT</th>
<th>Frequency of presentation</th>
<th>Invoices (or other document) are required to record transactions</th>
<th>Exist electronic invoices</th>
<th>Exist purchase invoices</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>VAT</td>
<td>21%</td>
<td></td>
<td>Exist operations with reduce or zero rate and exempt</td>
<td>No</td>
<td>Monthly</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Other rates of 10,5% - 27%</td>
</tr>
<tr>
<td>Bolivia</td>
<td>VAT</td>
<td>13%</td>
<td></td>
<td>Reduce and zero rates</td>
<td>No</td>
<td>Monthly</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Hidrocarbons (IDH)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>ICM 9% at 19% depending of the State and products</td>
</tr>
<tr>
<td>Brasil</td>
<td>State sales (ICMS)</td>
<td>17%</td>
<td></td>
<td>Yes, depending on the type of tax and related product</td>
<td>No</td>
<td>Monthly</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Federal consumer (IP)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Services (ISS)</td>
<td>Rank from 0% to 330%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Social contribution funding (COFINS)</td>
<td>7.60%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Utility to employment and participation (PIS)</td>
<td>1.65%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chile</td>
<td>VAT</td>
<td>19%</td>
<td></td>
<td>Zero rates</td>
<td>No</td>
<td>Monthly</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Colombia</td>
<td>VAT</td>
<td>16%</td>
<td></td>
<td>Reduce and zero rates</td>
<td>No</td>
<td>Bi-Monthly</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>VAT</td>
<td>13%</td>
<td></td>
<td>Reduce and zero rates</td>
<td>No</td>
<td>Monthly</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Perú</td>
<td>VAT</td>
<td>19%</td>
<td></td>
<td>Zero rates</td>
<td>No</td>
<td>Monthly</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Rep. Dominicana</td>
<td>VAT</td>
<td>16%</td>
<td></td>
<td>Zero rates</td>
<td>No</td>
<td>Monthly</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Ecuador</td>
<td>VAT</td>
<td>12%</td>
<td></td>
<td>Reduce and zero rates</td>
<td>No</td>
<td>Monthly</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Special consumption (ICE)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Capital increase (ISD)</td>
<td>2%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guatemala</td>
<td>VAT</td>
<td>12%</td>
<td></td>
<td>Zero rates</td>
<td>No</td>
<td>Monthly</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Honduras</td>
<td>At sales</td>
<td>12%</td>
<td></td>
<td>Zero rates</td>
<td>No</td>
<td>Monthly</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>México</td>
<td>VAT</td>
<td>General rate 16%, 11% per region</td>
<td></td>
<td>Reduce and zero rates</td>
<td>Sí</td>
<td>Monthly</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Special (IEPS)</td>
<td>varies from 3% al 160%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Special rates vary from 0% to 11%</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>VAT</td>
<td>15%</td>
<td></td>
<td>Reduce and zero rates</td>
<td>No</td>
<td>Monthly</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>Consumo Selectivo (ISC)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paraguay</td>
<td>VAT</td>
<td>10%</td>
<td></td>
<td>Reduce and zero rates</td>
<td>No</td>
<td>Monthly</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Selective consumption</td>
<td>from 5% to 50%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salvador</td>
<td>VAT</td>
<td>13%</td>
<td></td>
<td>Reduce and zero rates</td>
<td>Sí</td>
<td>Monthly</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Uruguay</td>
<td>VAT</td>
<td>22%</td>
<td></td>
<td>Reduce and zero rates</td>
<td>No</td>
<td>Monthly</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Venezuela</td>
<td>VAT</td>
<td>12%</td>
<td></td>
<td>Reduce and zero rates</td>
<td>No</td>
<td>Monthly</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>

Source: Own Elaboration

2 With information rescued from regulatory agencies in each country. Argentina: AFIP (Federal

Revista Científica “Visión de Futuro”
ISSN 1668 – 8708 – Versión en Línea
ISSN 1669 – 7634 – Versión Impresa
E-mail: revistacientifica@fce.unam.edu.ar
Año 11, Volumen N°18, N° 1, Enero - Junio 2014, pág. 96-110

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From the above, it highlights the value added tax or VAT, which corresponds to the tax imposed on consumption levied on products, services, business transactions and imports, where the average rate of Latin America amounted to 15%, while in Chile the rate in 2012 amounted to 19%, only Peru has the same rate, but outgrows Argentina and Uruguay, with a rate of 21% and 22% respectively (see Figure Nº 4).

![Figure Nº 4: VAT tax rate](image)

Source: Own Elaboration

4. A view of the current situation of the implementation of tax systems and economic development in Latin America and Chile

Current trends in tax issues, said that the areas for improvement and that which can generate greater equity and real distribution tax issues are:

- Search neutrality systems using VAT-based tax.
- Lower margin differentials in the use of income tax.

