

# Doing Business in Chile



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# An overview of the country

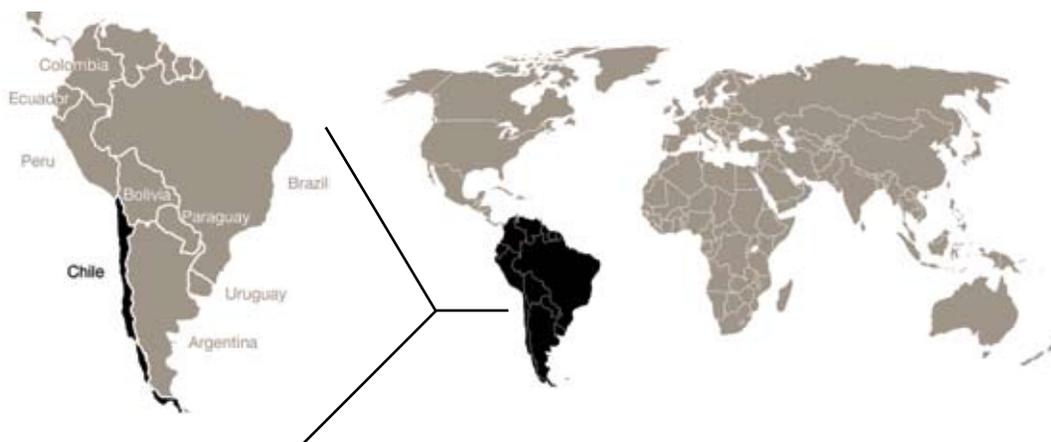
# Geographical and demographical background

## Location

Chile, with a continental area of 295,000 square miles (764,000 square kilometers) excluding the Antarctic territory with an area of 490,000 square miles (1,269,000 square kilometers), is a long narrow ribbon of land stretching almost 2,700 miles (4,345 kilometers) along the west coast of South America with an average width of only 110 miles (177 kilometers), varying between 60 miles (97 kilometers) and 250 miles (402 kilometers). The country is wedged between the Andes on the east and the Pacific Ocean on the west, bordering Peru on the north and Bolivia and Argentina on the east. Southern Chile is an archipelago, with Cape Horn at its tip. There are five distinct and well-defined geographic regions: the northern desert, the high Andean sector, the central valley, the southern lake district, and the archipelago. Santiago is the capital and the commercial center of the country.

## Population

Chile's population totals approximately 16 million, of which about 85 percent is urban, with a concentration of nearly 6,5 million in the metropolitan region (Santiago). Near half are under 25 years of age and men account for about 49 percent of the total.



## Political and legal system

The current President was elected for a four-year period, which is the normal duration under the Constitution. A unitary republic is contemplated, including a strong executive, a legislature with both a Senate and a Chamber of Deputies and an independent judiciary. Individual guarantees are well defined and protected. The whole purpose of the current political structure is to establish a well-balanced democracy to continue the Chilean republican tradition.

## Legal environment

The Chilean legal system follows the Spanish and French patterns. The Civil Code was enacted in 1855 and has served as a model for other countries in Central and South America. Many other codes and laws are in force and a court decision is only valid for the specific case for which it is delivered. This legal structure is supported by an independent and well-established judiciary that includes a Supreme Court, Courts of Appeals and Judges of First Instance. Civil, criminal and labor judges exist. In addition, recourse to an arbitrator is provided for in order to settle civil and commercial disputes.

# The economy

## Economic indicators <sup>1</sup>

The Chilean economy recognized internationally as one of the most stable, open and competitive in Latin America. Under the social economic model of prevailing markets that has been in place since the military regime. Chile has implemented a series of structural modifications such as the privatization of state companies and the creation of a private pension funds system, with multiple funds and individual accounts.

Chile has built its recent economic success on the exportation of raw materials, most notably copper. Indeed, mining is Chile's biggest economic sector. Agriculture and forestry are also key industries.

Codelco Chile, the country's most important state-owned company, is the world's largest copper producer with an estimated 200 years of copper reserves.

