



CHILE – 2009 BUSINESS ENVIRONMENT

Currency: Chilean Peso (CLP)

Foreign exchange control: While the general rule in Chile is that individuals and entities are free to enter into any kind of foreign exchange transactions, some reporting formalities exist with respect to investments that exceed USD 10,000 (or the equivalent in another currency).

Accounting principles/financial statements: Chilean GAAP. Chile will adopt IFRS accounting principles as from 31 December 2009. Financial statements must be filed quarterly.

Principal business entities: These are the corporation, corporations by shares, general partnership, limited liability partnership, limited partnership, individual enterprise with limited liability, association and branch of a foreign corporation.

Corporate taxation:

Residence – A corporation is resident if it is incorporated in Chile.

Basis – Companies resident in Chile pay Chilean tax on a worldwide basis. Nonresidents pay tax on their Chilean-source income. Remuneration paid to nonresidents for services rendered abroad also are subject to Chilean income tax.

Taxable income – Taxable income is defined as gross income from worldwide sources and is calculated by deducting the direct costs of goods and services and necessary expenses incurred in earning income.

Taxation of dividends – Distributions of profits between Chilean entities are not subject to income tax. Profits distributed to Chilean individual residents are subject to a global complementary tax of 0%-40%, against which the corporate level tax may be used as a credit.

Capital gains – Capital gains are generally taxed as ordinary income. Capital gains on the disposal of certain assets may be exempt from tax or subject to reduced rates if certain requirements are met.

Losses – Tax losses may be carried forward and back indefinitely. Tax losses are non-transferable and may be used only by the taxpayer that incurred the losses.

Rate – Corporate income tax is imposed at a rate of 17% (first category tax).

Surtax – In addition to the 17% corporate tax, an entity must pay a tax (either the global complementary tax for individual residents or the additional tax for nonresidents) upon the distribution of profits.

Alternative minimum tax – No

Foreign tax credit – Income taxes paid on dividends received from abroad by a Chilean entity may be credited against Chilean income taxes capped at 30%.

Participation exemption – A special regime exists for Chilean publicly traded stock corporations and closely held stock corporations that voluntarily submit to the supervision of the Chilean SEC and that meet the requirements stated by law. Such entities are deemed not to be Chilean resident for all income tax purposes and, therefore, are exempt from tax on any foreign income received. Dividends paid to shareholders that are not resident or domiciled in Chile are exempt from withholding tax.

Holding company regime – See under “Participation exemption”.

Incentives – Preferential tax regimes are available for businesses operating in specific regions and/or carrying out specific activities.

Withholding tax:

Dividends – Profits repatriated to a parent company abroad are subject to a 35% “additional” tax against



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which the 17% first category tax paid at the corporate level may be used as a credit.

Interest – Interest is subject to a 35% withholding tax on the gross amount. A 4% reduced tax rate applies to interest derived from loans granted by foreign banks and financial institutions, provided the lender and borrower are unrelated; if the parties are related, the thin capitalisation rules must be observed.

Royalties – Royalty payments for the use, enjoyment and exploitation of trademarks, patents, formulas and other similar services are subject to a 30% withholding tax. Payments for the use, enjoyment or exploitation of invention patents, useful models, industrial designs and drawings, blueprints or topography of integrated circuits, and of new vegetable varieties, are subject to a 15% withholding tax. The 15% rate also applies to payments for the use, enjoyment and exploitation of computer programs. The rate increases to 30% if the parties are related and/or if the beneficiary is resident in a tax haven jurisdiction, as provided on a list issued by the Chilean Treasury Ministry.

Branch remittance tax – A 35% additional withholding tax applies to a remittance of profits against which the 17% first category tax paid at the branch level may be used as a credit.

Other taxes on corporations:

Capital duty – While there is no taxable event upon the incorporation of a company, business entities must pay an annual municipal license fee. The fee ranges from 0.25% to 0.5% on equity, up to a maximum of approximately USD 462,000.

Payroll tax – No

Real property tax – A real estate tax is imposed at an annual rate of 1.4% on urban property, 1% on rural property and 1.2% on the cadastral value of a dwelling.

Social security – Employers are required make the

following contributions for social security: (1) a monthly 0.95% premium on remuneration (capped at a floating amount) for labour-related accident insurance; (2) additional contributions that vary according to the risk of the employment activity at rates up to a maximum of 3.4%; and (3) a 2.4% compulsory unemployment insurance, subject to a monthly cap of approximately USD 3,000.

Stamp duty – Foreign loans are subject to a stamp tax, regardless of documentation. The rate is 0.1% for each month or fraction thereof, between disbursement and maturity, capped at 1.2%. Additionally, loans payable on demand or without maturity are subject to a 0.5% tax.

Transfer tax – No

Other – A tax on non-deductible expenses is applicable at a rate of 35% in the case of corporations. Disallowed expenses in limited liability partnerships are considered as profit withdrawals.

Anti-avoidance rules:

Transfer pricing – The tax authorities may challenge and reassess transfer prices between related parties where the terms and conditions of transactions are not conducted at arm's length. Advance rulings may not be obtained and transfer pricing studies are not mandatory.

Thin capitalisation – Thin cap rules apply to related party loans that are entitled to the reduced 4% tax rate on interest paid abroad.

Controlled foreign companies – No

Other – No

Disclosure requirements – No

Administration and compliance:

Tax year – Calendar year



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Consolidated returns – Chilean entities may not file consolidated returns, although some de facto consolidation methods exist.

Filing requirements – Under Chile's self- assessment procedure, a tax return must be filed by April of the year following the tax year.

Penalties – Penalties apply for late filing, failure to file, underpayment of tax and tax evasion.

Rulings – Guidance may be obtained from the tax authorities on the tax consequences of a planned transaction.

Value added tax:

Taxable transactions – VAT is charged on all recurring sales and other customary conventions over material goods. Imports are also subject to VAT.

Rates – The standard VAT rate is 19%. Certain items are zero-rated or exempt.

Registration – Registration is compulsory. If the purchaser and/or the provider of the services is not resident in Chile, the taxpayer for VAT purposes will be the payer.

Filing and payment – VAT must be paid on a monthly basis.

Source of tax law: Tax Code, Income Tax Law; VAT Law.

Tax treaties: Chile has concluded 20 tax treaties.

Tax authorities: Chilean Internal Revenue (SII)

International organisations: Mercosur, APEC

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