Administration). Colombia: DIAN (National Tax and Customs Administration), Uruguay: DGI (Internal Revenue Service); Dominican Republic DGII. (General Directorate of Internal Revenue, Brazil: Portal Do Investidor, Mexico: SAT (Tax Administration), Guatemala: SAT (Tax Authority), Venezuela: SENIAT (National Integrated Customs and Tax Administration, Chile: SII (Internal Revenue Service); Ecuador: IRS (Internal Revenue Service); Peru: SUNAT (National Superintendency of Tax Administration).

3 With information obtained from tax Panorama report Latin America and the Caribbean (2013), ECLAC.
• General increase in concepts such as withholding and other additional taxes.
• Orient tax policy in search of more favorable conditions for productive investment (e.g. accelerated depreciation, partial deduction, tax credits, tax deferral).
• Increase the tax base and simplifying looking for less evasion rates and greater efficiency in the collection.
• Search tax burdens that are not focused on a group of people, but is shared among all.
• Privilege revenues rising above its impact on income distribution.
• Notwithstanding the foregoing, Latin America needs to maintain its fiscal policies consistent and firm, indistinct external elements that may cause distortion, in this respect, one can recognize five approaches that can generate effects on tax policy:
  • Context variables.
  • The economic and developmental level.
  • The political institutions.
  • Cultural and ideological aspects, and
  • The relationship between state and society.

One of the reforms carried out in the last decade and has responded to the above approaches is for example the case of Chile.

5. Tax Reform in Chile

The Chilean tax system has generated a series of reforms in its structure and in its tax administration, which have been reflected in several changes in the last two decades. These reforms were mostly aimed at correcting inefficiencies containing in the previous tax system, which distorts the way the resources entering the treasury and thus did not allow sufficient resources to raise state funding.

Tax reforms in Chile in the 70’s and 80’s, in the case of indirect taxes, tax passed multistage sales tax (tax cascading) to Value Added Tax (VAT) according to D.L. 825 tax Act sales and services. Published December 31st, 1974. This is because, the first distorted the prices of the products more expensive in drafting those who require more stages of production, while the VAT is a tax neutral as it imposes the same effective rate to all goods and services consumed.

In the case of direct taxes, specifically income tax, fundamental changes occurred with
the reform of 1974, and which established a Tax Law Comprehensive Income extensive coverage in the case of corporate tax, covering almost all sectors with a single rate. This measure is intended to enable the allocation of resources between sectors is guided by criteria of profitability and not for tax reasons. For the reform of 1984, established the integration of corporate taxes personal taxes with their owners, in order to avoid double taxation on the same income. This means that the tax is paid by the company for personal tax credit of their owners.

In 2001, Chile enacted the Law on Tax Evasion and Avoidance, which sought a new structural change to the tax system of the country, where key aims, power, reduce tax evasion and tax avoidance that existed in the country until that minute, by amending several laws, among which are the Tax Code, Law on Income Tax, Sales Tax and Services Ordinance Organic Laws Customs and Internal Revenue Service, Customs and Treasury. The main objective of these measures were:

- More resources for tax administration.
- Strengthening the powers of the tax authorities.
- Institutional Adaptation Internal Revenue Service and Treasury of the Republic.
- New audit plans Internal Revenue Service.
- Improvement of the tax laws.
- Increased efficiency and fairer deal for the taxpayer.

During the years 2010 and 2011, the social requirements and specifically those relating to education, led the political class to rethink an issue in coming years creating political and social arguments: a tax reform. Although for the year 2010 and the earthquake that struck Chile in February of that year, it had generated a transitional rule regarding rates up on income tax, specifically for businesses, which were taxed with a rate of 17% compared to profits tax and went to 20% by 2010, in order to increase tax revenues to cover the costs of rebuilding the country, along with other measures related to specific grants for this item.

During 2011, and once the country resumed its levels after this natural disaster, social requirements and different political views, generated pressure on the government, who in 2012 gave rise to a new tax reform, which seeks to increase tax revenues by 1,000 million dollars annually to fund improvements in the education system in Chile. While this reform did not change the root of the current Chilean tax system, it makes some changes in the laws of VAT, Income Tax, Tax Stamp and Seal, among others. Among the principal aspects can be mentioned:
• Fixed rate income tax by 20%.
• Modifies the tax burden for individuals, establishing an additional rebate for lower income sections.
• It sets a tax deduction mechanism for families who have children studying.
• Creating green taxes.
• Rate adjustments to alcohols.
• Reduction tax stamp.
• Lowering the tariffs.
• Modernization and sophistication of the Tax System.

Through the implementation of these measures, the government seeks to generate support for the middle class and SMEs (Small and Medium Enterprises), with the reduction in the second tier tax, better known as personal taxes.

