

AUXADI

CHILE

COUNTRY FILE - 2019









# CHILE

Chile is one of the fastest growing Latin American economies in recent decades. The country's sustained growth approximating 5% in the last 30 years can be attributed to the various reforms implemented with the aim to improve productivity social development. In fact, Chile was the first South American nation to join the Organization for Economic Cooperation and Development (OECD) as a member in 2010.

Today, the mountainous country resting in the Andean region, boasts stability and growth with many leading indicators, including the highest income per capita in Latin America. In Chile, unemployment rate stands at 7.1%, public debt as of December 2018 is 25.6% of GDP, there is a projected growth rate of 3.5% for 2019 and 3.3% for 2020. In addition to the healthy projected growth rates, Chile's trade balance showed a surplus of 5,378 MUSD at the end of 2018.

With a country-wide reliability of just 9% on renewable energies, the mining industry largely drives the Chilean economy. Currently, nearly 27% of the world's copper production can be traced back to Chilean mines and represents 9% of the country's GDP.

It is relatively easy to initiate a new company in Chile. On average, it can take only four days to register and open a business, in part to Chile's electronic filing systems. On the other hand, Chile faces challenges such as access to credit and high tax burdens on companies, which aids in Chile's ranking as 59th out of 190 in the World Bank's Ease of Doing Business ranking.

## Chile: country overview



**59<sup>th</sup>**

Ranked on the World Bank's Ease of Doing Business Index 2020



**M\$ 277,076**

Gross Domestic Product



**\$ 13,610**

INB per capita / year



**25.6%**

Public debt

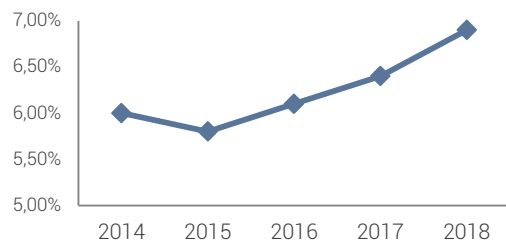


**18,751,405**

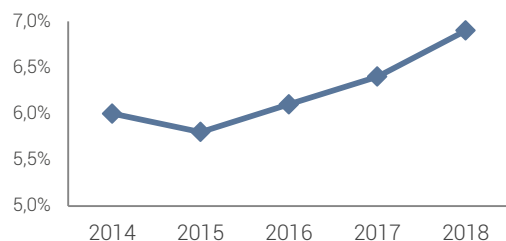
Inhabitants



**7,1%**  
Unemployment rate



**PESO CHILENO**  
Currency: CLP · \$



## Main Economic Areas



**Mining Industry**



**Electricity, Gas and Water**



**Financial Services**



**Agriculture and Forestry**



According to the World Bank's Ease of doing Business scale it can take an average of 4 days to form in Chile. Laws such as "Your company in one day" facilitate the ease of opening a business.

**4**  
days



The legal monthly minimum wage in Chile is 438.88 USD. The maximum work week is 45 hours per week. Health care in Chile is provided by a system that includes public and private care.

**450.9**  
\$/month



The Chilean Tax Administration is responsible for collecting taxes through three public agencies: the Internal Revenue Service (SII), the General Treasury of the Republic and the National Customs Service.

**25-27%**  
Corporate Income Tax



Chilean accounting standards have adopted International Financial Reporting Standards (IFRS). It is important to highlight the replacement of the requirement to present accounting books printed and sealed by electronic systems.

**IFRS**



There are many different corporate entities recognized by the Chilean legal system, as such, the decision is dependent on how to file a company is highly dependent on the size of capital contribution, and the business investors strategies. One of the most common business entity models is a limited liability company, known as a Sociedad Anónima in Chile.

## Corporate structures

Regardless of the type of business entity that is established, there are some common obligations with which all of them must comply.

