



# DOING BUSINESS IN **CHILE**

# FOREWORD

This guide has been prepared with the purpose of providing basic information to people interested in investing and doing business in Chile. It does not cover in detail all the requirements and subjects to be considered, but instead it is intended to provide an overall idea of the benefits of doing business in Chile and the basic taxation requirements.

The guide is intended to be used for informational purposes only and therefore, you should consult a professional tax and business advisor to acquire more information.

The material contained in this guide is based on information and regulations in effect as of May 2020.







# ABOUT H&CO

Since 1992, H&CO has been providing international tax and business advisory services to multinational companies, global families and local companies that seek to invest or expand their operations in multiple jurisdictions in Latin America.

By working together with our affiliates in the region, we offer integrated solutions to help companies with all of their cross-border requirements and reporting obligations, from opening a new company abroad, and manage your operations, to helping you create an international tax strategy and repatriation plan.

With 3 offices throughout South Florida and partner firms in more than 15 countries in South and Central America, H&CO's primary goal is to be the most trusted service provider of accounting, tax and consulting services for the global community.



# COUNTRY ESSENTIALS

Capital City	Santiago
Area and population	756,102 sq km and a population of 18,186,770 people (July 2020 est.)
Language	Spanish
Currency	Chilean Peso (CLP)
International calling code	+56
GPD	\$298 billion USD (2018 est.)
GPD per capita (PPP)	\$15,911 USD (2018 est.)
Exports	\$75.5 billion USD (2018 est.)
Imports	\$70.8 billion USD (2018 est.)
Inflation rate	2.6 % (2018 est.)
Government structure	Chile is a presidential representative democratic republic. The president serves as both head of state and head of government. The country is divided into 15 reg.

# WHY YOU SHOULD DO BUSINESS IN CHILE





## **SOLID ECONOMY**

The Chilean economy is recognized around the world for its openness, stability, and fast growth in the Latin American region. It is considered the best valued economy in Latin America and one of the best valued among emerging economies worldwide. The country was the first in South America to join the Organization for Economic Cooperation and Development (OECD) in 2010.

Chile is the fifth economy in Latin America in terms of nominal Gross Domestic Product (GDP). According to the Central Bank, the country's GDP grew 4% in 2018, reaching just over 298 billion dollars.

## **LOW RISK COUNTRY**

Chile's low level of public debt, the health of its financial system and its solid institutions have allowed it to become a safe and reliable place to do business.

The country has maintained its high rating with risk rating agencies, such as Standard & Poor's that gave Chile the rate of 'A+' in 2017, Fitch ratings gave an 'A' in 2019, as well as a rating 'A1' by Moody's in 2018. Also, Forbes ranked Chile 33rd in its list of the Best Countries to Do Business, having the highest position among Latin American countries. In addition, Chile is among the 20 countries with the greatest economic freedom in the world, according to the Economic Freedom Index 2019.



## **ATTRACTIVE BUSINESS ENVIRONMENT**

Due to its political and economic stability, legal security and openness to trade, Chile has maintained an attractive business climate for foreign investors. As a matter of fact, the Economist Intelligence Unit ranked Chile as one of the 20 most attractive economies for doing business and is the leader in Latin America in this category.

When it comes to doing business, Chile's economy is considered the most favorable in Latin America according to several prestigious international studies. According to the World Bank's Doing Business 2019 report, Chile is located 56 positions above the regional level. In the Global Competitiveness Index 2019 ranking of the World Economic Forum, Chile obtained the 33rd position thanks to its national competitiveness and the set of institutions, policies and factors that drive productivity in the country, positioning it in first place among the countries of the region.

The country's high level of free trade is another attractive factor for investors, especially since the country is considered one of the freest countries in the world and is ahead of all other Latin American countries.

## GLOBAL INTEGRATION

Chile's highly open economy, together with its active policy of bilateral, regional and multilateral trade agreements, have consolidated the country as an active international partner and a natural gateway to trade with both Latin America and Asia.

Currently, Chile has 26 international agreements and double taxation treaties with 64 global economies, which represents more than 86.3% of the world's GDP under privileged tariff conditions, and provides access to over 4.3 billion potential consumers worldwide. Some of these trade treaties in force are with the European Union, Japan and the P4 countries. Chile has also signed economic complementation agreements with Bolivia, Ecuador, MERCOSUR and Venezuela.