With the opening of European and Asian markets, the export of forestry products, vegetables, fruit, fishmeal and fish-most notably salmon-have increased significantly. Chile has also become a leading wine-producing country.

Other areas of opportunity and expansion include tourism. Chile, especially its adventure tourism sub-sector, has benefited from the recent boom in global tourism. This services sector, too, has enormous potential for future development.

Year	Total GDP Nominal Value (millions pesos)	FDI Nominal Value <sup>1</sup> (US\$)	GDP rate %	Exports (millions US\$)	Imports (millions US\$)	Balance of Payment (millions)
2005	57,262,645	3,828	6.3	40,574	32,637	1,715,7
2006	59,748,954	5,928	4.2	59,000	38,500	1,997,6
2007	62,793,469	7,340	5.1	68,300	47,000	(3,214,1)

<sup>1</sup> According to the Central Bank of Chile and the Foreign Investment Committee.

# Doing business in the country

# General business and investment climate

The government's policy is to actively seek foreign investment that will provide the needed capital and technology for economic development. Recognizing the importance of foreign investment for the future growth of the economy, Chile withdrew from ANCOM (the Andean Common Market) in order that it could, among other things, be free from ANCOM's restrictions regarding foreign investment. Thus, government policy towards foreign investment is liberal and open. Practically all forms of business activity are permitted to the foreign investor.

The government has issued special statutes, in particular Decree Law No. 600, modified by Decree Law No. 1,748 of March 1977 (known as the "Foreign Investment Statute"), in order to promote foreign investment.

Some minor regional investment incentives are available, granting special benefits to certain regions of the country.

## Trade policy

Chile has a policy of free trade with no barriers. The country is a member of LAIA (Latin American Integration Association) and an associate member of MERCOSUR. At present, Chile is probably the freest market in Latin America.

Chile has become a member of the Organization for Economic Cooperation and Development (OECD), currently is in the process working on the roadmap set by the OECD for that purpose.

## Taxation policy

Entities with foreign investment, as a general rule, are subject to the same tax system applicable to resident business entities. The basic aim of government tax policy is for taxes to be neutral, that is, that in and of themselves they should not attract or restrict foreign investment. Thus, the rates are in line with those prevailing in the countries most interested in investing in Chile.

## Local competitor attitude toward foreign investment

Local business and industry favor foreign investment as a way to expand their activities, gain access to external markets and receive the benefits of advanced technology.

## Labor attitude toward foreign investment

Labor has an open attitude and welcomes the foreign investor, realizing that they develop new fields of work and provides employment opportunities to a greater proportion of the workforce. It is also felt that foreign investor provide good and stable working conditions.

# Form of foreign investment

The principal legal alternatives to constitute a local presence in Chile are the following:

## Stock corporation

A Stock Corporation is defined as a juridical entity formed by a common fund provided by shareholders who are responsible only for their respective capital contributions and managed by a Board of Directors whose members are essentially revocable.

In order to form a corporation, two shareholders are needed, as Chilean legislation does not allow wholly owned corporations. The shareholders can be either individuals or legal entities, Chilean or foreign, whether or not domiciled in Chile, and there is no requirement of a maximum or minimum capital. The total capital must be issued and paid within three years. If not, the capital is reduced by law to the amount effectively issued and paid.

## Limited liability companies (LLC)

This type of companies is defined as a contract whereby two or more parties agree to make a contribution in common with the purpose of dividing the proceeds arising there from. Each partner's liability is limited to the amount of his capital contribution or to a greater amount specified in the companies deed.

Both the stock corporation and the LLC may be formed with exclusively foreign partners or shareholders. Likewise, directors or managers may also be foreigners, without any other limitation that there must be sufficient directors in Chile so that the Board can operate or, in the case of LLC, an attorney with sufficient powers to represent the companies. The referred persons are not legally obliged to live in Chile. If the corporation or the LLC are constituted through attorneys, they must be granted sufficient power for said purpose. When issued abroad, this power must be signed before a Notary Public and legalized at a Chilean consulate.

