



Business in Chile

Chile has been one of the fastest-growing Latin American economies for the past decades due to open-market policies focusing on the country's economic development.

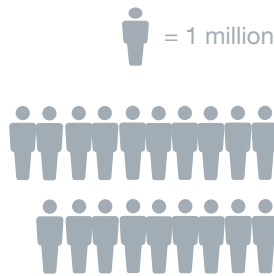
The country is a unitary, democratic and decentralized republic located in South America. It covers an area of 756,950 square kilometers, bordering Perú, Bolivia and Argentina. Chile, with Santiago as its capital city, has Spanish as its official language and the Chilean Peso (CLP) as its currency.

Chile is mainly known for its diverse geography. The country's Atacama Desert contains the aridest desert in the world. It has around 14 active volcanos and one of the most well-known natural parks in the world, Torres del Paine National Park. It is also a tri-continental country with national territories in America, Oceania (e.g., Easter Island) and Antarctica.

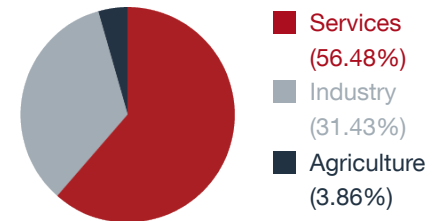


Population

19 million



GDP Breakdown by Sector



Currency

Chilean Peso (\$)

Foreign Direct Investment (est. 2021)

13.7 billion (USD)

GDP Growth (2019)

1.1%

Business Climate

Chile is the 45th largest economy in the world, with a gross domestic product (GPD) of USD \$253 billion per year in 2020.

The country has established itself as a strong trading partner around the world, largely due to its open market policies, zero export tax, democratic government, solid business practices, and low corruption standards.

Chile's economy is mainly based on the mining sector, contributing approximately 10% of its GDP and representing over 50% of the country's exports. Chile is among the top 10 agricultural exporters in the world. Its agricultural sector is responsible for 28% of Chile's overall trade, and its main exports include wine, fresh fruit, dairy, meat and fishery products.

Chile constantly promotes foreign investment. It has established a broad network for the promotion of entrepreneurship, innovation and research through the creation of government agencies series such

as InvestChile, CORFO, ProChile and SENCE. All of them foster the country's competitiveness and establish different investing incentives.

The Chilean Congress has recently approved Chile's access to World Intellectual Property Organization (WIPO).

The country has no restrictions on incoming and outgoing foreign capital. Foreign trade finance operations can perform their exchange transactions in the open market. Before receiving authorization to trade currency, Chile's Central Bank requires confirmation that the trade finance transactions will be executed through a commercial bank.

The Central Bank of Chile supervises all banking sectors. It is regarded as one of the best Central Banks in the world, as it has had a lot of success maintaining inflationary rates at a low level for the past decades.

International Trade

Chile has a strong commitment to investment, international commerce, and the free movement of goods. In recent decades, Chile's trade policy has focused on creating favorable conditions for free trade as a means of improving the country's economic and social development.

Main Regulations

Chile's most important legislation regarding custom matters is Decree with Force of Law 30/2004, updated in March 2017, National Customs Service's Organic Law, and Decree 514 of the Finance Ministry.

Trade Agreements

Chile is a member and is the current chair of the Pacific Alliance. It is also a member of Mercosur, and an OECD member since 2010, the first in Latin America. It is also a founding member and leader in the 11-country Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

The country has successfully negotiated around 23 Free Trade Agreements, involving approximately 62 countries around the world.

Foreign Trade Zones

Chile has three free trade zones (or tax-free zones), located in Iquique (ZOFRI), Punta Arenas and Arica. All these free trade zones (FTZs) offer quality service land, ready-made factory buildings and export facilities. Iquique's FTZ is the most ambitious one as it offers a 100% exemption from corporate tax, 100% exception from custom duties, 0% VAT on first sales, and a 0.8% import tax.

Foreign Direct Investment

Chile pursues market-oriented strategies, offering different incentives for overseas companies to establish themselves in Chile. Among many benefits and tax incentives, Chile, through CORFO, offers programs that subsidize a big margin of activities to be carried out in the country.

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Tax Regime

Generally, any person domiciled or resident in Chile is subject to income taxes for their global revenue. Individuals who are neither resident nor domiciled in Chile pay taxes only on their Chilean source income.

The main direct taxes applicable in Chile are:

- **First Category Tax:** Tax on income for all businesses engaged in commercial activities that are domiciled in Chile. It ranges between a rate of 25% and 27%. As of September 2020, a rate of 10% was established for the years 2020, 2021 and 2022, due to the COVID-19 pandemic.
- **Second Category Tax:** Progressive tax applied monthly to all income generated by workers based on their salary, wages and pensions. It has a progressive scale with a maximum cap of 40%.
- **Global Complementary Tax:** Annual progressive tax for Chilean residents and domiciled individuals, on all their income (profits, interest and capital gains, as well as salaries and fees). It starts at 0% and has a maximum cap of 40%.
- **Additional Tax:** Applicable tax when a non-resident or non-domiciled person receives Chilean sourced income. Its rate is 35%, but it may vary.

The main indirect taxes applicable in Chile are:

- **Value-Added Tax (VAT):** This indirect tax is levied on the final domestic consumption of products and services produced both in national territory and abroad. The applicable rate is 19%.
- **Stamp Tax:** Tax placed on legal documents, usually in the transfer of assets, such as promissory notes or any type of documentation that includes a loan or credit. It has a rate that ranges between 0.066% to 0.8%.

Establishing a Business

Establishing a company in Chile is relatively straightforward and low cost. A representative who is a permanent resident in Chile must be appointed.

To undertake commercial activities in Chile, Chilean law provides several ways to create and organize a company according to its different needs. The main corporate structures for foreign investors are branch offices of a foreign corporation, corporations, limited liability companies, joint stock companies, general and silent partnerships, and joint ventures.

The most applicable regulations are Corporations Law (Law 18.046), its Regulation (Decree No. 702), and the Code of Commerce. Depending on the chosen structure, other laws or regulations may apply.

The company must complete its legal registration process and appoint a legal representative with sufficient powers to act before the tax administration (this person and these powers should be included in the public deed by which the company is founded).

In case a foreign investor wishes to establish a company in Chile, it is important to get advice from a qualified lawyer and accountant.

Employment Affairs

Labor law in Chile is governed by the Labor Code and supplemented by the applicable legislation, resolutions of the Labor Directorate, judicial judgments, and internal regulations of each company, among other legal bodies.

The Employment Agreement is the standard contract in which the labor relationship between employer and employee is established.

Within the most important provisions applicable regarding employment affairs, we can find the following:

- **Minimum Wage:** As of May 2021, the minimum monthly gross salary is CLP 337.
- **Social Security:** Several contributions must be declared and paid by the employer, which are discounted from the employee's gross salary. The discounts are for pension funds (10% rate, plus an approximate rate of 2.3% for the Pension Funds Association Commission), health insurance (7% rate), and unemployment insurance for indefinite contracts (0.6% rate).
- **Termination of Employment:** Employment agreements may be terminated by mutual agreement, worker's resignation, worker's death, expiration of the agreed term, completion of the contracted work or service, force majeure, failing of the employee to comply with the terms and conditions of the contract, and finally, because the employee's work or service no longer meets the business needs. This last termination cause entitles the worker to fair compensation.
- **Foreign Employment:** At least 85% of employees must be Chilean, except for companies that have less than 25 workers. Foreigners who wish to work in Chile must obtain a proper working visa. They are not allowed to work unless they get authorization from the Immigration Department.

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Updated: November 3, 2021