The result of these reforms, in terms of international comparison for good measure satisfies the desirable economic and administrative objectives of a tax system. In effect, the tax burden in Chile, is located in a mid range internationally.

As displayed in Figure Nº 5, in the collection of excise taxes (period 2000-2011), strongly predominates VAT, which has few exemptions and special rates. Regarding income tax, corporate profits are taxed at a relatively small rate, and their taxation is also integrated with the personal tax, preventing double taxation.

Figure 5. Tax Revenues of Chile - National Currency Period 2000-2011 (As a percentage of total collections)
Source: Own Elaboration

4 With data from the page of Internal Revenue Service of Chile - www.sii.cl
CONCLUSION

Latin America, within the last fifty years has gone through various tax reforms which were aimed at improving the quality of life of the people, by raising taxes that would meet the needs of the population, understanding these as opposite unlimited scarce resources. We have implemented various formulas in the search for an efficient and effective tax collection process, non-discriminatory and go in the opposite direction to the development of social and economic gaps, but have not yet found the recipe that allows to get it in full.

One of the main challenges facing Latin America is to reduce the inequality gap with improved income distribution, for this it is essential to have a fair and efficient tax system that allows public spending in generating solutions to the needs of people, to be attached to these and generate social welfare.

Chile is not exempt from this problem. It is clear that progress has been made in regard to tax collection, being internationally in a mid-range, but this has not been enough to eradicate poverty and reduce this gap increasingly fabric is in discussion. Importantly extreme poverty in Chile has been declining through time. In 1970, when it produced the first map, it amounted to 21% of the population and the largest percentage reduction is recorded between that year and 1982 when it reached about 14%, then it found less reduction to 12% in 1992 and 8% to 2000. (Camhi & Castro, 2003).

Causes of why reform has not achieved success in meeting this objective factors influencing or failing to develop actions to achieve this can be many, as the ruling political system such as the lobby, economic groups with high power of interference in national decision making, among others, but more important than trying to determine subject, is to determine the way to solve this problem.

Probably one of the factors of inequality is one of the taxes that have higher tax is the Value Added Tax, which to be equal for all, generates a higher tax burden for those who have less, which is worthy of be discussed and reviewed.

Progress has been made in terms of tax collection concerned, but there is still much to be done, in relation to the taxation of natural persons and the possibility of using incentives, exemptions or tax benefits that allow for greater equality in the use of resources but currently have not been considered by the countries of the region and generate tax stability to foreign investors about their money and investment flows, to encourage capital inflows that would promote the growth of the countries of the region.
For the state, no doubt his challenge is to modernize, streamline and optimize their resources, in order to generate additional control measures to tax evasion and avoidance, by the above, it is recommended to establish a simplified system of taxation, which permit a greater control and revenue collection operations today are performed in informal markets.

Despite the overall positive development results, to Chile and Latin America, there is still much to do in terms of tax reform in this direction should be continued to achieve rates closer to those recommended by the Organization for Economic Cooperation and Development (OECD) and developing countries, in relation to fees related to tax collection levels of direct and indirect tax levels existing in our countries, quality management agencies of the tax administration, among other measures.

Chile is currently one of the top-ranked countries compared to other countries in the region, since it has a tax rate of companies corresponding to 20% of their profits, on the other hand, optimizing tax structure has been generated as a result, one of the countries with the least amount of taxes, which results in a shorter time to prepare, file one’s taxes for taxpayers and greater specialization and concentration of resources, part of the fiscal authority, with respect to Taxes on Income (annual) and withholding taxes and VAT (monthly). On the other hand, economic stability, the large number of international treaties, signed and subscribed by Chile, make it a very good alternative for foreign investors, and the country has foreign investment contracts (Decree Law No. 600) special schemes or capital income (Chapter XII and XIV, the Compendium of Central Bank), which allow stabilize and secure long-term tax rates, as the entrance and exit of capital and from abroad.

No doubt there is a significant gap regarding what the OECD dictates and Latin America, but it is clear that Chile is on a right track, so it keeps on working on measures such as simplifying the tax system and reduce tax payable amount, currently it is 10 compared to developed countries where there are only 2 or 3 countries such as Sweden, would result in less time spent on the tax return. Perhaps the experience of other countries, such as the case of Mexico, reducing tax rates to indirect taxes related to staples or simplification of taxes such as Colombia, could certainly help further reduce tax evasion and avoidance.

It is hoped that this research is a contribution that will make the background better known, as a basis for future research, that enables analysis and thus contribute to strengthening the management of the state through a culture of continuous improvement, in order to incline to a more efficient use of public resources and to contribute to the fulfillment of the constitutional order that is to meet the needs of the national community and ensure
their participation in the economic, social and cultural development.

**BIBLIOGRAPHICAL REFERENCES**


**BIBLIOGRAPHY**

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**BIOGRAPHICAL ABSTRACT**

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