1. All entities must have a registered taxpayer numbers, also known as a Unique Tax Form or RUT. This number is obtained when the person or entity is registered with the tax office. Without a registered tax id number, taking up commercial activity is illegal. For more information about procedures and documents needed to obtain a RUT, visit [chileclic.gob.cl](http://chileclic.gob.cl).
2. All entities are required to inform the Chilean Tax administration (SII) upon the start of business activities. The notification must contain a description of the nature and the entity's volume of capital. This procedure can be done in person or online through the website of tax office: [www.sii.cl](http://www.sii.cl).
3. It is necessary for all new entities to obtain a municipal permit. Each sector of operating activity has its own municipality, without the permit, business activities are not allowed.

There are four types of companies that match with foreign investment:

	Description	Scope of Responsibility
<b>E.I.R.L</b> <b>EMPRESA INDIVIDUAL DE RESPONSABILIDAD LIMITADA</b>	Corresponds to a legal entity with its own fiscal autonomy, separate from the owner and with without the need for participation of a third party.	Limited liability; assets of the individual(s) responsible for the entity are protected. The owner(s) are responsible for the amount of pre allocated capital to the company, but not their own personal assets.
<b>SRL</b> <b>SOCIEDAD DE RESPONSABILIDAD LIMITADA</b>	Typically for smaller businesses – Must have no less than 2 but a maximum of 20 shareholders/ partners, whom can be natural or legal persons, foreign or domestic.	The partners limit their liability to the amount of their individual contributions, which must meet or exceed the required amount of capital for initiation, when combined.
<b>S.A.</b> <b>SOCIEDAD ANÓNIMA</b>	OPEN: Must publicly offer shares, have 500 or more shareholders, or at least 10% of their subscribed capital belongs to a minimum of one hundred shareholders. These companies are subject to the supervision of the Superintendent of Securities and Insurance (SVS) and must register in the National Registry of Securities Companies.  CLOSED: Also known as private or family busiensses, these companies are not listed on the stock exchange. Owned by the founders. Securing capital is entirely private and shares belong to a small number of natural or legal persons.	Partners/shareholders are responsible up to the amount of their contributions, not with their personal assets, except in the case of criminal activity
<b>SPA</b> <b>SOCIEDAD POR ACCIONES</b>	A legal entity created by one or more persons through an act of incorporation.	The partners respond according to the amount of shares they own, not with their peronal assets, except in the case of criminal activity



## Law Project: Company in a Day

In February 2014, an initiative by the Ministry of Economy, called Empresa en un Día, was implemented. This initiative, which translated to "company in one day" facilitates the creation of new companies in only 24 hours. To do so, an online form is completed and electronically signed, without the need of lawyers of notary procedures and at no extra cost.

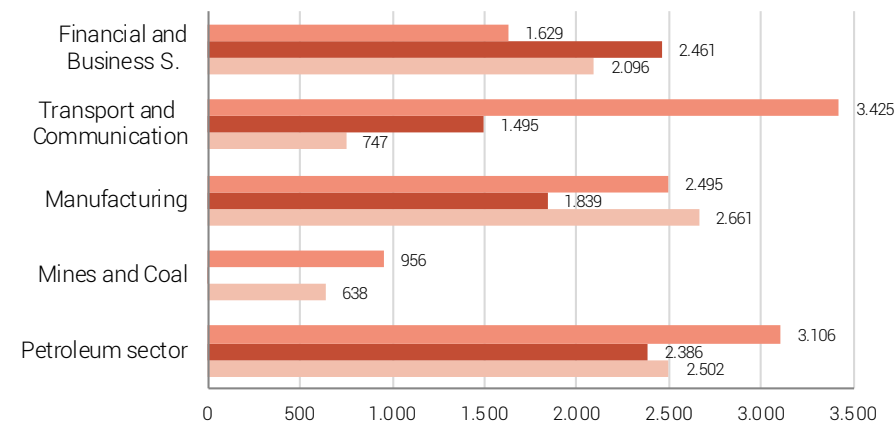
For more information visit:



