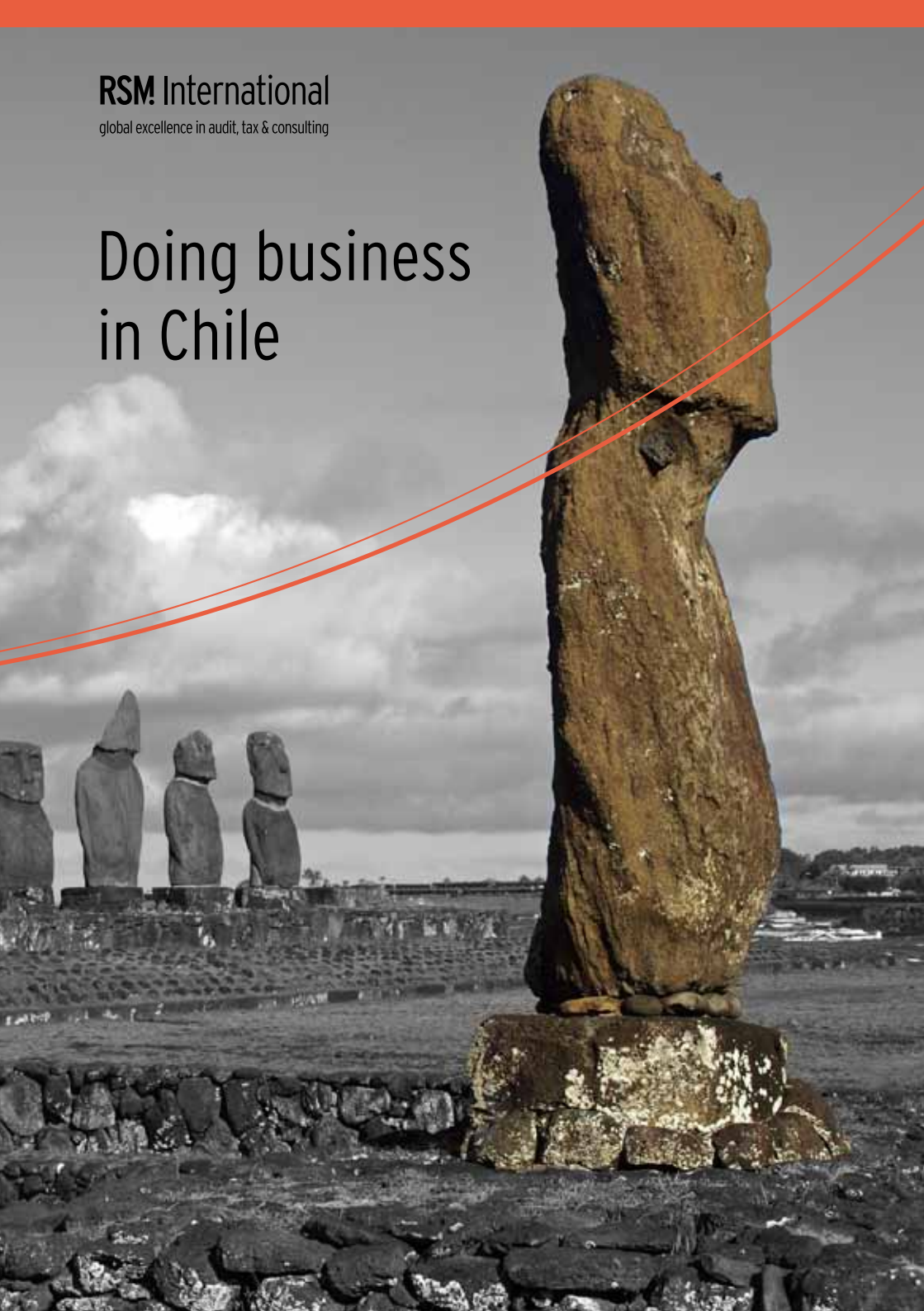


RSM International

global excellence in audit, tax & consulting

Doing business in Chile



Foreword

Introduction to the book/About RSM Chile

The partners and staff at RSM Chile understand their clients needs and deliver accurate solutions to efficiently fulfill their goals by providing audit, consulting and public accounting services to the highest quality standards. RSM Chile is a full member firm of the RSM International network and has over 17 years of national and international experience.

RSM Chile comprises professionals who work as a team and are dedicated and committed to solving the needs of their clients. Our professionals are actualised and enthusiastic about international experiences and their knowledge and experience allows them to anticipate potential difficulties and to exceed their clients' expectations, thus reflecting real success in their business. RSM Chile work with the following groups/committees:

- Member of the Institute of Internal Auditors (IIA) - USA
- Part of the Bank Superintendence Auditors Certified Firm Groups
- Registered under the Public Company Accounting Oversight Board (PCAOB)
- Auxiliary Supervisor the Chilean Cooperatives Department

About RSM International

RSM International is a worldwide network of independent accounting and consulting firms. RSM International and its member firms are separate and independent legal entities. RSM International does not itself provide accounting or consultancy services. All such services are provided by member firms practising on their own account.

RSM is represented by independent members in 86 countries and brings together the talents of over 32,500 individuals in over 700 offices worldwide.

The network's total fee income of US\$3.9bn places it amongst the top six international accounting organisations worldwide. Member firms are driven by a common vision of providing high quality professional services, both in their domestic markets and in serving the international professional service needs of their client base.

RSM International is a member of the Forum of Firms. The objective of the Forum of Firms is to promote consistent and high quality standards of financial and auditing practices worldwide.

