

DOING BUSINESS

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CHILE



SMS Latinoamérica



DOING BUSINESS CHILE

Over the years, many investors and foreign businessmen have made us the question: "What I have to do to invest in Chile?".

As one of the leading international firm of auditors and consultants, we answer this question for the first time in 1923 when we opened our first office in Chile. Since then, our response has varied according to changes in business law and taxation and the political and economic environment. Obviously, this question remains and will remain current.

This publication summarizes our current answers to the questions you, as an investor or potential investor in Chile, has made himself. Our answers are, of course, general in nature, so we believe you should consider the particular characteristics of their situation before making a decision.

Considering that laws and business environment are subject to constant change, we dated each page at the moment it is issued. From time to time, we will issue modified or additional pages to incorporate our current thinking about the matters discussed.

Individuals and non-resident companies can operate in Chile in one of the following ways:

Appointing a representative

- Creating an agency or branch of a foreign company.
- Creating a partnership or a corporation.
- Creating a single company with limited liability.

Operations through a representative

A representative acting on the basis of a mandate, contained in a contract that gives the investor a person resident or resident entity. The agent acts on behalf and at risk of the foreign to perform one or more Business transactions. The principal and the representative are free to decide whether the latter will receive any remuneration or not.

Chilean branch or agency of a foreign company

A foreign company must appoint an agent to set up the branch. The legal representative must legalize the following documents must be written in the official language of the foreign country and must be accompanied by a translation into Spanish, whether it is another language:

- Proof that the corporation is legally incorporated abroad.
- A certification that the company still exists.
- A certified copy of the current statutes of the society.
- A general power of attorney issued by the corporation to the agent that will represent it in Chile. This power must state clearly that the agent acts in Chile under the responsibility direct society with wide powers to act on behalf of it.

At the same time, the legal representative must sign on behalf of society, a deed including, among others the following aspects:

- A statement that the company keep in Chile realizable assets to meet the obligations that must be met in Chile.



- The effective capital assigned to the Chilean branch or agency, and the manner and dates on which such capital will be admitted to the country.
- The address of the agency or branch in Chile.

Within sixty days, you must register an extract of the deed in the Register of Commerce. Within this same period must be published once in the Official Journal.

Limited liability companies (LLC)

A partnership or corporation requires a minimum of two partners or shareholders that can be Chilean or foreign.

The types of companies and how they are detailed in the following chapter.

Through a sole proprietorship limited liability

An individual limited liability company is a legal entity with its own assets other than the owner.

For their formation requires only a natural person, Chilean or foreign.

An individual limited liability company is constituted by public deed must contain at least the stipulations required by law.

An extract of the deed authorized by the notary before whom granted, is part of the commercial register of the address of the company and is published once in the official newspaper within sixty days from the date of writing.

Chilean law establishes the following types of corporations:

Corporation

The corporation is a legal person which is caused by the formation of a single equity contributed by shareholders. The liability of shareholders is limited to the amount of their individual contributions. The corporation may be open or closed, and is administered by a board whose members can be replaced at any time.

Chilean law considers that the activities of a corporation are always business, although it has been established to commit acts that otherwise would be considered civil.

A corporation is considered open if it meets one or more of the following conditions:

- The shares or other securities of the company are listed on a stock exchange or offered to general public.
- The company has more than 500 shareholders.
- At least 10% of the subscribed capital belongs to more than 100 shareholders (excluding any shareholder who individually or through other persons or corporations exceed that percentage).
- The company has voluntarily chosen to be governed by the provisions and rules of an open corporation.
- All other corporations are considered closed.

Open corporations are subject to supervision by the Superintendence of Securities and Insurance must be registered with the Securities Register.

A corporation is created by a deed, which must contain at least following:

- The names, occupations and addresses of founding shareholders.
- The name and address of the company.
- The object.
- The duration of the company, which may be indefinite. If nothing is said about it, it is assumed that the duration is indefinite.
- The capital of the company and the number of shares, indicating any special series of actions and privileges, and whether they have value or not, the form and terms in which the shareholders must pay their contribution, and the indication and value of all contribution does not consist of money.
- How to be administered and how society will be controlled administration.
- The closure of the financial year of the society (which date shall prepare the financial statements) and should be made when the General Meeting of Shareholders.
- How will distribute its profits.
- How to liquidate the company.
- Nature of arbitration shall be liable to the differences between the shareholders or between shareholders and society. If nothing is said about it, it is understood that the differences will be submitted for resolution by an arbitrator arbitrator.
- The name of the first directors and external auditors or inspectors of accounts.
- A summary of these statutes must be registered in the Commercial Registry corresponding to the domicile of society. The summary must also be published once in the Official Journal. Both the filing and publication shall be made within sixty days from the date of the deed.

Partnership

In a partnership all the partners administrate the company individually or through an elected representative.

Each partner is individually responsible for all obligations of the company without limit.

To constitute a partnership, the partners or their legal representatives must sign a deed. The partnership deed must contain at least the following:

- The names, occupations and addresses of the Partners.
- The name of the society, which should be the name of one or more of the partners, followed by words "and company".
- The partner or partners who manage the company and can use the name of the same.
- The capital contributed by each partner in cash or otherwise. If the contribution is cash, the value assigned to it or how that value is determined.
- The object.
- The registered office.

- How are the profits or losses distributed between Partners.
- When to begin and end the legal existence of the society.
- The annual amounts that members can withdraw for personal expenses.
- How to liquidate the company, and how to distribute its assets among the Partners.
- How to decide the differences between the partners, whether to use an arbitrator, how will appoint.
- You must register a statement of partnership deed in the Register of Commerce, as appropriate, within sixty days.

Limited liability companies (LLC)

A limited liability company is similar to a partnership. The main difference is that the responsibility of each partner is limited to the amount of capital contributed or greater than the amount specified in the partnership deed.

The limited liability company is formed by a public deed must contain the same information required in the writing of a partnership. The name of a limited partnership may contain the name of one or more of the partners, or a reference to the social order of society and must end in the word "Limited". Otherwise, each partner is unlimitedly liable for all obligations of society.

It also requires the registration of an extract in the Commercial Register within sixty days. In addition, the extract must be published in the Official Journal within the same period.

Partnership

In a limited partnership some partners (called limited partners) provide all or part of the capital of the company without any right to administer the affairs of the same. The liability of these partners is limited to their contributions.

One or more of the other members are appointed managing or general partners and their responsibility for the debts and losses of the partnership is unlimited.

If the capital of the partners with limited liability is represented by shares, the company is called "company limited by shares". Otherwise called "simple partnership".