## MODERN TECHNOLOGY AND GLOBAL CONNECTIVITY

Chile has been identified as a "wired" country thanks to its advanced progress in terms of digital connectivity and information and communications technologies. As a country with world class digital networks and telecommunications, Chile is ready to adapt to new technological advances and open to adopt new technologies.

According to the Cisco Digital Readiness Index 2019, Chile ranked 34th out of 141 economies and ranked number one in Latin America. It was also one of the first 20 countries in the world which included mobile coverage, information technology and communication, and use them for efficiency in government.



## FOREIGN INVESTMENT

One of the main pillars of the Chilean economy is foreign investment, with the country receiving 78% more in 2019 compared to the previous year, totaling 10,797 million dollars, according to the figures from the Central Bank and released by the Ministry of Economy. Due to this, Chile has developed transparent regulation policies and an attractive stable business model to keep active investment, control over corruption, institutionalism, political stability and governance, among others, and which has situated the country in a better position compared to other countries participating in the IMF.

According to the World Investment Report, Chile is in 13th place as the fastest growing emerging economy, maintaining the first place since 1998 in Latin America.



## **SKILLED HUMAN CAPITAL**

Human capital is one of the main comparative advantages of Chile, especially due to the high standards achieved by the country's universities and business schools. Chile's higher education system is comprised of 163 institutions, including 60 universities, 44 professional training institutes and 59 technical centers.

Furthermore, Chile's universities are often among the top in the world. According to the ARWU World University Ranking 2019, the University of Chile ranked among the best 500 in the world. Moreover, Chile has eleven business schools with leading positions in the 2019 MBA Ranking of Latin American Business Schools, three of them being among the top ten in the region.

In terms of the quality of its labor force, Chile is ranked 32nd out of 100 economies in the Global Talent Index 2019 according to the Economist Intelligence Unit, which measures support for talent and entrepreneurship.

## **QUALITY OF LIFE**

Chile's capital, Santiago, is considered Latin America's second most livable city after Buenos Aires and is ranked 64th out of 140 cities worldwide. The city stood out regionally due to the quality of its healthcare and educational services, as well as the reliability of its water and electricity services.

Regarding public safety, the country received a high score in the Global Peace Index, ranking 24th out of 163 countries in the world and first in Latin America. The index, published by the Vision of Humanity Initiative, measures the existence of internal and international conflicts, public security, and militarization in 158 countries.



# TAXATION







## **CORPORATE TAXES**

Corporate taxation applies to income from industry, commerce, mining, real estate, and other activities involving the use of capital.

The corporate tax rate is equivalent to 25% for the attributed income system, and 27% for the partially integrated system.

Chilean corporations are subject to corporate tax on their worldwide income.

## **TAXES ON CAPITAL GAINS AND DIVIDENDS**

Generally, corporate capital gains are taxed as ordinary income based on the first category income tax rate.

Dividends are treated as follows:

1. Dividends paid between Chilean entities are not subject to income taxes.
2. Dividends distributed to resident individuals are subject to the corresponding global complementary income tax rate which ranges from 0% to 35%.
3. Dividends distributed to non-resident individuals are subject to an additional withholding tax of 35% for residents in countries that have a double tax treaty with Chile and 44.45% in all other cases.





## ESTATE AND GIFT TAXES

The estate and gift taxes are levied on the net value of the assets transferred at the time of death, at a maximum rate of 25%. The exact rate depends on the proximity of the relationship between the deceased and the receivers.

## SALES / VAT TAXES

VAT is calculated at a general rate of 19% on the sale of domestic goods, the provision of services and all imports.

Exports of all products are exempt from VAT. Exporters are entitled to recover VAT imposed on goods or services used for their business activities.

VAT returns are required to be filled on a monthly basis and the tax due is paid for that time.

## EMPLOYMENT TAXES

Self-employed individuals and regular employees are subject to second-rate income taxes, charged at progressive rates ranging from 0% to 40%.

Employers are required to withhold this tax for the employee, along with these other contributions:

	Employee	Employer	Max. Salary
Healthcare	7,00%	–	US\$3,288.19
Retirement Fund	10,00%	–	US\$3,288.19
Worker's Compensation	–	0.93%	US\$3,288.19
Unemployment Insurance - indefinite	0,60%	2.40%	US\$4,34.38
Unemployment Insurance - fixed term	–	3.00%	US\$4,934.38
Disability Insurance	–	1.53%	US\$3,288.19



**PERSONAL TAXES**

Chilean residents are taxed on their worldwide income. Non-residents are taxed on their Chilean source income during their first three years of residence; thereafter, they are subject to taxation on a worldwide basis.