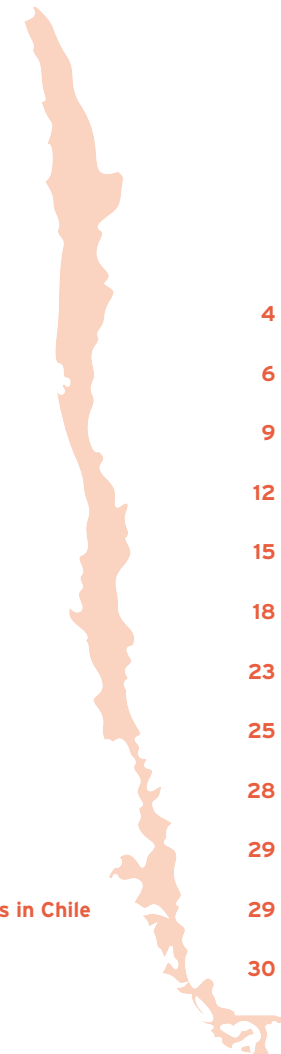
In a world of different cultures, it's good to have advisors who are consistent everywhere.

RSM International is sixth largest network of independent accounting and consulting firms worldwide. RSM International is represented in 86 countries and brings together the talents of 32,500 individuals. RSM member firms are driven by a common vision of providing high quality professional services to ambitious and growing organisations.

Moai in Easter Island, Chile

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Contents



1. Introduction

In order to assist foreigners to seeking competent and professional advice in all business areas abroad, we have created this catalogue guide them on “how to do business in our country” and also point out some characteristics of it such as geography, economy, climate, population and all other areas directly related to the world of commercial relationships.

1.1 Geography

Chile is located in South America, specifically on the south-western edge of the continent bordering, Argentina, Peru and Bolivia.

Also, our long, narrow country is facing the Pacific Ocean, which washes the shores of the country along its entire length.

The above refers to continental Chile. Our territory also includes islands, such as Easter Island and Juan Fernandez, among others, and finally the polar territory of the Chilean Antarctic.

1.2 Climate

Chile has a diverse climate depending on the area for example, the north it has a dry and warm climate with high temperatures, the central area has a Mediterranean climate with the four seasons strongly defined, the South has a rainy, cold and humid climate; while Easter Island has a tropical climate and the Chilean Antarctic has a polar climate.

1.3 Population

Chile has approximately 16 millions inhabitants. The major population concentration is in the capital Santiago (40% of the total population).

1.4 Political System

The Chilean State is a democratic people's Republic with a President, a Cabinet of Ministers, and a Parliament composed of two Chambers.

1.5 Language

The official Language is Spanish and there are also some dialects in small areas of the country such as Rapa Nui dialect spoken in Easter Island and Mapudungun dialect spoken in the Mapuche community.

1.6 Local Currency

The local currency is the Chilean peso.

1.7 Economy

During the last decades the Chilean economy has rapidly transformed into an industrialized country with a strong institutional basis and parliamentary cohesion towards an economic policy characterized by being open and flexible. Chile also has accumulation of foreign reserves as fiscal policy and a high degree of fiscal solvency.

1.8 Foreign Trade

Our economy is characterized for being open (export oriented) consisting of industrial, mining and agricultural exports. Within the Industrial area it is important to mention the exports of cellulose, wood, methanol, food products such as fruit and vegetables, dairy and fishing products. The Forest Industry, furniture, salmon and wine industry had gained great importance in the last 10 years.

Chile is also one of the countries with the largest number of Free Trade Agreements in economical areas that represent approximately 90% of the world population; we can quote NAFTA, EUROPEAN UNION, EFTA, SOUTH KOREA AND CHINA.

1.9 Commercial and Economical Agreements signed by Chile.

- a) Economical Partnership Agreement (EPA)
- b) Free Trade Agreement (FTA)
- c) Partial Agreement of Economic Cooperation
- d) Economical Complementation Agreement (ECA)

1.10 Chilean Banking

The Chilean Banking consists of domestic and foreign banks.

2. How to do Business in Chile?

Both individuals and companies non-resident in our country, can operate in Chile as follows:

- By the appointment of a Representative
- Through an agency or branch office of a foreign company
- By constitution of a partnership or a Limited Company
- By the creation of a single limited liability company

2.1 Operations through a representative

The appointment of a representative is done by a mandate contained in a contract in which the nonresident foreign investor grants an individual or resident entity a power of attorney to act on behalf of it performing new transactions and assuming its risks.

The mandate may or may not be remunerated by agreement of the parties.

2.2 Agency or Branch office of a Foreign Company

The Foreign Company appoints a legal representative to constitute a branch office, and to legalize the following documents that should be written in the foreign country's official language with a Spanish translation in case of foreign languages.

- Document as proof of its legal constitution abroad.
- Existence Certification of the company
- Original copy of valid statutes of the company.
- Legalized document granted by the company as to the Legal representative in Chile, (This document should include a clause about the faculties the legal representative in Chile has to act as the responsible of the company and on behalf of it.)

At the same time, the legal representative should subscribe on behalf of the company, a legal document including the followings points:

- a) Assertion that the company will keep assets in Chile with the purpose to fulfilling obligations in Chile.

- b) Effective Capital assigned to the agency or branch office in Chile; and how this capital will be brought into the country

- c) The address for the agency or branch office in Chile.

It is essential to take into account the accomplishment of deadlines in order to avoid any type of procedural error, such as the nullity of the company and the necessary restructuring.. A 60-day deadline is established to register, publish and protocol it.