The requirements to form a simple partnership are similar to those of the constitution of a Limited partnership.

Partnership or joint account

A partnership or joint account is a contract between two or more traders or companies to share in one or more transactions, which are made by one of them a name. This partner (called manager) shall render account to the other partner or partners and share with them any profit or loss that might occur.

The association only creates rights among the partners. The managing partner is the sole responsible towards third parties.

There are no legal requirements to form an association.

Corporation

A corporation is a legal entity created recently that may be established and exist with a single



shareholder.

This type of legal entity is very flexible and its statutes can establish different sets of actions that can participate separately in the results of different businesses, among others. In the absence of specific provisions in the statutes of the state, the rules for corporations apply to them.

Corporate criminal responsibility

Law No. 20,393, published in the Official Journal on December 2, 2009, establishes the criminal responsibility of legal persons for offenses of money laundering, terrorist financing and bribery offenses. Legal persons are criminally responsible when such failure of its management and supervisory duties, the abovementioned crimes committed on its interest or advantage, by its owners, drivers, managers, CEOs, representatives or those engaged in administration and supervision, and even by those who are under the direction or supervision of any of the aforementioned individuals.

Notwithstanding the foregoing, if the legal person have implemented models of organization, administration and supervision to prevent crimes, or they were committed by individuals or their advantage for a third party, legal persons criminally not criminally respond.

Partnership or joint account

A partnership or joint account is a contract between two or more traders or companies to share one or more transactions, which are made by one of them a name. This partner (called manager) shall render account to the other partner or partners and share with them any profit or loss that might occur.

The association only creates rights among the partners. The managing partner is the sole responsible towards third parties. There are no legal requirements to form an association.

FOREIGN INVESTMENTS AND LOAN HOW TO ENTER CAPITAL TO CHILE

The transfer of foreign capital into Chile must be made using one of several statutes. The most frequently used are:

Title I, Chapter XIV of the Compendium of Foreign Exchange of the Central Bank of Chile, called "Chapter XIV."

Decree Law 600, entitled "Foreign Investment Statute."

Title I, Chapter XIV of the Compendium of Rules on Central Bank Foreign Exchange

These rules apply to investors engaged in foreign exchange transactions relating to loans, deposits, investments and capital contributions from abroad, as also to those on other foreign obligations. The procedure applies to transactions in amounts exceeding \$ 10,000 or its equivalent in other foreign currencies.

The currency must be purchased through the Formal Exchange Market (FEM), composed of banks and authorized exchange houses. Foreign investors must report the investment to the Central Bank of Chile, through a commercial bank or the intervention of a financial institution pursuant to the terms and conditions contained in the regulations of Chapter XIV.

The registration process begins once the funds have entered the country through the FEM. However, currencies can be paid directly abroad in which case the central bank must be informed directly by the parties, usually within the first 10 days of next month.

Payments or remittances of foreign exchange corresponding to principal, interest, profits and other

benefits must be reported to the Central Bank directly through the FEM entity intervening in the operation. There are no restrictions as to the timing or amount of the repatriation of amounts for these items.

All transactions involving the conversion of investment to Chilean pesos, and purchases of foreign currency to remit profits and to repatriate the investment to be made through the FEM can be acquired through foreign currency in that market or not. However, the remittance abroad of foreign currency must be made through the FEM.

Under recent changes to the Income Tax Law and regulations of foreign exchange, investments can be made through shares or social rights in societies abroad to local authorities or entities organized under the rules of Article 41 D of Income Act.

Without prejudice to the rules established in Chapter XIV the Central Bank may, under Article 47 of the Act, enter into an exchange agreement with investors or creditors and other external or internal parts in a foreign exchange operation, establishing the terms and ways in which the principal, interest, profits and benefits generated can be used, sent abroad or returned to the domestic investor or creditor, as well as assure you, for this purpose, free access to the FEM.

Decree Law 600

This system has existed since 1974 and regulates the relationship between the State of Chile and foreign investors. Basically, the relationship is the provision of an investment contract between the State of Chile and the investor that contains the specific rules that apply to a particular investment. Decree Law 600 contains general rules governing these contracts, but certain specific clauses can be negotiated with the Foreign Investment Committee.

Some of the clauses in a contract typical foreign investment are:

- Investment can be made in foreign currency, in tangible assets (both new and used), in technology or credits.
- The minimum investment accepted is \$ 5,000,000 or its equivalent in other currencies and \$ 250,000 in the case of physical goods or technology. Loans or credits associated with the investment can not represent more than 75% of total foreign investment.
- The contract guarantees free access to foreign currency for remittance of capital and profits or interest.

The investor can repatriate capital after the first year of the date of admission. The utilities can transfer abroad at any time after payment of applicable taxes or withholdings made to correspond.

The contract guarantees that will freeze the customs procedure and the value added tax until it has completed the placement of investment in physical assets.

The contract guarantees non-discrimination with respect to Chilean investors. While that may apply restrictions on access to domestic credit, all of them have been removed recently.

At the request of the investor, the contract can guarantee a fixed rate of income tax of 42% for a period of ten years. However, foreign investors may choose at any time waive such fee and subject to the comprehensive income tax. The contract will also ensure invariance of the excise duty on mining for a period of 10 years.

There are additional benefits for investments of over \$ 50,000,000.

The following are some of the most important:



The stability of income tax and 42% can be extended to 20 years.

The rules and instructions of the Internal Revenue Service relating to the depreciation, the accumulation of losses and expenses of organization and implementation can be frozen for the same period.

If investment is to produce goods for export, you can freeze the Central Bank rules on freedom to export and to agree special rules concerning the return of export earnings.

In general, the Foreign Investment Committee approves only productive investments. The FIC (Foreign Investment Committee) maintains free translations of Decree Law 600 in English, German, Italian and French.

These translations can be requested directly to the Committee or obtained at the website (www.cinver.cl).

Chile has signed several agreements on investment protection.

Income from loans to the country

Foreign loans do not require prior authorization from the Central Bank of Chile for your entry. According to Chapter XIV, to perceive the country foreign exchange receipts should be submitted to the Formal Exchange Market entity intervening certain records of the operation, which are reported to the Central Bank before the funds are delivered to the debtor.

The debtor may receive foreign currency or its equivalent in Chilean pesos.

The payment of principal, interest and other credit-related payments should be remitted through the FEM and should be reported to the Central Bank of Chile through a commercial bank.

Exchange restrictions on foreign investment.