## Branch of a foreign corporation

The Chilean commercial law considers a branch as the locally registered office of a foreign corporation. Its formation implies the acquisition in Chile of a fiscal, legal and commercial presence, and the assets of the branch remain subject to Chilean law, especially to cover its local liabilities.

The branch is considered to be the same juridical entity as the head office. However, it is a permanent establishment, which has autonomy and legal capacity to become a partner or shareholder of local companies or corporations.

No minimum capital is required to establish a branch, unless its capital is registered under a foreign investment regime. Branches must publish their yearly balance sheet in a local newspaper within the four months following the closing of the financial period.

The formation of a branch is relatively simple and requires the registration, at a Notary Public in Chile.

Unlike LLC and stock corporations, the branch may not be established jointly by two different legal entities since, as it is the local office of one foreign corporation and thus, by law, its capital pertains exclusively (100%) to the head office.

Constitution of LLC, branches, and closed stock corporations is relatively simple and would take about the same time. Any of them would be suitable from a legal stand point for the operation being considered.

From a tax perspective, there are no special advantages in electing any of the above structures, as all of them are subject to the same total tax burden. Therefore, the final decision should be driven by considerations such as the management of the company, the transfer or sale of the investment, number of owners, and any other particular issues applicable to the investor.

# Regulatory environment

## Investment policy

The government believes that the best incentive is the opportunity to take advantage of the country's rich natural resources within a stable legal framework and a reasonable tax regime that do not discriminate between local and foreign investors. There are also a number of tax concessions, regional incentives and industry incentives generally available to investors.

## Tax concessions

There are no tax holidays, but a number of tax reductions and partial tax exemptions are contemplated as described below.

The Income Tax Law favors capital investment and the reinvestment of profits as follows.

- Accelerated depreciation is granted for new fixed assets when acquired locally or new or used when imported. It is implemented by reducing to one-third the normal useful life assigned to the assets, but it is not applicable to items whose normal useful life is under five years. Depreciation is on a straight line basis. Accelerated depreciation can only be used for the First Category Tax and must be added back for additional tax or Surtax purposes.
- The First Category Income tax is paid on accrued income. However, the personal income tax and the Additional Tax only apply when profits are distributed. Thus, retained earnings are only taxed with the First Category Tax.

- Foreign investors which have subscribed a Decree Law No. 600 may elect to be subject, for a period of ten years as from the start up of the company's operations, to either:
  - a. A fixed overall income tax rate (tax invariability) of 42 percent, calculated on net taxable income (current rate being 35 percent); or
  - b. They may elect to the application of the normal tax burden as for local investors.

## Investor restrictions

All activities related to the exploration or exploitation of hydrocarbons are undertaken exclusively by the state and are closed to private enterprise, notwithstanding the right to assign "risk contracts" to private investors, including foreign investors, for the exploration and exploitation of designated areas. The investor may be paid with a percentage of the sales or in kind. Uranium is subject to similar regulations.

## Restrictions on foreign ownership

There are no percentage restrictions on foreign holdings nor are there any restrictions on foreign ownership of buildings and land, with the only exception of land located in limiting territories, which may not be owned by nationals of border countries, or by juridical persons which have their head office in such country or are owned 20 percent by nationals of such country, or controlled by them, unless prior authorization of the President of Chile. Also, there are no restrictions on foreign ownership of local enterprises and joint ventures, other than those referred to under “Industries closed to private industry” above.

## Foreign exchange control

Exchange controls are very limited in Chile and the Foreign Investment Committee is responsible for the authorization and control of foreign investment. Investments under Chapter XIV of the Summary of the Foreign Exchange Regulations of the Chilean Central Bank do not require further authorization and are only informed to the Central Bank.

There are basically two foreign exchange markets, the “formal” and the “informal” market. Some transactions, such as liquidation of foreign currency and remittance of profits under the Foreign Investment Law must be made in the formal market. Other transaction can be freely made in the informal market.

Foreign exchange operations in the formal market must be effected through authorized banks and financial institutions. Exchange rates for the formal market are not fixed.