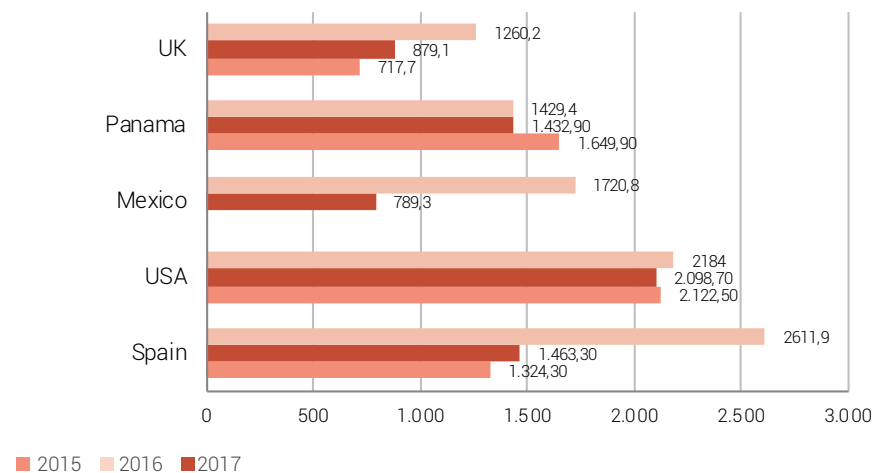
[www.tuempresaenundia.cl](http://www.tuempresaenundia.cl)

## Foreing Invest

### Foreing Invest by sector



### Foreing Invest by country





## Work contract



The Labor Code of Chile regulates the different types of employment contracts and the right of workers and employers.

The minimum age required by law for a person to work in Chile is 18 years.

The legal monthly minimum wage in 2020 is 450.9 USD and the maximum ordinary working day is 45 hours per week.

The different modalities of the employment contract in Chile are:

	Indefinite period	Fixed term	Contract for specific task	Providing professional services
DESCRIPTION	There is no defined date of termination in the contract	Both parties agree on the final date of employment	Used for the execution of temporary work assignments	Independent activity developed from a legal entity with no element of labour subordination or dependence, consisting of the ability to give orders in the execution of the contracted work.
TERM	Duration of the lifetime of the worker	1 or 2 years	Limited by the term of predetermined work	For the right time to perform a specific service.
RENOVATION		Once	n/a	Unlimited

## Health System

Health care in Chile is overseen by a public and private system. FONASA (fonasa.cl) is the financial entity in charge of collecting, administering, and distributing the state budget allocated to healthcare. 7% of individual salary corresponds to Chilean healthcare.

The private sector is represented by the Institution of Provisional Health or ISAPRE. All mandatory health contributions of workers, who have chosen to join the private system, are received by this institution. The individual contribution percentage varies depending on a private agreement reached between ISAPRE and the worker.

Chile has agreements in place with the following countries to protect contributing pensioners and beneficiaries: Argentina, Australia, Austria, Belgium, Brazil, Canada, Colombia, Denmark, Ecuador, USA, Finland, France, Holland, Luxembourg, Norway, Peru, Portugal, Canada, Czech Republic, Sweden, Switzerland and Uruguay.

To enroll in these benefits, a worker must visit the Superintendency of Pension Funds Administrations to complete and present the required documentation, which will then be presented to any local FONASA branch.

## Pension Fund Administrator

The Employees' Compensation Fund is a private financial institution responsible for managing pension funds and savings. Each worker owns a single individual account for savings in which their contributions are deposited. These deposits accrue interest according to the performance of the Pension Fund of the AFP during their working life. Upon retirement age the amount of pension to be received is calculated in accordance with the amount accrued, the life expectancy of the worker, and their number of dependents.



## Social contributions of the company and the worker

The company must make contributions for mutuals, disability, survivor and unemployment insurance.

Mutual insurance for accidents at work, commuting, and occupational diseases in Chile are private, non-profit institutions. They are responsible for risk prevention and services or treatment required after work accidents and occupational diseases. Employers must pay 0.93%.