As of April 19, 2001, the restrictions on credit operations, deposits, investments and capital contributions have been repealed. Requirements exist only information and perform certain operations through the FEM (Banks and Money Exchange expressly authorized).

Investment in commercial paper debt

The system of foreign investment in commercial paper debt was repealed by the Central Bank of Chile. Investors who have used this system can freely remit capital and profits abroad, with no time constraints.

INTERNACIONAL FOREIGN EXCHANGE SPECIAL RULES FOR INTERNATIONAL EXCHANGE OPERATIONS

The foreign exchange transactions are regulated by the Constitutional Act of the Central Bank of Chile, which is interpreted by circulars issued by the Central Bank.

Chilean law considers as foreign exchange transactions the following transactions:

Buying and selling foreign currency.

Acts and conventions that create, modify or extinguish an obligation payable in foreign currency, although not matter transfer of funds or money or from Chile. Means foreign currency or currency notes and coins of foreign countries, whatever their denomination or features, and bills of exchange, checks, credit cards, money orders, promissory notes, drafts and any other document evidencing an obligation payable in that currency.



Any transaction involving stocks, bonds, or any commercial instrument denominated in foreign currency.

Transfers and transactions in gold or gold certificates.

Contracts or documents containing foreign currency denominated obligations with the stipulation that they are only paid in Chilean pesos, are not considered international exchange operations.

Limitations on foreign exchange transactions

The new Constitutional Organic Law of Central Bank of Chile, which took effect from April 1990 established the principle of free trade in foreign currency. However, the law gives the Central Bank of Chile authority to impose certain limitations on foreign exchange transactions.

The limitations that the Central Bank has established and currently applies to international exchange operations are:

1. Operaciones that must be reported to the Central Bank and to be made through the FEM. These are, among others, the foreign exchange operations of Insurance and Reinsurance Companies, transactions in derivatives, investment transactions, deposits and loans that are made abroad, credit operations, deposits, investments and capital contributions from the outside;
2. Operations which must be reported to the Central Bank. These are, among others, payments related to imports and exports, and
3. Operations to be done through the FEM but not required to be reported. These are among other royalty payments, royalties and license to use trademarks and patents and transactions in foreign equity funds.

Also, the law gives the Central Bank of Chile authority to impose certain restrictions on foreign exchange transactions which include: obligation to return and liquidation of foreign currency; reserve requirement on loans, deposits or investments in foreign currency from or to a foreign country, prior authorization for certain obligations of payment or remittance of currency abroad, and limitations on foreign ownership for people who are the FEM. The Central Bank has not issued restrictions currently in force.

Different types of change

The foreign exchange regulations allow freedom in setting exchange rates for transactions in both the FEM and informal. The U.S. dollar is the main currency that is traded in Chile and the rates of other currencies are generally related to the dollar. Currently, the following exchange rates for the dollar:

The formal rate, which is quoted by banks and financial institutions. Daily, the Central Bank publishes the average rate observed in the previous business day's transactions prior ("observed dollar"). This is the kind of change "official" for the payment of taxes and customs duties.

The informal exchange rate ("dollar informal"), listed on the Santiago Stock Exchange.

The exchange rate "Agreement" ("dollar agreement"), set by the Central Bank. The "dollar agreement" is used by the Central Bank in a limited number of wholly owned operations. In certain transactions with banks the Central Bank may increase or decrease the rate agreed upon.

ROYALTY, TECHNICAL ASSISTANCE AND INTERESTS

The foreign currency required to pay royalty fees can be purchased freely in the market. However, payments must be made through the FEM.

Tax on royalty payments

According to Chilean tax law, all royalties paid abroad are subject to a withholding tax of 30%, except in the case of royalty payments to persons resident or domiciled in countries with which Chile has signed a treaty to avoid double taxation, in which case applying rules of the treaty. However, as of January 1, 2007, certain royalties enjoy a reduced rate of 15%. This is the case of royalties related to the use and exploitation of patents, utility models, drawings and industrial designs, layout designs or topographies of integrated circuits, new varieties of plants, and software on any physical medium. This reduced rate does not apply in the event that the payments be made to a related party or to a country considered a tax haven. The person or entity pays or credits the accounts available to the royalty who gives any amount under this heading must withhold tax of 30%, without any deduction. The withholding tax must be paid to the Treasury within the first twelve days of the month following its retention.

For tax purposes, payments of royalties made to related companies are deductible only to the limit of 4% of total sales and services for the year, unless the tax that affect in the country of the beneficiary is 30 % or more. The share of the royalties that exceed the limit of 4%, which is not deductible, is not subject to penalty tax of 35%.

Payments to outside entities not domiciled or resident in Chile for engineering or technical work or professional or technical services resulting in advice, reports or plans are subject to a withholding tax of 15%. However, the rate will increase to 20% if payments are made to persons resident in a tax haven or a related party.

The withholding tax on technical assistance related to exports can be recovered as an estimated payment of income tax, provided certain conditions are met.

Certain services provided abroad in relation to foreign trade are exempt from taxes, to meet certain requirements (not about royalties, technical advice and interest).

Royalties paid to producers or distributors of film and video are also affected with a tax rate of 20%. The royalties paid for copyrights and editing are affected with a tax rate of 15%.

Taxes on interest

As a general rule, interest on loans from abroad are subject to a withholding tax of 35%. However, the tax is

reduced to 4% when the loans have been granted from abroad by foreign banks or financial institutions or international, as well as certain pension funds and foreign insurance companies. Inform the IRS of the operation conditions in the month of March each year. This tax must be withheld and paid to the Treasury in the same way that the tax on royalty payments. In the case where there is "excess debt" consisting of a capital loan ratio greater than 3 x 1, interest on the excess debt is taxed at the company level with an additional 31%.

The Law on Income Tax provides the conditions under which means there is too much debt.

Restrictions on foreign loans

Law No. 20,326, published in the Official Journal on January 29, 2009, eliminated the Stamp Tax for loans in 2009, and reduced it by 50% for loans during the first half of 2010.

For the second half of 2010, a Stamp Tax of 0.1% per month or fraction thereof, between the disbursement of the loan and its maturity, with a maximum of 1.2% will apply to loans foreigners,



regardless of amount. The tax rate will be 0.5% if the loan is payable on demand or has no maturity date.

TAXES MAIN TAXES IN CHILE

All taxes imposed in Chile nationwide. There are no municipal taxes, provincial or regional significant, except for municipal licenses.

The main sources of national income tax are:

- Taxes on income from businesses and individuals
- Value Added Tax (VAT)
- Customs Duties
- Stamp Tax

In addition, the tax includes property taxes, the tax on inheritances and donations, and other lower major taxes.