For tax purposes, an individual is considered a resident if he/she spends more than 6 consecutive months in the country during a calendar year or more than 6 months in two consecutive tax years.

Individual income from independent activity or employment is taxed according to the progressive scale shown below:

Over	But no more than	Income tax rate
0	\$994.1	0%
\$994.71	\$2,210.47	4%
\$2,210.47	\$3,684.12	8%
\$3,684.12	\$5,157.77	14%
\$5,157.77	\$6,631.42	23%
\$6,631.42	\$8,841.90	30%
\$8,841.90	And over	35%

*All values are in U.S. Dollars (USD).*



# ESTABLISHING A BUSINESS



## PROCESS TO INCORPORATE A COMPANY

An investor aiming to establish a business entity in Chile requires 6 procedures to be performed over an average of 4 days, which places Chile as the best country in the region in terms of regulatory favorability to start a business.

PROCEDURES	TIME TO COMPLETE
Draft online the articles of incorporation and obtain an authentication number	Less than 1 day (online procedure)
Register the company with the <i>Registro de Empresas y Sociedades</i>	Less than 1 day (online procedure)
Give notice of initiation of activities to the Internal Revenue Service online	Less than 1 day (online procedure)
Obtain a digital certificate to enable the issuance of tax documents before the Internal Revenue Service	Less than 1 day (online procedure)
*Obtain a Business License ( <i>Patente Comercial</i> ) and a working license from the competent municipality	1 day
* Register with the labor-related accident insurance ( <i>Seguro Social contra Riesgos de Accidentes del Trabajo y Enfermedades Profesionales</i> )	1 day
<b>Total number of days</b>	<b>4 days</b>

*Note: Steps marked with an asterisk (\*) may be completed simultaneously.*



# REQUIREMENTS TO INCORPORATE A COMPANY







The *Sociedad Anónima* (S.A.) and the *Sociedad de Responsabilidad Limitada* (SRL) are the most common forms of incorporation in Chile. In these, shareholders are liable only to the value of their participation. A *Sociedad de Responsabilidad Limitada* (SRL) must be based on two or more individuals, but no more than 50.

### **COMPANY NAME**

Under Chilean regulations, the company name may contain the name of one or more partners or a reference to its purpose and must include the word “*Limitada*” without this, all the partners will be considered jointly responsible for their liabilities.

### **REGISTERED OFFICE**

Chilean regulations require all companies to have a registered office, which must be a physical address in Chile. The registered office will be the one where all the correspondence and legal documents of the company can be delivered.

### **DIRECTORS**

Under Chilean law, a foreign company must appoint a representative in Chile. This representative may be a foreigner residing in Chile or a Chilean citizen.

### **PARTNERS**

A foreigner can own 100% of a Chilean company. The partners may be national or foreign natural persons, as well as legal entities.



# MARKET OPPORTUNITIES AND COMMERCIAL SECTORS





## **AGRICULTURAL INDUSTRY**

Being one of the 15 leading food exporting countries in the world, Chile offers investment opportunities in fruits and agriculture, wine and derivatives, meat, dairy products, salmon, and processed foods.

Chile has one of the five macro zones in the world that have a Mediterranean climate, so it facilitates the diversity of Chile in terms of growing food and sustaining different forms of animal and plant life in the country.

Thanks to more than 25 agreements with 64 markets, the Chilean agri-food industry reaches 86.3% of the world's GDP with privileged tariff conditions.



## **ENERGY INDUSTRY**

The energy sector is one of the main areas of investment in Chile, thanks to the fact that it owns around 47% of total investment over more than 400 initiatives with a value of more than US \$ 82,000 million.

The growing interest in international energy companies in the Andean country is due to the fact that the main raw material, solar radiation, is really abundant and is more than 30% higher than the levels of countries such as Portugal.

Chile meets the conditions to be the great energy laboratory of the future, so it expects to reach 70% of a sustainable matrix by 2050.



## **MINING**

Chile owns 29% of the global copper reserves and is the number one producer worldwide. It is also noteworthy that it is the fourth largest producer of silver (with 15% of world reserves) and participates with important figures in terms of the exploitation of iodine, lithium, and natural nitrates.

Also, Chile is a pioneer in the use of renewable energy in the mining industry, where they test combinations between wind and diesel, wind and solar or solar and diesel to have a more stable supply of energy.





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