# Accounting methods and reporting requirements

## Accounting principles

The Chilean Institute of Accountants (Colegio de Contadores de Chile A.G.) periodically issues accounting bulletins, which should be adhered to. If not addressed locally, the International Accounting Standards Committee (IASB) pronouncements must be followed, and alternatively, those issued by other international professional bodies (FASB).

In addition, the various regulatory bodies (Superintendencia de Valores y Seguros–SVS, Superintendencia de Bancos e Instituciones Financieras–SBIF and others), which regulate listed companies and specific industries also issue mandatory accounting instructions.

Next year, the auditing system will change from the generally accepted accounting principles (GAAP) to the international financial reporting standards (IFRS). This change will be gradually introduced and will become effective next year for the companies that are listed in the Chilean Exchange Market.

## Accounting records

Except for authorized exceptions, accounting records must be carried in Chilean pesos and there are several legal formalities that must be fulfilled. Authorization to use foreign currencies can be granted by the IRS and depends on a clear demonstration of that being the functional currency.

## Basic financial statements

The basic financial statements include the following:

1. Balance sheet
2. Statement of income
3. Statement of cash flows
4. Notes to the financial statements

## Capital

The stockholder's equity section may include common and preferred stock, capital surplus, property, plant and equipment appraisal reserve, other special reserves, and retained earnings. Stock dividends and stock splits are allowed. Treasury stock is permitted under the terms of Law No. 18,046 regulating all corporations, but may only be held for a limited period (one year maximum).

## Valuation of assets

In accordance with the accounting bulletins issued by the Chilean Institute of Accountants, and with certain modifications to the Income Tax Law, non-monetary assets and liabilities, and shareholders equity must be restated in accordance with the local Consumer Price Index by charge or credit to income. Income statement accounts are restated to year end values.

## Purchase of another business

As already mentioned, purchase accounting is based primarily on the book values recorded by the investee, as stated in bulletins issued by both the Chilean Institute of Accountants and the SVS. Goodwill arising on the purchase is recorded as an asset and amortized in accordance with the published guidelines and is not tax deductible. Pooling of interest occurs in Chile only under rare circumstances, mainly involving mergers and transactions made by entities under common control.

Purchases of businesses may be accomplished either through the purchase of assets or of shares.

## Consolidation

Consolidated statements must be prepared when the investment exceeds, either directly or indirectly, 50 percent of the investee's equity or when the parent company has effective control over the investee (the SVS requires specific approval in the latter cases).

However, when the subsidiary's operations differ significantly from those of the parent company, consolidation is not required by the SVS.

## Provisions and reserves

Income tax is calculated on accrued taxable income and deferred income taxes are recognized on temporal differences that arise between taxable and financial income.

## Books and records

Companies are required by law to keep the following bound books, which must be stamped by the Internal Revenue Service (IRS).

1. Journal
2. General ledger
3. Inventory and balances book
4. Wages and salaries income tax-withholding ledger
5. Purchases and sales ledgers (VAT register)
6. Register of goods in stock
7. Register of retained taxable profits

The IRS authorizes the use of computerized accounting systems.

# Tax system

Regarding tax matters, it is necessary to consider the various taxes that may apply over the business and understand the manner in which the business and its owners pay taxes.

The taxes of general application to a business in Chile are the following:

- a. Income Tax
- b. Value Added Tax or VAT
- c. Stamp Tax
- d. Capital Gain Tax
- e. Municipal business license

## Income tax

### Generalities

Entities resident or domiciled in Chile are taxed upon their worldwide income. As a general rule, non residents are subject to tax only for its Chilean source income Permanent Establishments of non-Chilean resident would be subject to tax only upon their Chilean source income.

The income tax levied on individuals or legal entities without residence or domicile in Chile is called “Additional Tax”.

Individuals with domicile or residence in Chile are subject to income tax over all the revenue received by them, without regard to their geographic source. The revenue earned by them as dependent employees is subject to the sole “Second Category Tax”. In all other cases, their income is subject to “Surtax”.