For disability and survivor's insurance the employer contributes with 1.53%

Unemployment insurance is contributed to by workers, employers, and the state. The monthly contribution depends on the type of affiliated work contract:

For an indefinite period contract:

- 0,6% of the taxable remuneration is covered by the employee
- 2,4% of the taxable remuneration of the worker, is covered by the employer

Fixed term or for an specific task contracts:

- The employer contributed 3% of the worker's compensation



## Severance payments

Workers compensations are as follows:

<b>Substitute compensation of prior notice</b>	Is granted if the employee's contract has ended due to the need of the company, or the employer did not give a notice of termination with atleast 30 days advance. In this case, the amount of employee compensation is equivalent to the last monthly remuneration of the worker.
<b>Annual holiday or vacation</b>	It is granted if the worker stops belonging to the company for any reason without making use of his annual vacation. Equivalent to the full remuneration of the vacations days not enjoyed.
<b>Seniority compensation</b>	Is granted when the contract is terminated due to the needs of the company. This compensation is equivalent to one month of salary for each year of service. This compensation it to be paid for any period exceeding six months and a maximum of 11 years, without interruption.

## Foreign workers

All registered Chilean companies with more than 25 workers must have a staff of at least 85% Chilean personnel, with few exceptions.

If an employee is considered a technical specialist, meaning they cannot be replaced by national personnel they can be excluded from this mandate. Of course, the employer must demonstrate the need for this employee.

Additionally, any spouse or children of Chilean citizens are considered as Chilean, including widowers, thus they are excluded from this staffing quota.

Lastly, any foreign workers residing in Chile for more than five years are considered as Chilean.

### Temporary residency:

A temporary residency visa is open to all nationalities and permits the visa holder to temporarily reside in Chile while carrying out any lawful activity without special limitations, including work. This visa lasts up to one year and can be extended once for an additional year for a total of no more than two years. Thereafter, if the visa holder wishes to stay longer it is necessary to request a permanent stay.

The temporary residence visa can be applied for and issued in several different categories. The best fit is highly dependent on the type of activity the visa holder expects to participate in during their stay. For example, there is an investor/business visa, which is recommended for individuals wanting to partake in any number of lawful business-related activities in Chile. In addition, there is the working holiday visa, dependent temporary residency visa, a retirement/periodic income visa, and many more for which one can apply.

### Permanent residency:

A permanent residency visa is valid for five year, renewable indefinitely, and permits the visa holder to work and live in Chile with few restrictions. This visa must be applied for in country and is granted by the Chilean Ministry of Foreign Affairs.

After 5 years in Chile with a permanent residency visa, the visa holder can apply for citizenship. Depending on the previously obtained visa(s) the timeline to make a permanent residency visa can vary. For example, temporary work visas holders must work two uninterupted years before applying for permanent residence, previous holders of a temporary visa require one year before eligibility and a student visa holder must have lived in Chile for two years and have completed their studies before becoming eligible to make an application for a permanent residency visa.

### Work Visa - Visa Subject to Contract:

An employee that is working under a work visa has the rights to work exclusively for the employer with whom they were originally contracted. This visa has a maximum duration of 2 years but can be extended indefinitely.

If the contract is terminated at anytime, the work visa expires immediately thereafter. If the interested party wishes to stay longer in Chile, the worker will have a period of 30 days to rerequest a residence visa. After two years, the visa holder is permitted to apply for permanent residency.

### Key considerations for foreign workers in country:

Foreign individuals seeking work within Chile should note that no work activity is permitted until the appropriate visa or special work permit has been obtained. In certain cases, workers may be eligible to apply for a temporary residence visa granted to professionals or highly skilled workers.

For more information about visa requirements established by the Foreigners department in Chile visit [extranjeria.gob.cl](http://extranjeria.gob.cl).

### Limitations and exceptions

Any organization, company, or person hiring foreign visa holding employees must have legal domicile in Chile. All work contracts must be signed and notarized by the employee and employer. Professionals or highly skilled workers are obligated to prove their respective title, duly legalized with the Chilean Consulate and the Ministry of Foreign Relations. It is imperative that any new hires comply with all relevant labour and social security provisions.

### Labour absences and coverages

In Chile, under certain circumstances an employee is permitted a paid leave of absence by law. Some of these instances can include, but are not limited to, illness or accident for self of a dependent, preventive medicine, and maternity leave.