Audit of Taxation

The body responsible for oversight of tax in Chile is the Internal Revenue Service (IRS). IRS is also the body responsible for issuing instructions, administrative rulings and interpret tax laws. Under recent legislative changes aimed at reducing tax evasion, the IRS expanded its powers of other taxpayers, creating a special tax exemption unit Taxpayers included in a special list.

In the event of a dispute between the taxpayer and the IRS administrative procedure substance in the first instance to the Regional Director of IRS who acts as Tax Judge. Subsequently, the possibility of appeal to the Court of Appeals and finally, you can go to the Supreme Court to discuss points of law.

The tax limitation is three years from the date payment became due the respective taxes. In special cases the limitation period is extended to 6 years.

Income Taxes

Income taxes are based on two factors: the place of residence of the taxpayer and the source of income.

All resident taxpayers, whether individuals or companies are taxed on their total income, which is to be obtained.

The only exceptions are foreigners, who pay taxes only on income earned in Chile during the first three years, which may be extended. Non-resident taxpayers are taxed only on their Chilean-source income, ie income from assets located in Chile or activities in Chile. However, the services provided abroad to a resident in Chile are taxed.

Income of Chilean companies are always considered as Chilean-source income.

Law 19.840, published in the Official Journal on November 23, 2002, came to regard as the Chilean source

income generated from the disposal of shares or social rights in the capital of a corporation incorporated abroad, made to a person domiciled, residing or established in the country, whose acquisition, directly or indirectly, have ownership or profits of another company incorporated in Chile. However, there is an exception, generally speaking, when the ownership is acquired, directly or indirectly, the company incorporated in Chile, representing 10% or less of the capital or profits.

The Chilean taxes are divided into Category Taxes, which apply to income from certain activities, and Global taxes, which apply to all income.



Taxes Category are:

- The first category tax with a proportional rate, which applies to income from industry, trade, mining, real estate and other activities involving the use of capital.
Special tax on mining.

- The second category tax with progressive rates, which applies to income from personal services as an employee.

The income of independent workers and professionals are considered as income in the second category, but are not subject to tax Second Category.

Global taxes are:

- The Complementary Tax, which applies to the total income from both categories of residents.

- The additional tax, which applies to the total income of both categories of enterprises or non-residents. The profits generated by companies which have nonresident partners or shareholders are subject to VAT when such profits are withdrawn, distributed as dividends or remitted abroad.

The main tax rates are as follows:

I) The Second Category income may be subject to tax or Complementary Second Category Tax. Professional societies are eligible for the tax rules

First Category.

(II) Apply a deductibility limit of 4% on total annual sales and services when the full or partial payment of royalties is made to related companies, unless they are taxed at a rate of 30% or more in the recipient country.

(III) The rate will increase to 20% if the activity is held with a related party or entity domiciled in a tax haven.

(IV) interest debt for any excess is taxed an additional 31% when the loan creditor is a related entity.

(V) There are exemptions on the basis of reciprocity.

(VI) The flat tax on capital gain from shares applies when the conditions set out in the Income Tax Law.



Rates of income tax

| | |
|---|-------------------|
| First Category Tax: | 20% |
| Second Category Tax: Rates of income tax <ul style="list-style-type: none"> • Self-employed workers (professionals, managers of corporations, professional societies and others) • Employees (if subject to an employment contract, this is the only tax to pay). | Exempt to 40% (I) |
| Complementary Tax (residents) | Exempt to 40% |
| Additional Tax (individuals and non-resident legal companies) | 35% |
| Additional tax withholding: | |
| - Royalties paid abroad in general. | 30% (II) |
| - Royalties for the use, possession and use of computer programs and others. | 15% (VI) |
| - Royalties paid abroad for film and video. | 20% |
| - Royalties paid abroad by copyright and publishing. | 15% |
| - Technical or engineering work. | 15% (III) |
| - Professional or technical services. | 15% (III) |
| - Other services paid abroad. | 35% |
| - Interest to foreign companies. | 35% |
| - Interest to financial institution or foreign bank. | 4% (IV) |
| - Ocean Freight. | 5% (V) |
| - Insurance premiums to foreign insurers | 22% |
| - Reinsurance premiums to foreign reinsurers | 2% |
| Single Tax: | |
| - Expenses rejected Corporations (tax penalty) | 35% |
| - Single tax capital gain on sale of shares | 17% (VI) |



- **Payment of income taxes**

Each taxpayer must file an annual tax return and pay any tax due during the month of April following the year end.

An employee who receives income only do not need to pay a tax. In this case, the second category tax is withheld and paid monthly to the Treasury by the employer.

The first category tax or business tax is payable on income earned annually.

In most cases, estimated payments must be made on account of Taxes of First and Second Category, Additional and Complementary.

Income taxes levied on foreign investment

Normal taxation

The following is a simplified example of the income taxes that generally affect foreign investment in Chile:

Note that the investor has opted for an unchanged rate system under DL 600, can be switched to normal taxation system anytime you want. This change is irreversible.

| AÑO | 2008 |
|--|---------------------|
| 1. Utilidad before tax | 100,0(17,00) |
| 2. First Category Tax | |
| 1. Net distributable income | 83,00 |
| Withholding tax on distributions or dividends: | |
| - Additional Tax (I) | (35,00) |
| - Less Tax Credit | 17,00 |
| - Net received by a parent, partner or non shareholder resident | 65,00 |

The alternative of 42%

Foreign investors who have opted for the unchanged rate of 42% are subject to First Category Tax of 17% (from the year 2004), payable by the branch or subsidiary and 25% additional tax on the same basis, without tax credit on remittances of profits or dividends. Thus the theoretical total tax burden is 42% on profits before tax, instead of 35% currently paid under normal taxation.



| Year | 2008 |
|---|---------------|
| - Profit before tax | 100,0 (17,00) |
| - First Category Tax | |
| - Distributable net income | 83,00 |
| Withholding tax on distributions or dividends: | |
| - Additional Tax | (25,00) |
| - Net received by a parent, partner or non shareholder resident | 58,00 |

Taxation of different types of companies

In general, differences arising from the choice of social organization are not very significant.

For an agency, branch or permanent establishment of a foreign company only income earned in Chile are subject to tax. Taxable income is determined on the basis of the actual profits earned from its activities in Chile.

When the accounting records do not reflect actual profits, the IRS can determine presumptive net income using any of the following bases:

- Multiply the gross income of the agency by the ratio between net income and gross income of the matrix.