### Income tax on businesses with residence or domicile in Chile

Companies resident or domiciled in Chile are subject to “First Category Tax” (“FCT”) at a rate of 17%, which is determined on the basis of all their income accrued or effectively received throughout the corresponding financial year, which in Chile is the same as the calendar year. The yearly books of a company, therefore, are closed at December 31, of each year.

The companies with domicile or residence in Chile pay income tax on worldwide income; that is on income derived from sources located in Chile and outside the country.

## Provisory monthly payments

Companies operating in Chile are subject to the obligation of making “Provisory Monthly Payments” (“PPM”) that are imputed to the payment of the yearly income tax liability. The balance between the total PPMs made during the year and the total income tax liability must be paid in April each year, adjusted by inflation between November and March, at the moment of filing the yearly tax return.

## Tax deductible expenses

The net income of a company is determined deducting the expenses incurred by the business from the gross income. Expenses deduction are allowed provided some requirements are met (ie. necessary, paid or due, supported and not previously deducted).

## Rejected expenses

Rejected expenses are those that do not meet the conditions to be deductible for tax purposes. Certain non deductible expenses, specifically those that correspond to effective disbursements in cash or kind in case of Stock Corporation are subject to a Sole Tax of 35%.

However, in case of a LLC, these amounts will be treated as deemed drawings, made by the partners.

## Taxation of the owners

The owners of Chilean companies, who are individuals or entities without residence or domicile in Chile, will be subject to the Additional Tax at rate 35%, on all income remitted or distributed from Chile. Regarding the tax paid over the revenue of the company, the owners will be able to use it as a credit against their Additional Tax liability.

When the owners of a Chilean company or business are legal entities with domicile or residence in Chile, no further income tax is levied on the revenue they accrue or effectively received from their subsidiaries. Income tax will be levied again when said income is paid to individuals with domicile or residence in Chile.

## Value added tax

### Taxable events

Value Added Tax (“VAT”) of 19% is levied, in general terms, over the price of the following goods and services:

- (i) Sales and other contracts used to transfer ownership of tangible goods, or real estate owned by a construction company, provided that said operations are customary. The law assumes that all sales made within the ordinary course of business are customary.
- (ii) Services that are commercial, industrial or financial, or that are connected to mining, construction, insurance, advertising, data processing and other commercial operations.
- (iii) Imports, customary or not.

## VAT mechanics

VAT works on a Credit–Debit system. The tax borne by a company or business in the acquisition of goods or services is called the “VAT Credit”. The VAT charged on the goods and services sold to customers is called the “VAT Debit”.

As a general rule, the seller or service provider is obliged to withhold and pay the VAT. The tax amount is added to the invoice for goods or services, as the final consumer is the economic taxpayer.

Exceptionally, when a seller or service provider is not domiciled in Chile or when for other reasons it is difficult for the IRS to supervise the correct payment of VAT, the responsibility to withhold and pay the tax is transferred to the buyer or beneficiary of the service.

The tax is paid every month deducting the VAT Credit from the VAT Debit. The balance due to tax authorities (when the Debit is larger than the Credit) must be paid no later than the 12<sup>th</sup> of the following month.

If on a given month the VAT Credit is larger than the VAT Debit, the balance may be kept and carried forward in the following months.

## Stamp tax

Stamp Tax is levied on the documents issued in connection with money lending operations, at a fixed percentage over their amount for every month ranging from their issuance and their maturity. The maximum rate of tax applicable is capped at 12 months.

## Capital gain tax

In general Capital Gains are taxed as normal business income. In some cases the sales of shares are subject to FCT as a sole tax provided certain requirements are met. A preferential tax regime is available in case of gain derived from the sale of shares in Stock Exchange provided legal requirements are met.

## Municipal business license

This license taxes the exercise of any profession, job, industry, trade, art or any other secondary or tertiary lucrative activity. All of them are subject to a municipal contribution that is paid through the respective municipal license.

The municipal license is calculated on the basis of the net tax equity informed by the business to the tax authorities. The rate to be applied ranges between 0.25% and 0.5% depending on the Municipality.