In regards to coverage for any lawfully permitted leave of absence from work, if the medical leave is equal to or greater than eleven days, it is paid from the first day. On the contrary, if a medical leave is less than eleven days, it is only paid starting on the fourth day of absence.



# Tax Aspects



The Internal Revenue Service (SII), the General Treasury of the Republic and the National Customs Service are the three public institutions responsible for the collection of taxes in Chile.



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

For more information on tax issues, you can check the website.

## Main taxes in Chile

	DESCRIPTION	PORCENTAGE	STATEMENT DATE
<b>Value Added Tax (VAT)</b>	Tax sales of movable and immovable property, services rendered or used in country and imports.	19%	Within the first 12, or 20 in the case of electronic billers, days of the month following the period in which the tax was withheld.
<b>First Category Tax</b> (equivalent to Corporate Tax in Spain)	Profits of business; income from capital in industrial, mining, and other commercial pursuits. Determined by Attributed Income Regime (14 A) and Semi Integrated Regime (14 B)	14 A – 25%  14 B – 27%	April of the following year
<b>Single Tax - Second Category</b> (equivalent to the Tax on the income of natural persons in Spain)	A progressive tax that is applied to the income of dependent work (domestic salaries & pensions) and accessory or complementary income.	Progressive scale from 0-35%	Withheld and deposited monthly by employer or tax payer
<b>Global Tax Complementary</b>	Natural persons domiciled in or residents of Chile – taxable incomes received in First or Second Category.	Progressive scale from 0-35%	April of the following year
<b>Additional Tax</b>	Taxes on dividends, withdrawals and / or remittances of profits of corporations, partnerships & permanent establishments of foreign companies. Variable rates for some types of income.	Progressive scale from 0-35%	In the case of non-residents or domiciled in Chile, the Additional Tax withheld must be paid monthly by the following month.

Other taxes: Impuesto territorial, Patentes Municipales y Arancel Aduanero



## Transfer pricing

Transfer pricing is a significant consideration in the international tax environment. Chile has chosen to abide by the compliance regulations known as “arms length”. The aim is to encourage and ensure fair and reasonable commercial transactions between participating cross-border companies, including countries presenting as fiscal havens.

Though further domestic regulations are outlined in the Income Tax Law, article 41 E, it should be remembered that Chile has been a full member of the OECD since January 11, 2010. The Organization for Economic Cooperation and Development (OECD) establishes the general regulations and framework on transfer pricing. In fact, most countries conform to the domestic transfer pricing legislation established OECD.

Gradually, by way of the the Internal Revenue Service, the Chilean government has begun conducting audits on companies that are subject to these regulations.

According to the regulations in Ex Resolution No. 14 of January 31, 2013, transactions must be communicated to the Internal Revenue Service, through a statement contained in Form N ° 1907 which is called Chile’s “Annual Affidavit on Transfer Pricing”. The deadline to submit this annual statement expires on the last business day of the month of June annually. Only one request for an extension of up to three months is permitted.

## Duty Free Zone

1. In Chile there are two tax-free zones located in Iquique (ZOFRI), a northern region of the country (I Region) and Punta Arenas (Southern Zone) in the south (XII Region). These duty-free premises grant companies operating within the two zones 100% exemption from corporate tax, customs duties, VAT on first sales, and a 0.8% tax rate on imported goods.
2. Though all companies operating in the duty-free zones are permitted these benefits, they must meet certain prerequisites before becoming eligible. All participating companies must be registered with the Internal Revenue Service, be taxpayers in the First Category of the Income Tax Law, keep up to date accounting records, and issue special sales documents.

## Agreements to avoid double taxation

In 1997, Chile began the process of bilateral negotiation agreements to avoid double taxation and prevent tax evasion on income and property taxes.

The countries with which Chile has a double taxation agreement are: Australia, Belgium, Brazil, Canada, Colombia, Korea, Croatia, Denmark, Ecuador, Spain, France, Ireland, Malaysia, Mexico, Norway, New Zealand, Paraguay, Peru, Poland, Portugal, United Kingdom, Russia, Sweden, Switzerland, Thailand.

Although Chile uses the model agreement of OECD there are important distinctions relevant to permanent establishments that may not have a fixed base and international transportation.