An excerpt of the legal document must be registered in the Registry of Commerce then published in the Diario Oficial (Official Gazette) and finally legalized in a notary's office. In order to create a branch office of a foreign limited liability company, a legalized document is needed.

2.3 Through a Limited Company (Ltda.)

In order to constitute a Limited Company, a minimum of two partners or shareholders, either Chilean or foreigner, are required.

2.4 Through a single limited liability company (E.I.R.L.)

A single limited liability company refers to a legal person whose liability is distinct from the owner. For its constitution, a Chilean or foreign natural person is needed.

This type of company will be constituted by a legal document containing legal stipulations.

An excerpt of the legal document legalized by a notary will be registered in the Registry of Commerce associated to the company's address; and then will be published in the Diario Oficial (Official Gazette) within the next sixty days from the date of the register.



3. Types of company in Chile

Our legislation establishes a variety of social legal figures such as Limited Company, Partnership, Limited Liability Company, Limited Partnership, Association or Joint Account.

3.1 Limited Company (Sociedad Anónima S.A.)

A limited company refers to a legal entity created by the contribution of property by its shareholders, it is divided in open and closed limited companies (listed or not listed on the stock exchange) and administrated by a board of directors whose members could be replaced anytime. The responsibility of shareholders is limited to the amount of their individual contributions.

Chilean Law considers limited company's activities as always commercial transactions even if this has been constituted to perform civilian acts.

3.2 Open Limited Company

To be considered as an open limited company, it should comply with the following conditions:

- Company's stocks and shares are negotiated in the Stock Exchange.
- The Company should have more than 500 shareholders.
- At least 10% of the share capital belongs to more than 100 shareholders (this excludes any shareholder that individually or through other natural person exceeds that amount)
- If the company voluntarily submits to the rules of an open limited company.

All other limited companies that do not meet the above requirements are considered to be closed.

The Superintendencia de Valores y Seguros (Superintendency of Values and Insurances) shall ensure that limited companies meet these requirements.

3.2.1 Constitution of Limited Companies

Limited companies are constituted by a legal document meeting the following requirements:

A complete individualization including name, address, profession or occupation of each one of the founder shareholders; name and address of the limited company,

name and address of the firm, corporate purpose and duration of it. If the last topic is not mentioned in the legal document, it is assumed that it is indefinite; the company's share capital and number of shares indicating any special serial number and privileges and whether they have nominal value or not; terms and method of payments for shareholders to pay their shares; specifications and valuation of any non-monetary contribution; Company's administration, control of the administration and how this will going to carried out; the closing of the Company's financial year (specifying dates on which financial statements must be prepared); establish General Shareholders' Meeting; Profit-sharing; Company's liquidation; how differences between shareholders or between shareholders and the company shall be submit to defined arbitration . If there is nothing specified in this point it is assumed that any dispute will be submitted to an arbitrator. ; Name of the first directors and external auditors or inspectors of accounts.

An excerpt of the statutes must be registered in the Registry of Commerce corresponding to the company's address and then be published in the Diario Oficial (Official Gazette). The register as well as the publication should be done within the next sixty days from the date in which the legal document was signed.

3.3 Partnerships

In this type of Partnership all partners have the administration by themselves or through an elected representative. Each partner is individually responsible for all the company's obligations.

3.3.1 Partnership Constitution

- Partner individualization, names, professions and addresses of each one.
- Partnership individualization, name of one or more of the partners followed by words "and Company".
- Managing partner or partners allowed to use the name of the Company.
- Share Capital contributed by each of the partners, if the capital is not cash, provide specifications and valuation of it.
- Firm's name
- Commercial address
- Profit and loss sharing among partners.
- Partnership duration (beginning and end of legal existence)
- Maximum annual amounts to be withdraw by partners for personal purposes.

- Partnership liquidation and profit-sharing.
- Dispute resolving.

An excerpt of the legal document shall be registered in the Registry of Commerce within the next sixty days.

3.4 Limited liability company

Similar to Partnership except that the liability of each partner is limited to the share capital or to a higher amount specified in the legal document.

The company is constituted by a legal document and contains the same information required to constitute a Partnership.

Regarding to the name, it could have the name of one or more partners or a reference to the firm's objective ending up in the word "Limitada". Otherwise, each partner has an unlimited liability from all obligations contracted by the company.

An excerpt of the legal document shall be registered in the Registry of Commerce and then published in the Diario Oficial (Official Gazette) within the next sixty days from the date in which the legal document was signed.

3.5 Limited Partnership

The Limited Partnership has two types of partners, sleeping partners who only provide share capital with no right to manage the company and whose liability is limited to their contributions and so-called managing partners who "manage" the company with an unlimited liability for debts and losses.

Limited partnerships can be simple or constituted by shares. In Limited Partnership constituted by shares, the share capital provided by limited liability partners is represented by shares; otherwise it is a simple Limited Partnership.

The requirements to constitute a Limited Partnership are similar to a Partnership.

3.6 Association or Joint Account

An association or Joint Account is a contract between two or more trades or firms to share one or more transactions performed by one of them in his own name. This partner (called manager) will be accountable to his other partner or partners and will have to share both profits and/or losses.

The association only creates rights between partners. Only the managing partner has liability towards third parties.

There are no legal requirements for this matter except to act in accordance with the Law.