# International tax consideration

## Tax treatment on certain outbound payments

### Generalities

Outbound payments are often subject to a withholding tax. Although the tax is applied on the beneficiary of the payment, the payer is subject to various administrative obligations such as withholding and paying the tax as well as reporting the operations to local tax authorities.

This tax, which is assessed on the total amounts paid with no deductions whatsoever, must be withheld by the payer when the amounts are paid, remitted, credited or placed at the beneficiary's disposal, whichever takes place first, and subsequently paid to the Treasury up to the twelfth day of the month following withholding.

### General services

Outbound payments made to compensate services provided abroad by non domiciled or non resident individuals or entities are subject to the Additional Tax, at a rate of 35%.

## Technical assistance and engineering services

Remuneration paid to individuals or legal entities, for engineering or technical works, and for those professional or technical services that a person or entity knowledgeable in a science or art provides by mean of advice, a report or blueprint, whether they are rendered in Chile or abroad are taxed at a 15% rate withholding tax. (This tax rate goes up to 20% in case of related parties).

### Interest payments

As a general rule, interest payments made from Chile to a party domiciled or resident abroad are subject to a 35% withholding tax, over the total amount of interest payments made abroad, with no deduction whatsoever. The payment of the principal is not subject to Additional Tax.

Notwithstanding the above, the withholding tax is reduced to a 4% rate among other cases if the lender is a foreign bank, or a foreign or international financial institution.

Thin capitalization rules apply in case of related party loans at 3 to 1 debt to equity ratio.

## Transfer pricing issues

Special provisions of the Income Tax Law regulate the prices charged between related companies located in Chile and companies located in other jurisdictions.

The rules contained in the Income Tax Law on transfer pricing matters apply to both operations between a branch and its head office, and operations between a foreign company and a Chilean company in which the former participates (directly or indirectly) in the conduction, control or capital.

These rules allow the IRS to challenge the prices paid by the Chilean company branch to its head office or to a foreign related company, when the prices agreed are not adjusted to those applicable in operations between unrelated parties. In order to contest the prices the IRS may take into account a reasonable profit, bearing in mind the characteristics of the operation, or else the production costs plus a reasonable profit margin.

The same rules will apply with regard to prices paid or owed for goods or services provided by the head office, or by any of its branches or related companies, when those prices are not adjusted to the normal market prices charged in operations between non related parties. It will also be possible to take into consideration the sales price to third parties of goods acquired from a related company, less the profit margin observed in similar operations with or between independent companies.

If the branch (or the local company) only has operations with related companies, the IRS will be allowed to challenge those prices taking into consideration the values of the respective goods or services in the international market.

## Chilean double tax treaty network

### Generalities

In the past few years, Chile has entered into various Double Tax Treaties (“DTT”) with the aim to prevent Double Taxation and Tax Evasion.

Chile has the largest network of DTT in Latin America, and all DTTs signed by Chile follow the OECD model convention with deviation.

### Summary table

The following table shows a summary of the Double Tax Treaties signed by Chile that are in force, those that have been signed but not in force yet and those that are still under negotiation.

DTTs in Force	Argentina, Brasil, Canada, South Korea, Croatia, Denmark, Ecuador, Spain, France, Mexico, Norway, New Zealand, Peru, Poland, United Kingdom, Sweden.
Signed DTTs	Ireland, Malaysia, Colombia, Paraguay, Portugal, Russia, Thailand, Switzerland.
DTTs Under negotiation	Australia, China, Cuba, USA, Finland, Holland, Hungary, India, Italy; Kuwait, Uruguay, Venezuela, Czech Republic.

# Labour supply

The right to work in a non discriminatory environment is established in the Article 19, No. 16 of the Constitution.

In addition, the Constitution acknowledges the right to form a union, to negotiate collectively and to strike. The Labour Code regulates labour relations in the private sector. Workers in the public and municipal sectors are subject to a especial statute.

## Availability of labor

Workers are adequately skilled and special sectors, such as mining, agriculture and fishing, employ highly skilled workers. Unemployment is at 7.2% (2007). Labor as well as technical and professional personnel are available.