# Accounting Aspects



Chilean accounting regulations are governed by the International Financial Reporting Standards (IFRS). The International Financial Reporting Standards has been mandatory in Chile since 2009 for public limited companies that are supervised by the Superintendent of Security and Insurance. In 2013 all other entities adopted these same financial standards according to Technical Bulletin 81 (and 82 for SMEs) and in 2016 the requirement was extended to the group of companies defined as cooperatives.

## Minimum Obligations

The financial year of the entity can not exceed 12 months but can end on any day chosen by the shareholders. For tax purposes, the Internal Revenue Service stipulates the tax year ends on December 31st but may authorize a year-end close to June 30th.

It is mandatory to maintain accounting on a monthly basis and have at least one annual closing, for example VAT.

A company or taxpayer must keep complete accounting records updated daily on a ledger, daily book, inventory book, balance, purchases and sales book, remuneration book, and book of fees. There is also an obligation to issue invoices and present monthly informative declarations.

Only Open Public Limited Companies are required to present their Annual Accounts to the Superintendent of Securities and Insurance for auditing.

## Audit Obligations

Only certain entities must appoint independent auditors. These include banks, financial institutions, insurance companies, Pension Fund Administrators (AFPs), open corporations and cooperatives. Most other entities are free to appoint auditors or to establish other means of control. Companies wishing to repatriate profits abroad under Decree 600, a statute on foreign investment, may be required to submit financial statements to be audited.

## Consolidation Obligations

Any company that has permanent investments in or maintains assured control of another company, must prepare consolidated financial statements.

Control is presumed when a stake greater than 50% has been obtained or when power to appoint a majority in the Board of Directors has been established. Control can also be acquired through a management contract, a shareholders' agreement, or a court order.











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Thanks to our Multicountry Managers in  
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- Italy
- Hungary
- Poland
- Argentina
- Bolivia
- Brazil
- CA & Caribbean
- Chile
- Colombia
- Ecuador
- Mexico
- Peru
- Venezuela
- USA



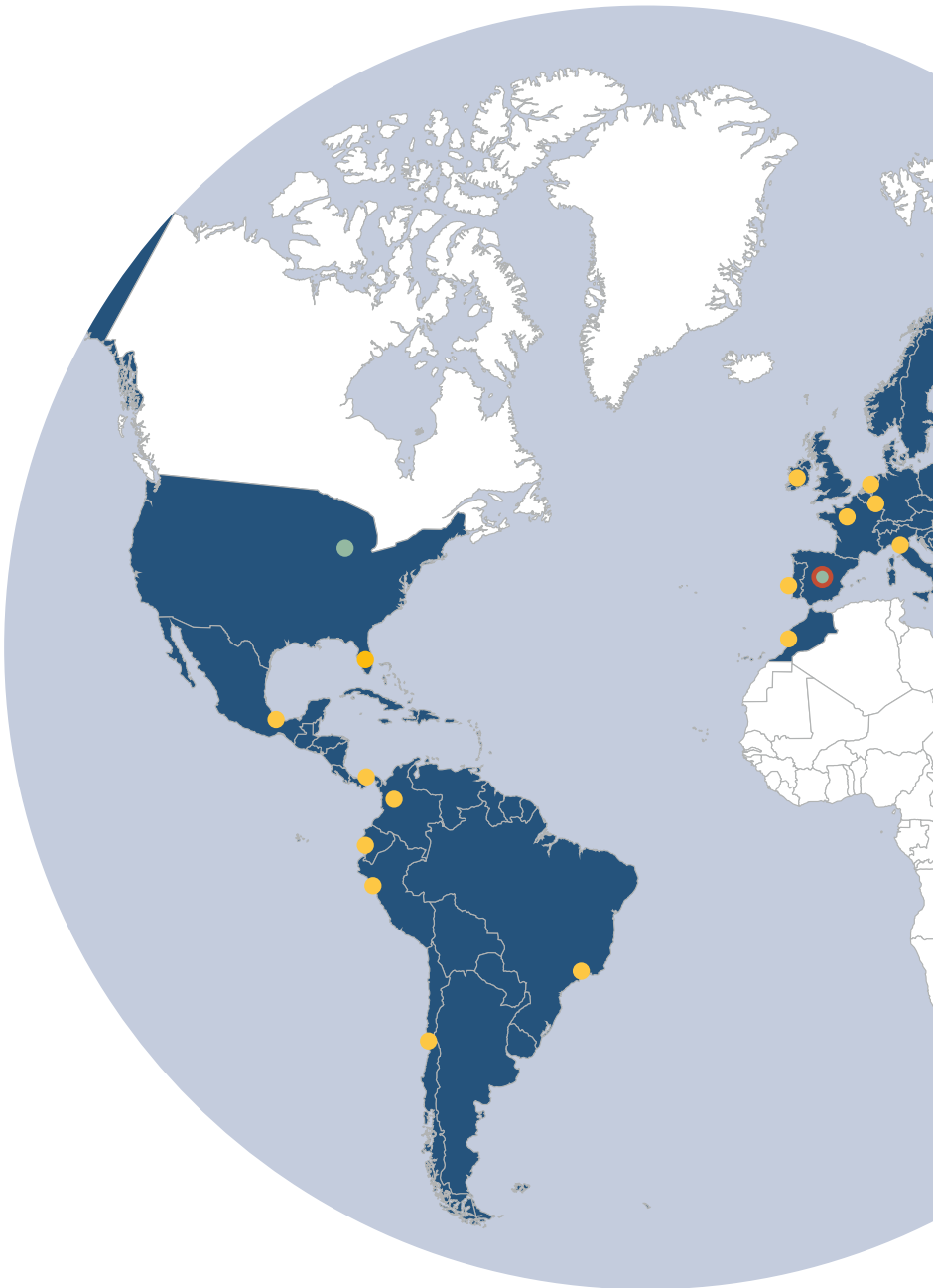
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Fully operating  
subsidiaries