- Multiplying total assets of the agency by the ratio of net income and total assets of the matrix. In the case of an individual limited liability company, you will apply the tax provisions applicable to commercial companies with limited liability.

If a partner of a limited liability company is a resident of Chile, the share of income is not subject to additional tax, but is added to your other income and taxed in accordance with the appropriate personal rates (Complementary Tax) with a tax credit equal to the First Category Tax paid by the company with limited liability.

For corporations, the First Category Tax is paid by the company, but it is a credit to shareholders. Resident individual shareholders receive a credit against Complementary Tax on dividends received. Shareholders that are legal residents are taxed on dividends received and transfer the credit to its own shareholders or partners when they distribute profits. Non-resident shareholders receive a credit against the additional tax to be paid on dividends remitted abroad.

Specific tax on mining

From 1 January 2006, mining is subject to an additional tax to normal tax, called "Specific Tax on Mining activity" which is known as "Mining Royalty".

This tax affects operating income metal mining activity obtained by a mining operator. A mine operator includes all persons or corporations that extract minerals concession character and the in any state of production in which they are.

Mining operators with annual sales exceeding the equivalent of 50,000 metric tons of fine copper are charged a flat rate tax of 5%. If annual sales ranging between 12,000 and 50,000 metric tons of fine copper, pay a progressive rate ranging between 0.5% and 4.5%. Finally, if annual sales are less than 12,000 tonnes of fine copper are not subject to this tax.

The value of a metric ton of refined copper is determined in accordance with the average value of the respective marketing year recorded in the London Metal Exchange.

Operating income from mining is calculated according to the rules established by the Law on Income Tax Base for the First Category Tax but with additions and special deductions.

Value Added Tax

Recharges a Value Added Tax (VAT) of 19% for all sales and other conventions on material goods as usual. The habitual is assumed in connection with sales outside the line of business of a company. Is paid, VAT on services, recurring or not, that cause a charge of interest, premiums, commissions or other remuneration similar nature that are considered commercial, industrial, financial, mining, construction, advertising and computer, among others. Imports are subject to VAT, whether or not normal. Professional services rendered by employees or freelancers are not taxed with VAT.

The VAT paid on imports, purchases and services received (tax credit) is deducted from the VAT due on sales and services rendered (tax debit). The taxpayer, retailer or service provider must file a monthly tax return and pay the net tax debit the twelfth day of next month. If there is a net tax credit can be carried forward in subsequent months (increased to reflect inflation).

Exports are not subject to VAT. The VAT paid on purchases of goods and services necessary to produce the exported goods is deducted from the VAT payable for other sales or is reimbursed by the Internal Revenue Service. Transport services by air or sea, either to or from Chile, are exempt from VAT. The services provided to non-residents and used exclusively outside of Chile, could qualify as exports by the Customs Service, being exempt from VAT.

Foreign investors welcomed the Foreign Investment Statute are not subject to VAT on their inputs of capital goods, provided such goods are included on a list established for this purpose.

Certain luxury items and beverages are subject to VAT and excise duty in addition to sales at rates that vary with the type of item sold.

Credit for taxes paid abroad

The foreign income tax in Chile on the basis of the net amounts received (except agencies that are taxed on accrual basis). Fulfilling certain conditions laid down in the Law of Income investors are entitled to a crédito against the first category tax and fees for late income tax withheld on dividends overseas remittance of profits and income derived from permanent establishments. The credit is maximum at 30% for dividends and 17% for profits derived from a branch. In computing taxable income, taxes paid abroad are added to the tax base. Taxes paid abroad exceeding the limit and therefore can not be used as

credit, are allowed as a deduction from taxable income.

Notwithstanding the foregoing, the maximum is 30% for countries with which Chile has signed double taxation treaties. The foreign withholding taxes with a maximum of up to 17% may be used as credit against 17% of First Category Tax, can credit the balance against the extra or additional taxes of the shareholders or partners of the local company. Notwithstanding the foregoing, the credits are maximum at 30% of net income from foreign sources, ie, foreign source income unless the expenses were incurred to generate it.

Treaties to avoid double taxation

Currently in force the following double taxation treaties, Argentina, Canada, Mexico, Brazil, Norway, South Korea, Ecuador, Peru, Spain, France, Poland, United Kingdom of Great Britain and Northern Ireland, Denmark, Croatia, New Zealand and Sweden. Additionally, Chile has signed double taxation treaties with Ireland, Malaysia, Paraguay, Russia, Belgium, Colombia, Portugal, Switzerland and Thailand, which have not yet become effective because they have not been approved by Congress.

The double taxation agreement concluded with Argentina is based the principle of exemption, under which income is taxed in the country where it has its source of production, consequently, Argentina source income derived by residents of Chile only pay taxes in Argentina.

To calculate the Complementary Tax, a resident in Chile include Argentina source income only to determine the applicable tax rate.

All treaties are based on the OECD model, based on the principle of credit, which favors income tax under the principle residence of the investor.

In addition, Chile has signed bilateral treaties with several countries to avoid double taxation in International transport services, cargo and passengers, by sea or air.

New Tax

Law 19.840, published in the Official Journal dated 23 November 2002, allows foreign investors to establish Chile as a base for investments in other countries.

Under this Act, to publicly traded companies and closed corporations governed by the rules of the first, to be established in Chile and in accordance with Chilean law with foreign capital to be maintained at all times in full ownership, possession and possession of partners or shareholders not domiciled or resident in Chile or in countries or territories that are considered tax havens and harmful preferential tax regimes, only apply them (with the exception of specific provisions) Article 41D of the Income Tax Law in instead of the general provisions of that Act.

The same tax treatment applies to shareholders of those companies domiciled or resident abroad for remittances, and distributions of profits or dividends obtained from them and returns some or all of capital from abroad, as well as the largest value gain on disposal of shares in qualifying for Article 41D.

According to Article 41D, for purposes of the Income Tax Law, those companies will not be considered domiciled in Chile, so taxed in the country only by their Chilean source income. Article 41D allows the incorporation of shareholders domiciled or resident in Chile, but limiting its shareholding.

Among other requirements, those companies should have the sole purpose of making investments in the country and abroad, the capital contributed by the foreign investor must have their source on the outside, and do not apply the rules on bank secrecy.



Customs ruties

Customs duties on imports of virtually all goods and products are 6% of the value of imports. There are bilateral and regional reductions for some products, in the context of the agreement of ALADI (Latin American Integration Association).