## Employer-employee relations

Relations between employers and employees are basically governed by the Labor Code, contained in Decree in Force Law No. 1 of January 7, 1994, amended by Law 19,759 of October 5, 2001, which regulates both individual and collective relations between employers and employees.

## Fringe benefits

Employers have no obligation to provide fringe benefits. Pension, sickness, maternity and disability benefits are covered by social security institutions. There is no obligation to provide canteen facilities and meals, but enterprises do, in fact, normally provide them.

## Hours worked

The normal working week is limited to 45 hours. Offices and banks normally operate Monday through Friday. In general, a minimum break of 30 minutes must be allowed in the middle of the day. Such period is not considered as worked time, and therefore is not added to the working week.

If working conditions require continuity of labor, a shift system may be established with the approval of the Labor authorities. The normal working period may be extended by mutual written agreement to a maximum of two hours more a day, provided such an extension is not detrimental to the health of the worker.

## Social security system

Through Decree Law No. 3,500 of November 1980, a private social security system was created. Social security is managed by private entities called Administrators of Pension Funds (AFPs). The contribution are placed in an individual fund made up of certain qualified investments, such as government securities or fixed term deposits in banks.

Some tax benefits has been established in order to increase saving. This contribution is the in the range of 10%. Also a 7% contribution for health purpose is mandatory. The above employee contributions must be withheld by the employer and remitted to the corresponding institutions during the first 10 days following the month of payment.

## Visa and employment of aliens

Citizens from some countries must obtain a visa before entering the country. In the case of certain South American countries such as Argentina or Brazil an identity card is sufficient. This matter is based on reciprocity. A work permit is required to perform any kind of remunerated activity in the country.

# Import and export issues

Any person may import goods freely and in any quantity, except used cars. Payments can be made as agreed by the parties.

Chile is a member of WTO. Goods are classified as per the Customs Cooperation Council Nomenclature (formerly known as the Brussels Tariff Nomenclature).

The rate of custom duty is in general 6%. Note that Chile has an extended network of Free Trade Agreements. Up today, there are such agreement in force with China, United States, Mexico, Japan, European Union, Canada, Panama, Central America and South Korea. Therefore reduced or non existing customs duties rates are available. Duties on goods are imposed on the CIF price, without deducting special discounts.

In general, Chile has a very open economy and there are no significant barriers to foreign trade.



# Other important issues

## Price control

In general, there are no price controls in Chile.

## Disloyal competition

The Chilean law declares illegal any act or agreement that tends to restrict free competition within the country.

The law provides for imprisonment and substantial fines when a violation is proved. There is a procedure whereby the commission dealing with these matters may be consulted in advance of concluding a transaction that could result in a monopoly.

Under the law to protect freedom of competition in Chile the main bodies that participate in both contentious a non-contentious antitrust procedure, are the Free Competition Defence Court and the National Economic Prosecutor.

Legislation applies in a nondiscriminatory way to local as well as foreign entities.

## Intellectual property

Regulations concerning patents, trademarks and industrial model rights are contained in Law No. 19,039 of January 25, 1991 (Industrial Property Law). Copyrights are guaranteed under Law No. 17,336 of October 2, 1970 (Intellectual Property Law).

## Patents

An industrial patent may be granted for the exclusive right to exploit it for a sole period of fifteen years. Patents for inventions already patented abroad are granted only for the equivalent of the term remaining in the country in which it was first granted, and they have a one year priority to be registered in Chile as from the date of application in their country.

## Trademarks

Registration of a trademark (national or foreign) grants absolute ownership thereof for a period of ten years, renewable for further ten-year periods. Items subject to protection are classified according to international classifications, and trademarks must be registered in each applicable group of items listed.

## Environmental issues

In the last few decades Chile has experienced accelerated economic development driven mainly by the mining, forestry, salmon, fishing, fruit and wine industries, all of which rely on the country's natural resources. Therefore, to protect the economy and the country's natural heritage for future generations to enjoy-and profit from- a sustainable model of development is necessary.