4. Foreign Investment and loans

4.1 Import of Foreign Capital

In order to enter foreign capital to our country, the following legislation should be taken into account:

Article 47, chapter XIV of the Compendium of Rules on International Exchange of the Central Bank of Chile or the Constitutional Organic Law of Central Bank of Chile also known as Compendium of Rules on International Exchange, Law Decree 600 of the Foreign Exchange Statute.

The rules referred to above shall be applied to investors who carry out foreign exchange operations related to credits, deposits, investments and capital contributions coming from abroad, also to those on other foreign obligations. The procedure applies to transactions that exceed U.S. \$ 10,000 or its equivalent in other foreign currencies

4.2 Article 47 of the Constitutional Organic Law of Central Bank of Chile

The foreign investor must register the investment with the Central Bank of Chile through a bank or an authorized exchange company. Foreign currency can remain on deposit in a special bank account and can only be used for the following purposes:

- Convert foreign currency into Chilean pesos
- Re-pay the investment or profits, with the prior permission of Central Bank

The capital can be repatriated only after one year, either partially or fully. Any profit obtained can be remitted abroad after the first year.

In either case, the foreign investor or creditor must report that Chilean pesos used to purchase foreign currency come from activities in which the original capital was invested or from the sale of the original foreign currency.

All transactions involving the conversion of investment into Chilean pesos and purchase of foreign currency to remittance profits or investment shall be done through the formal exchange market (commercial banks).

The minimum capital that may be registered under Article 47 of the Constitutional Organic Law of Central Bank of Chile is US\$ 10.000 or its equivalent in other currencies. However, individual investments up to US\$ 100.000 or aggregated up to

\$ 100.000 in the last twelve months, do not need to be registered in advance, but enjoy the same rights of repatriation than investments, chapter XIV.

4.3 Law Decree 600

Law Decree 600 sets the applicable regulations to control relations between the Chilean Government and foreign investors, subject to specific clauses that can be negotiated with the Foreign Investment Committee.

Some topics mentioned in the contracts of foreign investments are:

- Investment shall be made in foreign currency, tangible assets (both new and used), in technology or credits.
- The contract guarantees free access to foreign exchange to remit capital and profits or interests.
- The investor shall agree not to repatriate the capital during the first year. Profits can be repatriated when they are obtained
- The contract guarantees that Customs regulations and Value-Added Tax remain frozen until the importation of investment in physical assets has been completed.
- The contract guarantees non-discrimination with respect to Chilean investors. Although restrictions to access to domestic credit may be applied, all have recently been eliminated.
- The contract guarantees a invariable profit tax of 42% during a period of ten years. However, the investor can exit from this regime at any time and go back to the standard regime.
- There are additional benefits for investments over \$ 50.000.000. The following are some of the most important:
 - The invariable profit tax of 42% can be extended to 20 years
 - The regulations and instructions of the Internal Revenue Service relating to depreciation, accumulation of losses and the costs of organization and start-up can be frozen for the same period
 - If the investment aim is to produce goods for exports, Central Bank regulations related to free export can be frozen and special regulations regarding to the return of export earnings can be arranged.

In general, the Foreign Investment Committee only approves profitable investments.

The FIC (Foreign Investment Committee) has LD600 translations in English, German, Italian and French. These translations can be obtained directly from the committee or downloaded from the website (www.cinver.cl)

4.4 Loans coming from Abroad

Article 47 of the Constitutional Organic Law from the Central Bank of Chile establishes that foreign currency Loans should be registered with the Central Bank prior to its importation. Interest Rates corresponding to Loans should be approved by the Central Bank at the moment of registration. For all other purposes (interests and capital repatriation, minimal amounts, foreign currency purchase, etc.), the same rules of foreign investment apply.

The debtor can receive foreign currency or its equivalent in Chilean pesos. The remittance of capital payments, interests and other payments related to the Loan should be done through the Formal Exchange Market and must be informed to the Central bank of Chile through a banking entity.

4.5 Foreign Investment Limitations

The reserve requirements for non-productive investments or participations in the Chilean companies' administration have recently been eliminated by the Central Bank of Chile.

4.6 Foreign Debt's promissory note Investments

The foreign investment system through foreign debt promissory notes has been annulled by the Central Bank of Chile. The investors that had used this payment method can freely perform the remittance of capital and profits abroad with no limitation of period.

5. Foreign exchange

The Constitutional Organic Law from the Central Bank of Chile has the authority on Foreign Exchange Transactions through circulars published in the Diario Oficial (Official Gazette).

According to Chilean Law, Foreign Exchange Transactions are as follows:

Foreign exchange transactions include buying and selling foreign currency and, in general, any act and agreement that may have the effect of creating, amending, or extinguishing an obligation payable in such currency, even if no transfer of funds or drafts to or from Chile is actually involved. For these purposes, foreign currency shall be deemed to mean banknotes or coins of foreign countries whatever their denomination or characteristics, and bills of exchange, checks, letters of credit, payment orders, notes, drafts and any other document giving evidence of an obligation payable in such currency. Foreign exchange transactions shall also be deemed to include the transfers or transactions of gold or of instruments representing gold.

Contracts or documents containing obligations that are expressed in foreign currency but destined to be paid only in Chilean pesos, are not considered as foreign exchange transactions.