Chile has signed FTAs with Canada, Mexico, United States, European Free Trade Association (EFTA), Central America, European Union and a treaty with South Korea, which became effective on April 1, 2004. These agreements tend to eliminate customs duties among the participating countries within the time prescribed in the treaty. There are also bilateral agreements and economic complementarity with Colombia, Brazil, Cuba, Venezuela, Peru, Argentina, Ecuador and Bolivia, for the elimination of customs duties.

Chile member of MERCOSUR as an associate and has negotiated reductions and eliminations immediate and gradual customs duties.

Stamp Duty and Stamp

The following transactions and documents are affected to a Tax Stamp:

Checks drawn on the country drafts or payments in connection with a money order or charges or transfers of funds from current accounts in banks.

- Loans of money and documents that contain credit transactions of money as bills of exchange and issuance of bonds and debentures of any kind.

- The tax rate for 2008 is 0.1% applied per month or fraction thereof, with a maximum of 1.2%. If the operation is in sight or no maturity tax rate is 0.6%.

- Imports are affected with delayed coverage to a single tax levied on all necessary documentation for the transaction. The tax rate is 0.1% per month with a maximum of 1.2% and applies for a period of time between acceptance of customs documentation or payment of goods and the date of purchase of foreign currency payment of money or credit, or payment of each installment, excluding interest.

Municipal license

- Municipal Patent is an annual fee levied on the activity carried out by a taxpayer in the territory of a given municipality. The fee is calculated on the assets of the taxpayer at a rate set by each municipality, with a minimum of 0.25% and a maximum of 0.5%. The annual fee can not exceed 8,000 monthly tax units (approximately U.S. \$ 588,000. -). This fee is allocated among the municipalities in which the taxpayer has offices, shops, factories, warehouses or other establishments.

PENSIONS, SOCIAL SECURITY AND OTHER EMPLOYEE BENEFITS PENSION SYSTEM IN CHILE

There are two general pension systems in Chile. The older system, which is administered by an entity that brought together many state pension funds and provides health benefits, pensions and certain other social security benefits. Employers must withhold and pay to the fund the contributions of employees, which are a fixed percentage of total compensation. Pensions payable are set by the Government.

- In 1980 he established a new system of private pension funds. From that date, new employees who join the labor force are required to contribute to the private system. The other employees could elect to change the private system before May 1, 1986.

The employee contributions to private pension funds also hold monthly earnings of a fixed percentage basis for these effects, a monthly salary of up to 60 UF, considering the variation in adjusted real wage rate determined by the National Statistics Institute between November and preceding year to November preceding the year during which will apply. The maximum tax and readjusted, shall become effective the first day of each year and will be determined by order of the Superintendent of Pensions. As from 1 January 2010, the maximum taxable income for the calculation of pension contributions is 64.7 UF (UF is an indexed unit of account is roughly equivalent to U.S. \$ 40). The employee may choose to make additional contributions to the fund given a monthly salary of up to 64.7 UF. Employers may also make voluntary deposits nontaxable accounts of their workers.

- At retirement, the employee may elect to receive payment for the total sum, a pension or a temporary combination of both, all of which are based on the amounts that the employee has contributed to the fund.

The lump sum can only be used to purchase an insurance annuity insurance company.

Contributions to pension plans

- Contributions to state pension plans and private are performed only by employees or independent workers.

The employee contributions are deductible from taxable income to calculate the personal income tax payable.

Contributions to a pension plan are based on a monthly salary as indicated above.

Employers will only be responsible for withholding and paying the contributions of its employees.

Contributions to a state plan depend on the activity. For example, pension contributions for most employees in the private sector amounted to approximately 22%.

Contributions to private pension plans are calculated at a rate of 10% plus a variable fee established by each pension fund (currently 3.5%). The fund must purchase insurance and disability pension from an insurance company.

In addition, the employee may make additional voluntary contributions basis for these effects, as of January 1, 2010, at a monthly salary of up to 64.7 UF, indexed as indicated in preceding paragraphs, the employer may make voluntary contributions free from taxation on the same basis.

Cost of health benefits

Employees and independent workers subject to health insurance contribution of 7% on their monthly salaries up, as of January 1, 2010, a ceiling of 64.7 UF, indexed as indicated in preceding paragraphs.

Employers are Orly required to withhold and pay insurance.

If the employee is affiliated with one of the state pension plans, the health insurance contribution is received by the pension plan and paid to the National Health Fund (FONASA).

Employees affiliated with one of the private pension plans may choose to make their contributions to FONASA or company private health insurance (Public Health Security and ISAPRE). Most health plans cover up to 80% of medical costs and hospitalization.

Accident Insurance

All employers must pay a contribution of 0.95% for these effects based on a monthly salary of up, as of January 1, 2010, 64.7 UF, indexed as indicated in preceding paragraphs, for accident insurance of work. According to the riskiness of the activity of the employer, may require additional inputs at variable rates

with a maximum of 3.4%, according to claims of the employer.

Unemployment insurance

From 1 October 2002 established a mandatory unemployment insurance for the employees governed by the Labour Code. This unemployment insurance is financed by a compulsory contribution by the worker of 0.6% plus a mandatory contribution by the employer of 2.4%, both calculated on the basis of taxable income of the worker to the ceiling of 97.1 UF. This ceiling will be adjusted annually according to changes in the real wage index determined by the National Institute of Statistics index or replacing it, between November preceding the year to November of previous year and which will apply to the adjustment. The maximum tax and readjusted, shall become effective the first day of each year.

Payment of compensation for termination of the employment relationship

The labor law provides for compensation for termination of the employment relationship ("compensation for years of service"), payable to employees at the moment it ceases employer's decision, except in cases of dismissal for serious causes. This benefit is equivalent to one month pay for every year of service up to a maximum of eleven months, and is based on the most recent wage level the employee considered as top of these, 90 UF per month. However, an employment contract (individual or collective) may provide for the payment of higher compensation. To terminate the employment contract the employer must invoke any grounds.

If the cause given is not in accordance with the decision of the competent Court, the amount of compensation is increased by 30% to 100% depending on the ground invoked. The payment of compensation required at time of termination of the employment relationship, notwithstanding that the parties may agree to split the payment of compensation, plus interest and indexation. If the claims are not paid, the worker may apply to the labor court, who may fine the employer. Also, the worker may require that the amounts due to be increased up to 150% if the employer fails to pay the damages awarded at the end of the contract.

For executives or persons who exercise sensitive, no need to invoke any legal cause to terminate the employment contract.

In addition, the worker has the right to be notified at least thirty days prior to the dismissal or receive a payment equivalent to one month's wages.