Over the same period, the environment has become a very important subject in Chile. Nowadays, Chileans have become more environmentally aware thanks to education in schools and to the active role of the media on environmental issues.

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# Financing and financial market

## Bank system

Chile has an open economy, banks have most of the technical advances used in developed countries and are linked to international information and operation systems.

There are two main kind of institutions within the Chilean financial market.

- Commercial banks, which offer the full range of banking services.
- Financial institutions, which, as compared to banks, are restricted as they cannot operate current accounts, carry out import and export operations, underwriting, etc.

## Securities markets

There are two stock exchanges in Chile, one in Santiago and one in Valparaíso. Most of the transactions are made in Santiago. Few public companies are widely held. In Santiago there also is an electronic stock exchange.

Foreign investors are permitted to buy and sell. The law provides for the formation of foreign funds to hold shares of Chilean open corporations with a preferential tax treatment.

# Reference information

# General statistics

## Apartment rent (per month)

US\$ 500-1,500

## Office rental

The cost office space per year per square foot is around US\$ 25.

## Corporate tax

17% First Category Tax on net accrued income at corporate level.

## Individual tax

Progressive rates, rating from 0% to 40%.

## Withholding tax rates

### Dividends

Upon distribution of a dividend, a foreign shareholder is subject to the 35% Additional Tax less a credit for the First Category Tax of 17% all ready paid.

### Royalties

Royalties paid to nonresidents are normally subject to a 30% Additional withholding Tax.

### Interest

Interest paid to nonresidents is subject to the 35% Additional withholding tax. Interest relating loans granted by foreign banks or financial institutions are subject to a 4% rate withholding tax, provided that excess indebtedness provisions do not apply.

### Services

Services fee paid to nonresidents are normally subject to 35% rate withholding tax. However the withholding tax rate is reduced to 15% in case of technical services.

# Local government agencies

## Banco Central de Chile

Agustinas 1180

P.O. box 967

Santiago, Chile

Tel (56-2) 670-2000

Internet: [www.bcentral.cl](http://www.bcentral.cl)

## Superintendencia de Valores y Seguros (SVS)

Av. Libertador Bernardo O' Higgins 1449

P.O Box 834-0518

Santiago, Chile

Internet: [www.svs.cl](http://www.svs.cl)

## Superintendencia de Bancos e Instituciones Financieras (SBIF)

Moneda 1123

P.O. box 15-D

Santiago, Chile

Tel: (56-2) 442-6200

Internet: [www.sbif.cl](http://www.sbif.cl)

## Extranjería y Emigración

Agustinas 1235, second floor

Tel (56-2) 550-2400

Internet: [www.extranjeria.cl](http://www.extranjeria.cl)

## Comité de Inversión Extranjera

Teatinos 120, 10 floor, Santiago, Chile

Tel: (56-2) 688-3113

Internet: [www.foreigninvestment.cl](http://www.foreigninvestment.cl)

## Servicio de Impuestos Internos

Teatinos 120, Santiago, Chile

Tel: (56-2) 395-1000

Internet: [www.sii.cl](http://www.sii.cl)

## Servicio Nacional de Aduanas

Internet: [www.aduana.cl](http://www.aduana.cl)

# PwC key contacts

Av. Andres Bello 2711, 3, 4 and 5 floor

Tel. (56-2) 940-0000

Email: [pwc.chile@cl.pwc.com](mailto:pwc.chile@cl.pwc.com)

## Contact partner tax legal services

Francisco Selamé Marchant

Tel. (56-2) 940-0150

Email: [francisco.selame@cl.pwc.com](mailto:francisco.selame@cl.pwc.com)

# Practical tips for business visitors

- 1 USD Dollars = 500 chilean pesos aprox
- Normal business hours: 9:00 a.m. to 6:30 p.m.
- Time zone:
  - a. Winter: -4 GTM.
  - b. Summer: -3 GTM.
- Climate:

	T°	January	April	July	October
Santiago	Max.	29.4	23	14.5	22
	Min.	12.4	7.6	3.2	7.8





[pwc.com/cl](https://pwc.com/cl)