5.1 Restrictions to Foreign Exchange Transactions.

Free trade in foreign currency established by the central bank notwithstanding, this entity shall have the authority to set the following limits to foreign exchange transactions:

The limitations to foreign Exchange transactions are:

- Operations that must be reported to the Central Bank and performed through the MCF (Formal Exchange Market) such as foreign exchange transactions from insurance and re-insurance companies; transactions with derivative instruments; investment transactions; credits and deposits performed abroad; credits, deposits, investments and contributions from abroad
- Transactions that only must be reported to the Central bank. As an example; payments related to imports and exports
- Transactions that must be performed through the MCF (Formal Exchange Market): payments for royalties, copyright, trade names or brands, patents and foreign capital transactions

Furthermore, the Central Bank has the power to issue different rules taking into account several types of transactions:

- The repatriation and sale of foreign currency
- Reserve requirements for credits, deposits or investments in foreign currency originating or to be sent abroad
- Authorization for some foreign currency payments or remittances
- Limitations of possession of foreign currency by members of the MCF (Formal Exchange Market)

The Central Bank has not emitted restrictions which are currently valid.

5.2 Types of Exchange Rates

There is freedom to set exchange rates in transactions in the Formal or Informal Exchange Market.

In our country, the common exchange rate used is the American dollar and the rates of other currencies are usually set according to it.

- The formal exchange rate is fixed by banks and financial organizations. The Central Bank publishes daily in the Diario Oficial (Official Gazette) the average rate of exchange according to transactions in the Formal Market or inter-bank market. This is the “official” rate of Exchange set for tax and customs duty payments
- The informal exchange rate is set in the Stock Exchange of Santiago
- The rate of Exchange called “acuerdo” (agreed) is set by the Central Bank and is used by the Bank for some of its own operations. In certain inter-bank operations, the Central bank can increase or decrease the rate of Exchange “Acuerdo”

5.3 Royalties, Technical assistance and Interest.

Royalties are defined, according to the rules established by the Central Bank, as the payment of any of the following concepts: Technical assistance, patent use, trade name or brand, industrial design; art work, musical or literary work, a process or fabrication formula (technology).

To buy foreign currency through the MCF (Formal Exchange Market), the Royalties contract should be duly registered in the Central Bank. The Bank is authorized to refuse to register a contract or register a reduced rate for the concept of Royalties if it considers that is an unnecessary expense.

The Central Bank may require a copy of the contract, documents certifying the registration, property and validity of the trade marks, patents or intellectual rights.

Royalties include any type of fees, travel and any other type of expenses in which the entity granting the royalties may incur to provide technical assistance or to control the patent use; for this reason the Central Bank does not authorize foreign currency sale for these purposes separately from the royalties payment.

5.4 Royalties payment tax

Our tax Law establishes that royalties paid abroad are subject to a withholding tax of 30%.

Thus, the natural or juridical person that pays or puts at the disposal to whom granting the royalties any amount related to the royalties, must retain and pay a 30% tax on the twelfth day of the month following the month in which any of these acts occur.

Withholding and tax payment for royalties to related companies will be limited to 4% of the total amount of annual sales and services, except when the taxation levied in the beneficiary’s country corresponds to 30% or more. The part of royalties exceeding the 4% limit and is non deductible shall not be taxed with a 35% penalty.

Payments corresponding to technical assistance and engineering services abroad to non domiciled and non resident organizations in Chile will be subject to a withholding tax of 20%.

The withholding tax on technical assistance related to exports may be reimbursed as an estimated payment of the Profit Tax.

Certain services rendered abroad related to foreign trade are exempt from taxes.

Royalties paid to producers or film and video distributors are also subject to a 20% tax.

Royalties paid for copyright and edition are subject to a 15% tax.

5.5 Interest Tax

Interests on foreign loans are applied with a withholding tax of 35%; however, this tax is reduced to 4% when the loans have been granted by foreign or international banks or duly registered financial organizations. This tax is withheld and paid to the treasury’s office in the same form as payment on royalties.

5.6 Foreign Loan Restrictions

Stamp duty is also applied to loans from abroad, no matter the amount of the loan; the duty applied is equivalent to 0.05% per month or part of month with a maximum of 0.6%. The rate is 0.25% if the loan is at sight or without a due date.

6. Taxes in Chile

The most important taxes in Chile are:

- Income Tax (to Companies and persons)
- Value Added Tax (VAT)
- Customs Duty
- Stamp Duty

There are also Real Estate taxes, inheritance and donation taxes, municipal taxes, sales taxes among others, but the main taxes applied in our country are the previously mentioned.

6.1 Internal Revenue Service and its control

The entity in charge of control the fulfilment of tributary duties is the Internal Revenue Service (SII) (Servicio de Impuestos Internos) which is a public organization depending from the Government administration.

On the other hand, SII has other functions such as; dictating regulations, administrative resolutions, and interpreting tributary Laws.

6.1.1 Resolving Disputes

Disputes between any tax payer and the SII will be resolved by an administrative procedure headed by a Regional Director of the SII who acts as tributary judge.

Anyhow, there is always the possibility to appeal to the ordinary tribunals such as the Appeals Court and the Supreme Court.

6.1.2 Statute of limitation

In tributary aspects, the statute of limitation can be three years from the time in which the respective tax should have been paid. In some cases the Statute of limitation deadline is extended to six years.

6.2 Income Tax

All tax payers domiciled in Chile are subject to tax on incomes derived from any source, either domestic or foreign. Exceptionally, a foreigner who establishes domicile or residence in Chile is taxed only on income from Chilean sources during

the first three years in the country; that period that can be extended in some special cases. Non-residents are taxed only on income from Chilean sources. Income is considered from Chilean source when it originates assets located in the country or activities performed in Chile.

Moreover, in case of services rendered abroad to a Chilean resident, these services are taxed.

Chilean Company's incomes are always considered as incomes from Chilean source.