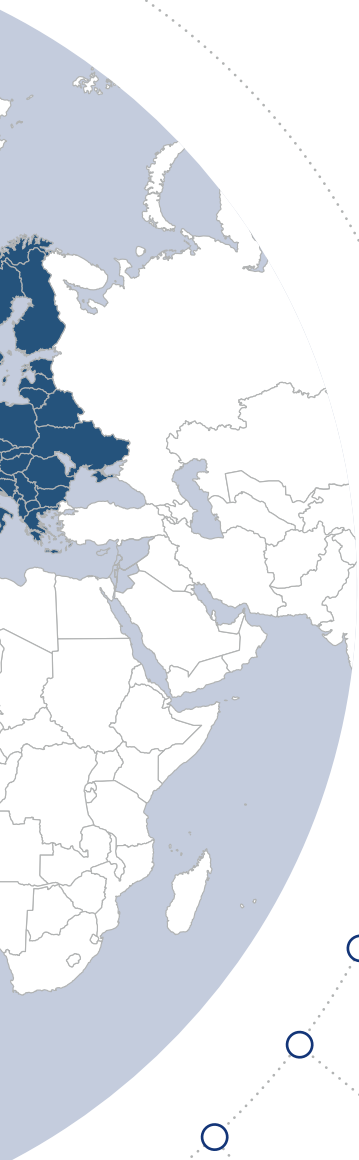
+50

Countries currently  
being served



## Services

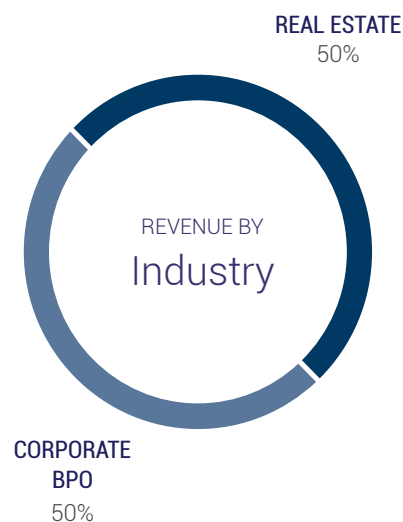
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- 
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  - PAYROLL