In general, compensation payments are tax exempt for the employee and are deductible expense for the company.

Currently, labor courts can order the Treasury to retain the employer's tax return, an amount equal to the amount owed to the worker in a trial, to ensure that the employee will receive the amount specified in the said judgment.

Equity in earnings

Payments for profit sharing are required by law, unless the employee's employment contract includes a different arrangement. If the contract does not stipulate anything to the contrary, the employer must pay the legal participation in profits each year and can choose one of the following annual basis:

30% of profits after reducing a 10% return on capital, distributed in proportion to the annual remuneration of each employee 25% of the annual remuneration of each employee, with a profit sharing maximum of 4.75 minimum monthly salary for each employee, regardless of whether the employer has a profit and whatever the amount thereof.

The maximum amount payable to each employee for this item is approximately U.S. \$ 1,419 per year. The profit sharing fixed by mutual agreement can not be less favorable to the employee than the above alternatives.



The share of profits is taxable income to the employee and is deductible expense for the employer.

And disability insurance

Since July 2009, companies with more than 100 workers have begun to pay the cost of insurance and disability.

Before the pension reform, the insurance was paid by workers, therefore, this modification will result in a slight increase in net income of workers to about 1%.

Companies with fewer than 100 workers must pay this cost from June 2011

FOREIGN EXECUTIVES EMPLOYMENT OF ALIENS IN CHILE

The law requires that at least 85% of employees of a company are Chilean citizens. However, not included in the limitation of foreigners with more than five years of residence, to persons married to Chilean citizens and technicians that can not be replaced by Chileans. This limitation does not apply to companies employing 25 workers or less. Work permits for two years is obtained easily. You can change a visa or tourist card for a work permit. Work permits can be renewed or converted to a permanent residence permit.

Payment of salaries in foreign currency

Individuals and companies resident in Chile may pay salaries in foreign currency to foreign personnel specialist who is subject to an employment contract and that is exempt from listing on the Chilean social security system.

Payment of part of remuneration out of Chile There is no requirement that wages must be paid in Chile, they can be paid anywhere in the world, either by the employer or by any other company. However, if the remuneration relates to services rendered in Chile subject to Chilean taxes no matter where it is paid, as it is understood to be a Chilean source income.

Income tax on foreign earnings

For a period of three years (which may be renewed for a further period of three years) a resident alien pays income tax only on their Chilean-source income. After that period, the income earned anywhere in the world are subject to taxation in Chile. A resident is defined as a person who is domiciled in Chile or who is physically present in Chile for more than six consecutive months. The address in Chile primarily reflects the intention of the alien to establish their principal place of business or residence in Chile for a period of time.

Foreigners without residence are subject to a withholding tax of 20% of fees collected in Chile by scientific, cultural or sports and 15% for the realization of technical or engineering or professional services or technicians.

Chilean social security contributions

In general, all employees are subject to Chilean social security contributions. However, foreign technical workers are paying social security in their own country can choose to be exempt from the Chilean social security, provided that the foreign system provides substantially equivalent coverage at least for illness, disability, old age and death.

Chile has signed social security agreements with Germany, Argentina, Austria, Australia, Belgium, Brazil, Canada, Denmark, Spain, United States, France, Luxembourg, Norway, Netherlands, Portugal, Peru, Quebec, Sweden, Switzerland, Uruguay, Finland, Czech Republic and Ecuador. These agreements provide exemptions, among other benefits.

Tax on fringe benefits

In general, the additional benefits are not accepted as a deductible expense for the employer or be taxed as income of the employee. In many cases, additional benefits are not accepted as deductible expenses are subject to excise duty of 35%. Most fringe benefits are treated as additional taxable compensation for the executive and can be deducted as an expense by the employer. The tax treatment of some of the most common fringe benefits is as follows:

Allowance or differential service abroad: this is treated as additional taxable compensation.

Housing allowance (or lease): this is treated as additional taxable compensation.

Housing provided by the employer: the Internal Revenue Service generally considers that this additional compensation is taxable. However, the law is unclear on this matter and there is a final judgment of the Supreme Court. The law simply states that the housing provided in the interests of the employer is not taxable to the employee and is deductible expense for the employer.

Travel to the country of origin for the executive and his family: they are treated as additional taxable compensation. However, any part of the expenses of the executive that relate to business (such as visits to the office) is a deductible expense for the employer and no additional compensation is taxable to the employee.

Tax equalization: if the tax equalization revenues related to services performed in Chile, it is treated as additional taxable compensation.

Bonuses and profit sharing: these are treated as additional compensation. If the amount paid relates to a period of several months, is assigned to each month's income and the tax is recalculated monthly.

Company car: In general, all costs associated with company cars (including depreciation) are not allowed as deductible expenses for the employer and do not constitute taxable income to the employee unless you have been granted the exclusive use of automobile. Expenses related to trucks and similar vehicles are deductible if used for business purposes.

Reimbursement of costs: if they are necessary for the business and are well documented, such expenses are deductible for the employer and the refund is not taxable income to the employee, however, the IRS tends to routinely reject these costs as unnecessary for the business.

The statutory damages are essentially rent income, although there are some limits. However, the compensation paid or that voluntarily agreed to a contract that is greater than the statutory compensation is considered income.

TRADE OR SPECIAL TAX INCETIVES

Chilean law provides special incentives for:

- The oil industry
- The radioactive substances industry
- Operations in the free zones of Arica, Iquique and Punta Arenas
- Operations in Regions I, XI and XII and the Province of Chiloé
- Exporters
- The forest industry
- Research and development
- Solar thermal systems
- Oil industry
- The companies signed an operating agreement with the National oil company of Oil can be exempted from taxation normal. As a substitute, is taxed at 50% of the contract.

Notwithstanding the foregoing, may grant reductions of up to 100% of this substitute tax or normal tax regime enterprises, depending on the degree of risk involved for the contractor. Similar reductions can be granted related to taxes, duties and tariffs on imports of machinery and equipment needed to fulfill the contract.

Subcontractors nonresident aliens are subject to a flat 20% tax on their gross fees.

Radioactive substances

Companies that sign a contract with the Chilean Nuclear Energy Commission to explore, exploit or process radioactive substances can receive tax treatment similar to the oil industry.

Free Zones

A free zone is an area of land surrounding a port or airport for the purpose of import tariffs is considered outside the territory of Chile. Currently, there are zones in ports of Iquique, Arica and Punta Arenas. Goods imported into a free zone can be held in trust, displayed, unpacked, packed, labeled, divided, repackaged or sold within the zone.