Incomes from Chilean source are also incomes derived from the sale of shares or social rights or incomes that represent a legal person's capital constituted abroad and transferred to a legal person resident and constituted in the country whose acquisition allows directly or indirectly to have participation in the company's property or profits of a company constituted in Chile.

6.2.1 Exception to the aforementioned

When the acquired participation of a company constituted in Chile represents less than 10% of the capital or profits.

Chilean Tax law distinguishes between tax categories, which are applicable to incomes from certain activities, and Global tax which applies to all incomes.

6.3 Tax Categories are divided into:

- First Category Tax (Business Profits Tax)
- Second Category Tax (Tax on income from dependent employment)
- Specific Tax on Mining Activities (Mining Activity Tax)

6.3.1 First Category Tax (Article 20 Income Tax Law)

First Category Tax, also called proportional tax, applies to income from industry, commerce, mining, real state, and other activities related to the capital.

First Category Tax is a business profits tax. It is levied on income derived from commercial, industrial, mining and other activities involving the use of capital and had a valid rate during 2001 of 15%. In 2002 and 2003 the rate was 16% and 16.5% respectively. By January 1st, 2004 the mentioned rate remains permanently at 17%. This rate was increased to 20% during 2011 and 18,5% during 2012. In 2013 this rate will be permanently 17%. This new legislation it was place for February 27th 2010 earthquake.

The amount of this tax is determined based on the liquid earnings obtained by the company and declared by accounting, payroll and contracts. Exception to the above

are tax payers who are involved in agricultural, mining or transport activities and can pay taxes on estimated income (presumptive regime) only if certain legal conditions are fulfilled.

Finally taxations rooted in the owners, partners or shareholders of the companies; the First Category Tax paid by the companies represents a credit for the aforementioned persons.

6.3.2 Second Category Tax (Article 42 N°1 y Article 43 N°1 Income Tax Law)

Second Category Tax is progressive and applies to income from dependent employment, such as salaries, pensions and other remuneration.

It is a Tax applied with a progressive scale of rates, declared and paid monthly on incomes received from a dependent activity and from an amount that exceeds 13.5 UTM, approximately US\$1.024. - by January 1st, 2011.

The tax is withheld and paid monthly by the employer.

In order to maintain the progressive nature of this tax, workers with more than one employer must add all income received from different sources and include it in the corresponding rate bracket. The tax must then be re-calculated in April of the following year when filing the yearly tax return.

Validity (1)	Bracket (2)	Monthly Taxable Income (3)	Factor (4)	Amount to be reduced (without the 10% credit of 1 UTM, revoked) (5)
Valid as from 01.01.2003	1	0,0 UTM to 13,5 UTM	Exempt	-:-
	2	13,5" to 30"	0,05	0,675 UTM
	3	30" to 50"	0,10	2,175"
	4	50" to 70"	0,15	4,675"
	5	70" to 90"	0,25	11,675"
	6	90" to 120"	0,32	17,975"
	7	120" to 150"	0,37	23,975"
	8	150" and more	0,40	28,475"

NOTE: to convert this table into pesos (\$), multiply the values in columns (3) and (5) by the value of the UTM for the respective month.

Income from independent professional activities or any other lucrative occupation by an individual is not subject to Second Category Tax but to Complementary Global Tax or Withholding Tax.

6.5 Global Tax

Validity (1)	Bracket (2)	Yearly Taxable Income (3)	Factor (4)	Amount to be reduced (without the 10% credit of 1 UTM, revoked) (5)
As from tax year 2004 (Calendar Year 2003)	1	0,0 UTA to 13,5 UTA	Exempt	-:-
	2	13,5" to 30"	0,05	0,675 UTA
	3	30" to 50"	0,10	2,175"
	4	50" to 70"	0,15	4,675"
	5	70" to 90"	0,25	11,675"
	6	90" to 120"	0,32	17,975"
	7	120" to 150"	0,37	23,975"
	8	150" and more	0,40	28,475"

NOTE: to convert this table into pesos (\$), multiply the values in columns (3) and (5) by the value of the UTA for the respective month.

1 UTA = 12 UTM

Global Taxes are:

- Complementary Global Tax (Personal Tax on total income)
- Withholding Tax (Tax on persons not resident or not domiciled in Chile)

6.5.1 Complementary Global Tax (Article 52 Income Tax Law)

Complementary Global Tax applies on the total taxable income from both categories of residents. It is a personal, global, progressive and complementary tax which is determined and paid once a year by individuals domiciled in Chile and over the income taxed according to the stipulations of the first and second category.

This Tax applies to tax payers whose gross income exceeds, by January 1st 2011, of 13,5 UTA (app. US\$12.288). Its rates are progressively higher as the gross income increases. The rates corresponding to the Second Category Tax and Complementary Global Tax are equivalent to the same level of incomes and are applied on a progressive scale which currently has 8 brackets.

In the first case, it is applied monthly and in the second on a yearly basis. Its maximum rate was 45% until 2001 and decreased to 43% from January 1st 2002, by 2003 it was 40% (until 2011). However, the Law provides some mechanisms that encourage people to increase savings and reduce the amount of taxes to be paid.

6.5.2 Withholding Tax (Articles 58, 60 num. 1° and 61, (Income Tax Law)

The Withholding Tax applies to the total income of both categories of companies and non-residents. For non-resident partners or shareholders, the profits corresponding to the companies constituted in Chile and which they are part of, are taxed if the profits are withdrawn, distributed as dividends or remitted abroad.