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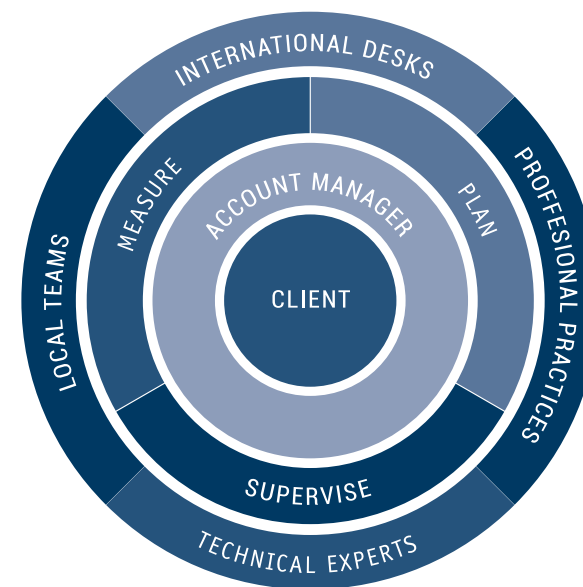
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Turnover in 2019



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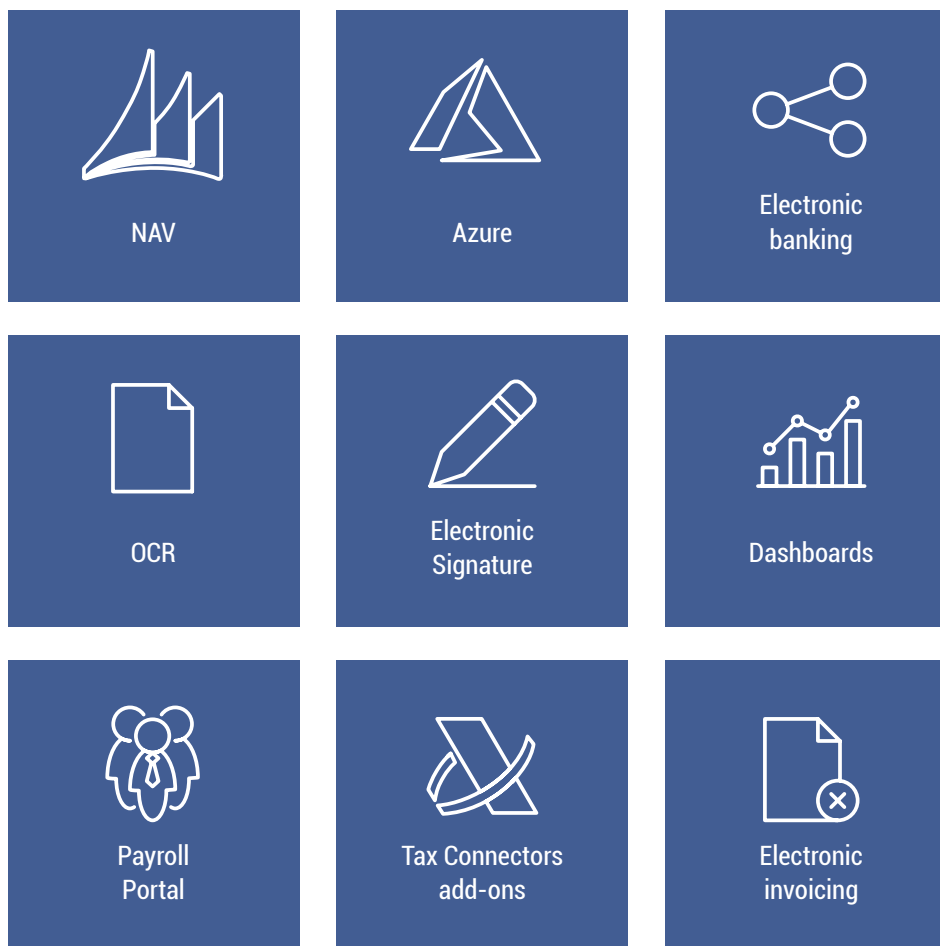
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