Moreover, products and raw materials can be assembled, finished, connected, manufactured or processed within the zone.

Companies that operate within a free zone are granted the following exemptions:

First Category Tax: all operations within the free zone are exempt

Value Added Tax: all operations within the free zone are exempt

Import duties: goods imported into a free zone are exempted.

Sales and transfers of goods from a free zone to another area of the country are considered imports and generate import duties and value added tax when taken out of the zone. However, Region I and the region of Punta Arenas is a zone of extension of the zone. Products transferred from the free zones to areas of extension are subject to a tax of 0.6% which can be used as a credit against VAT. This tax may increase or decrease in proportion as it may increase or decrease the tariff means.

In 2002, a free zone was created in the second region for sales of mining products.

The free zone in Arica has benefits and tax incentives for manufactured products and export centers like free trade zones. Also established a special regime for manufacturing industries to be installed in the area, among other measures for the development of local economy.

Regional incentives

Activities located in the far north (Region I) and at the south end (XI and XII Regions and the Province of Chiloé) have a partial exemption from the tax on personal income of employees. It allows a deduction from taxable income equivalent staff that granted to public employees in the region.

Additionally, most employers receive a grant equivalent to 17% of taxable income with annual ceilings.

These benefits are lost if the taxpayer does not pay their taxes on time.

Under the "Southern Law" granted tax credits for investments in fixed assets.

There are also special tax incentives for activities in Tierra del Fuego or in the Antarctic Territory.

From 1 January 2002, industrial companies and manufacturers of parts for mining and which are located in the province of Tocopilla enjoy the following benefits:

Exemption for a period of 25 years, the First Category Tax.

2. Exemption from customs duty on import of goods related to business.

3. Other provisions on free zones.

Export Incentives

The private export warehouses allow exporters use foreign raw materials and parts in their manufacturing processes without paying import duties, provided that the goods are exported within a specified period.

Since exports are not subject to VAT, exporters obtain a refund of all VAT generated in their purchases of products or services related to their export activities. This rebate also applies to companies that carry cargo and passengers to and from Chile, which provide food and drinks on planes and ships in transit, and providing services to non-residents who are considered as exports by the service customs.

Beginning on January 1, 2003 the reimbursement ("drawback") has been reduced to 3% of the equity return of exports "nontraditional" if the total FOB value thereof in any calendar year does not exceed to \$ 18,000,000.

Products excluded from this benefit are detailed in a list that is published no later than March 30 of each year.

Exporters may obtain a refund of customs duties paid on imports of raw materials, semi-manufactured products and parts, if these are used in products or services exported. The exporter must choose between the reimbursement and the reimbursement to non-traditional exports, if you are entitled to both benefits.

The exporter must choose between the reimbursement and the "drawback" on non-traditional exports when eligible for both benefits.

Forest industry

Incentives have been reintroduced to the plantations on marginal land and degraded.

Also created incentives for small farmers.

Research and development.

Law No. 20241 which was published in the Official Journal on January 19, 2008 established a tax incentive for private investment in research and development. Taxpayers First Category Tax that file their taxes through fullaccounting, can benefit from this incentive.

In general, consists of a tax credit against the first class equivalent to 35% of all payments related to research and development contracts duly certified by the Development Corporation (CORFO). These taxpayers must also comply with other requirements of this law.

Solar thermal Systems

In accordance with Law No. 20,365 published in the Official Journal on August 19, 2009, construction companies will be entitled to deduct from the amount of provisional payments requirements imposed by the Law on Income Tax, a credit equal to all or of the value of solar thermal systems installed in



buildings constructed by them.

ACCOUNTING AND REPORTING ADMINISTRATIVE FORMALITIES MUST BE MET BEFORE OPERATING IN CHILE

All persons or entities who start business in Chile must meet certain administrative requirements. The main requirements are:

- Number of taxpayers ("Single Tax Role" or "RUT"): This number is obtained when the person or entity is registered with the Internal Revenue Service. Without this number you can not make any commercial activity.
- Declaration of initiation of activities: This statement is made to the Internal Revenue Service within two months following the month in which activities began. The statement must contain a description of the nature and amount of capital of the company.
- Municipal permit: You must obtain a permit from the municipality for each of the establishments, offices, warehouses, etc., Company, no activity can be started without appropriate permission. Permissions sector: there are some businesses that require special permits based on the nature of the activities to develop, such as health permits (SNS) environmental permits (SESMA) forestry permits (CONAF) permits agricultural and livestock (SAG); mining permits (SERNAGEOMIN) permits shipping (DMM), permits air navigation (DGAC) permits telecommunications (MTT), among others.

However for certain investments in foreign securities investors can be released from the obligation to maintain complete accounting records and annual tax returns.

Requirements for accounting and bookkeeping

The financial year of the entity can not exceed twelve months and may end any day they choose to shareholders. However, for tax purposes, you must use a tax year ending December 31, although the IRS may allow a year-end June 30. Usually, this authorization is denied.

In general, any business or taxpayer must maintain complete accounting records: a cash book, a journal, a major and a book of inventories, or equivalent records.

Additionally, we must maintain the following records for tax purposes:

- Sales and Purchase Journals
- Payroll register (only for companies with five employees or more)
- Record of withholding tax
- Record of inventories
- Registration of taxable income (FUT)

All accounting records and tax must be stamped by the IRS. Records may be loose leaf, prepared manually or by electronic equipment for data processing, if you have prior authorization from the Internal Revenue Service.

Companies operating in free zones (Arica, Iquique and Punta Arenas) and in areas where there are incentives (currently I, XI and XII Regions and the Province of Chiloé) must maintain separate accounting records for those operations.

Accounting entries must conform to accounting principles and practices of Chile. However, as of January



1, 2009, Chile has adopted IFRS.

Recently there have been changes to the tax code simpler by keeping accounts in foreign currency when they meet certain requirements. Similarly, the rules for payment of taxes in foreign currency have been relaxed.

Independent audits

In general, only certain types of entities must appoint independent auditors. Such entities include banks, financial institutions, insurance companies, pension fund managers, listed corporations and cooperatives.

Almost all other entities are free to appoint auditors and to establish other means of control.

Public availability of financial statements

Certain entities (mainly banks, financial institutions, insurance companies, pension fund managers, and publicly traded companies) must submit quarterly and annual financial statements to the appropriate regulatory agency (Superintendent). These files are public.

In addition, annual financial statements submitted to a Superintendent and an agency or branch of a foreign company must be published in a journal. Other entities are not required to file their financial statements to institutions.

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