Individuals and legal entities that are not resident or domiciled in Chile are taxed on any income derived from Chilean sources. The general rate of withholding tax is 35%, and operates on withdrawals, dividends and income remittances abroad. Depending on the type of income, a tax return must be filed annually or monthly. This tax is accrued during the year in which the profits are withdrawn or distributed by the company and sent abroad. Tax payers affected by this tax are entitled to a credit equivalent to the First Category Tax paid by companies on profits withdrawn or distributed.

6.6 Rates applied to Income Taxes

Scale of Rates of Second Category Tax

By February 2011, the UTM was calculated at \$ 37.681, equivalent to US\$ 75,97 approximately.

Scale of Rates of Second Category Tax

6.7 Income Tax Payment

Tax payers are required to submit an annual tax return and pay any tax during April following the end of financial year.

In case of employees whose income corresponds to a single salary and no other income, an annual tax return is not required. Employers are required to deduct and monthly pay the Second Category Tax.

The First Category Tax or Company Profit tax is paid annually over the income accrued during the year. In most cases, monthly provisional payments are charged to the account of first and second category, additional and complementary global taxes.

7. Income tax on a foreign investment

7.1 Normal Taxation

7.1.1 Withholding Tax

This Tax has two categories, according to the kind of income it can be a withholding tax or an annual tax.

7.1.1 Withholding Tax rates

The general rate applied to withholding tax is 35%, different rates are applied for some specific cases such as:

- For interest payment the rate is 35%, however, if the operation has been authorized by Central Bank of Chile the rate is 4%.
- Payments for services rendered are taxed with a rate of 35% over the gross remuneration, except for technical assistance or personal services which are taxed with a 20% rate.
- Any payment for services rendered abroad have a rate of 35%, there are some exceptions such as freight services rendered abroad. Foreign sea freight companies and related services to and from Chile are taxed with a withholding rate of 5%. This tax is not applied to ships from countries that do not tax Chilean ships with a similar tax.
- Insurance premium payment contracted by companies that are not established in Chile for insuring equipment and other assets in Chile or life or health insurance for people living in Chile is 22% and 2% for re-insurance.
- Profit and dividend remittance - 35%.
- Royalties payment 30%; however, if the payment corresponds to a film to be showed on TV and cinemas the withhold tax is reduced to 20%; if the payment corresponds to copyrights the withhold tax is reduced to 15%.

7.2 Taxable basis and calculation

Dividends or profit distribution are attributable to taxable profits and then to exempt incomes. Profit distribution is taxable starting from the oldest withholding (FIFO, first in first out).

First category tax corresponding to taxable profits is added to determine a taxable basis, and then it is reduced as a credit for the determined withholding tax in the same way as if the income recipient was a Chilean resident and subject to personal taxation.

7.3 Branch offices and permanent establishments

In the case of incomes perceived by a permanent establishment or a Branch office in Chile and from activities performed in Chile, these incomes bear an withholding tax at the moment of their remittance abroad. However, they have a right to a credit against the withholding tax and the first category tax levied on these incomes.

7.4 Credits from foreign taxes

Taxes paid abroad may be used as credits against national taxes up to a determined amount and be considered as a taxable expense. A unilateral credit up to (17%, 20% or 18,5%, depending of the year) is permitted in relation to some foreign incomes. On the other hand, in case of a double taxation agreement, the credit increases to 30%. Credit excesses can be used in the next years.

7.5 Capital gains

Capital gains are considered as normal income (general rule) and, therefore, taxed with the first category tax and the complementary global tax or withholding tax, whichever the case, but only if the sale has been effectively concluded.

Exceptions are:

Capital gains from the sale or cession of limited companies' shares may be subject to a first category tax as a profits tax (17%, 20% or 18,5%, depending of the year) only if:

- Shares have been held for more than a year
- The seller does not perform the transaction as a business or regular activity, and
- The buyer is not related to the seller

The capital gains from the transfer of real estate performed by people exempt from the first category tax do not pay taxes if:

- The property has been owned for more than a year
- The seller does not perform the transaction as a business or regular activity and,
- The buyer is not related to the seller

If the assets to be transferred are not considered among the previous exceptions, the gains are taxed as any other profit.

8. Special Taxation

8.1 Foreign Investment Statute

Under the protection of the Foreign Investment Statute (DL600), foreign investors can choose to use an invariable tax regime under which the rate of withholding tax on profit remittances is 42% instead of 35%. The rate cannot be modified during a period of 10 years (up to 20 years optional). The investor can exit from this regime at any time and go back to the standard regime, but cannot subsequently return to the special regime.

Other important issues:

- Our Tributary system considers the compensation of inflationary effects, for example; Monetary Correction system which is applied to balance sheets for companies which keep complete accounts and which contemplates special norms for tax payers who do not keep complete accounts (employees, professionals, etc.).
- Tax Law considers the possibility of permit foreign companies to keep their books in a foreign currency if all or most of the capital of the company is represented in foreign currency; in that event, SII authorizes to keep the accounts in foreign currency.
- Pension payments do not constitute remuneration for its receiver if the person is forced to pay them by Law. For the person who pays, this is not a deductible expense.
- Director's fees or remunerations related to the position of member of the Board of directors of a limited company are subject to a complementary global tax or withholding tax, whichever the case.

8.2 Taxation of different types of companies

For agencies, Branch offices or permanent establishments of foreign companies, only the incomes obtained in Chile are subject to taxation.

If a partner of a limited liability company is resident in Chile, his earnings are not subject to withholding tax but they are added to his other income and will be subject to taxation according to the personal rates that correspond (complementary global tax) with a tax credit equivalent to first category tax paid by the limited liability company.

In the case of limited companies, first category tax (17%, 20% or 18.5%, depending of the year) is paid by the company but it constitutes a credit for the shareholders.

Independent shareholders resident in Chile receive a credit against their complementary global tax on the received profit. Resident shareholders are not subject to taxation on the received profits and transfer the credit to their own shareholders or partners when profit distribution is performed. Non resident shareholders receive a credit against withholding tax and must pay it according to the profit remittance abroad.

8.3 Value Added Tax

VAT is Chile's main consumption tax, it is applied on sales and on any kind of services that may originate interest charges, commissions or earnings in general considered as commercial, industrial, financial, mining, construction, publicity, computational among others. It is levied at a rate of 19% on the sale of goods and services.

VAT also applies on imports, habitual or not, made by any individual or legal entity.

Professional services rendered by employees or independent professionals are not charged with VAT.

Exporters are exempt from VAT and are entitled to reimbursement of VAT on purchases of goods and services that they use as part of their export activity under supervision of the SII.

Transportation services from or to Chile are exempt from VAT. Services rendered abroad to non-resident entities can be classified according to Customs as exports and are exempt from VAT.

8.4 Foreign Investment Statute

Foreign Investors under the Statute are exempt from VAT on their capital contributions subject to them providing a list of goods for these purposes.

8.5 Double Taxation Agreement

Chile has signed agreements to avoid double taxation with several countries and nowadays is negotiating with some others.

Besides, there are some other agreements like Free Trade Agreements (FTA) that are not related to the tributary system.

Other agreements are based on OECD and are strictly related to credits privileging taxes if the investor has residence in Chile.

Chile also has signed bilateral agreements with different countries in order to avoid double taxation on transportation services and passenger's air and sea freight.

8.6 Customs Taxes

Customs duty is 6% of the import values. There are regional and bilateral reductions applied to some products according to the ALADI (Latin American Integration Association) agreement.

Chile also has signed Free Trade Agreements and Bilateral Agreements of economical complementation with several countries; these agreements tend to eliminate customs duty among participant countries within established terms.

It is important to mention that Chile is a member of Mercosur and has negotiated reductions and immediate and gradual eliminations of customs duties.

8.7 Stamp Duty

Stamp Duty applies to certain documents and transactions as follows:

- Checks duly emitted in the country; withdrawals or payments charged as payment orders, Money transfers from bank accounts
- Money loans and documents related to credits such as bills of Exchange, bonds issue and deventures of any nature

8.8 Municipal Taxes

There is a Municipal tax related to activities performed by a tax payer in a territory of a municipality. This tax is calculated on the tax payer's patrimony and the rates are settled by each municipality with ranges from 0.25% to 0.5%.

9. Employees' social benefits

9.1 Pension Funds System

There are two general Pension Funds in Chile; the former one (State system), and the new one which is a Private Pension Funds System.

9.2 Health Benefits Costs

Both dependant and independent employees are held to a health insurance equivalent to 7% on their monthly taxable remunerations up to 66 UF (US\$2.873- approx.)

The employee can be affiliated to a State system or a private one, in case of the state pension system, the amount corresponding to health insurance is paid to the National Health Fund (FONASA). Employees affiliated to a private pension system can choose to pay their health insurance to FONASA or to an ISAPRE (private entity)

9.3 Work related Accident Insurance

It is mandatory for employers to pay a premium equivalent to 0.95% (general rule), taking into account for this purposes, a monthly remuneration up to 66 UF corresponding to a Work related Accident Insurance.

9.4 Unemployment Insurance

This Insurance is mandatory and is established to help dependant employees subject to the Labour Laws.

A mandatory premium is charged and must be paid by both employee and employer, 0.6% and 2.4% respectively, both rates are calculated on a taxable remuneration up to 90UF (US\$3.894 approx.)

9.5 Compensation for terminating a work relationship

In the case of ending of work relationship a compensation equivalent to years of service is established when the legal bond between the parties is terminated by the employer's decision; exempt to this rule is a dismissal for serious causes.

9.6 Legal Profit Sharing Bonus

This corresponds to an additional and mandatory payment and is strictly related to the profits generated by the company, it must be paid to all employees except for special voluntary arrangements between parties which cannot be inferior to the legal amount.

Legal Bonus can be paid as follows:

- 30% of the profit, distributed proportionally to the annual remuneration of each employee.
- 25% of the annual salary of each employee, with a maximum participation of the profits of up to 4.75 minimum salaries for each employee regardless whether the employer has profits or the amount of them. The maximum for each employee is US\$1.280 approx.

10. Exports Incentive

Exports are exempt from VAT, exporters are entitled to reimbursement of VAT generated on their purchases and services related with their exports activities.

The same principle is applied to freight companies to and from Chile; flights and ship's food and beverages suppliers; and to companies that render services to non-resident entities which are consider by Customs as exports.

11. Necessary steps to initiate activities in Chile

- Tax payer Number "Rol Único Tributario" or "RUT", issued by SII
- Initiation of activities according to Servicio of Impuestos Internos (SII) rules
- Municipal Permit
- Other permits depending on the business to be performed
- If the above requirements are fulfilled, book-keeping is mandatory following the SII rules
- It must be considered that Chile from 2009 will adopt new accountancy criteria established by NIIF
- Designate independent auditors, if requested (banks, financial institutions, insurance companies, pension funds, open limited companies (public or listed), co-operatives).

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