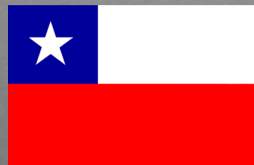




**PrimeGlobal**

*An Association of  
Independent Accounting Firms*

# DOING BUSINESS IN CHILE





## COMPANY FORMATION IN CHILE

### MAIN FORMS OF COMPANY/BUSINESS IN CHILE

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- a) Foreign Agencies,
- b) Limited Liability Companies,
- c) Open Public Companies limited by shares, and
- d) Closed Public Companies limited by shares.

### SPECIFIC TAX CONCERNS RELATED TO ESTABLISHING A COMPANY

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- a) Income tax with rates from 22,5% (Y2015); 24% (Y2016); 25,5% (Y2017) to 28% (Y2018 onwards);  
Business profit tax and Mining activity tax
- b) Tax on individuals: Second category tax (employees) and Complementary Global tax
- c) Tax on non residents and additional tax
- d) Tax on sales of goods and services 19%
- e) Specific taxes (fuel and tobacco)
- f) Other taxes: Customs duties; Stamp duty; Tax on gambling; Tax on inheritance and Donations

### LEGAL ISSUES RELATED TO ESTABLISHING A COMPANY

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- a) With address in Chile, subscribe statutes to authorities;
- b) Fulfill a "start activities" form

There is a quick procedure called "entity in one day" that can save a lot of time and resources.

### CULTURAL CONCERNS RELATED TO ESTABLISHING A COMPANY

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- a) Holidays arise 15 current days for each year worked, and employees could take them with preference in summer (January and February)

### OTHER COUNTRY-SPECIFIC ISSUES RELATED TO ESTABLISHING A COMPANY

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- a) Tax authorities requires documentation demonstrating address in a lease contract or equivalent.
- b) Some activities requires ISO 9000 certification to perform commercial trades, such as Workers' Trainer.



# PERMANENT ESTABLISHMENT IN CHILE: BRANCH OR SUBSIDIARY?

## DEFINITION OF A PERMANENT ESTABLISHMENT

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A business settled in Chile with updated statutes, a legal representative and the formalities required by tax authorities where a formal activity takes place.

## DEFINITION AND MAIN DIFFERENCES BETWEEN A BRANCH AND A SUBSIDIARY

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Branch: Chile agency of a foreign company is the same foreign entity developing its activities in the country.

Subsidiary: Legal entities with legal personality, distinct from its owners and able to act independently.

## TAX AND ACCOUNTING OBLIGATIONS

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The revenue of the entities are taxed with income tax when the income is earned; and then additional tax when profits are distributed to shareholders or partners without domicile or residence in Chile. In agencies where the income is withdrawn or remitted abroad, the law provides credits against taxes paid. Full accounting is required to prove income and expenses.

## REGISTRATION FORMALITIES

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### STEP 1

Agency in Chile should be issued in the country of origin (translated into Spanish):

- a. Certificate of Good Standing of the company
- b. A certified copy of the statutes
- c. General power granted by the Company to the Agent that will represent it in Chile. Documents must be legalized by the Ministry of Foreign Affairs and a Notary

### STEP 2

Deed Agent (must be Chilean or a foreign resident with permanent residence) must state the name under which the company will operate in Chile, the object, address, capital, among other statements

### STEP 3

An excerpt from the logging and status must be enrolled within 60 days on the Registry of Commerce



## HOW TO HIRE MY FIRST EMPLOYEE IN CHILE

### MAIN LEGAL STEPS TO FOLLOW TO HIRE A FIRST EMPLOYEE

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If the employee is an alien, he or she must meet immigration law in the sense of getting a work contract that allows a stay in the country visa.

The employment contract must be formalized within 5 days of admission of the employee to the company. The contract sets out the terms and conditions in relation to its duration, salary, and others.

The health and social system to which the worker is signed or set your preference must be specified.

### DESIGN AND CONTENTS OF AN EMPLOYMENT CONTRACT

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The contract is generally standard and must meet the minimum requirements of the law.

There may be specific clauses depending on the position of the person who is hired.

### CAN SOMEBODY DO BUSINESS FOR ME AND NOT BE AN EMPLOYEE?

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There are forms of representation that are supported outside the employment contract, such as mandates, representation contracts or other types of partnership. There is also the possibility of service contract fees.



## HOW TO READ FINANCIAL STATEMENTS IN CHILE

	AS AT DECEMBER 31, 2014
<b>ASSETS</b>	€
Share capital-uncalled	0,00
<b>FIXED ASSETS</b>	
<b>Intangible fixed assets</b>	0,00
Preliminary and formation expenses	0,00
Research and development costs	0,00
Concessions, patents, licences, trademarks and similar rights	0,00
Purchased goodwill	0,00
Other intangible assets	0,00
Intangible assets in progress	0,00
Advances and prepayments	0,00
<b>Tangible fixed assets</b>	1.140,00
Land	0,00
Buildings	4.355,00
Industrial fixtures, fittings, plant machinery & equipment	0,00
Other tangible fixed assets	7.131,00
Tangible assets in progress	0,00
Advances and prepayments	0,00
<b>Financial assets</b>	0,00
Shares in subsidiaries and associated companies	0,00
Loans to group companies	0,00
Other forms of investments	0,00
Loans	0,00
Other financial fixed assets	0,00
<b>CURRENT ASSETS</b>	0,00
<b>Inventories of products and work in progress</b>	0,00
Raw materials, supplies and other consumables	0,00
Work in progress (for production and services)	0,00
Intermediate products and finished goods	0,00
Inventories of goods purchased for resale	0,00
<b>Advances and payments</b>	0,00
<b>Accounts receivable</b>	0,00
Trade accounts receivable	76.430,00
Other accounts receivable	5.127,00
Capital-called up and unpaid	0,00



## DOING BUSINESS IN CHILE

<b>Marketable securities</b>	0,00
Company own shares	0,00
Other securities	0,00
Liquid assets	0,00
<b>Cash</b>	1.488,84
Prepaid expenses	0,00
Charges to be spread over several periods	0,00
Loan redemption premiums	0,00
Unrealized exchange loss	0,00
<b>TOTAL ASSETS</b>	<b>95.671,84</b>



## DOING BUSINESS IN CHILE

<b>LIABILITIES</b>	€
<b>EQUITY</b>	
Capital stocks including paid capital :	
Premiums arising from share issues, mergers, assets brought into business	1.637,73
Revaluation reserves	0,00
Equity method evaluation difference	0,00
Retained earnings :	
- Legal reserve	59.756,35
- Statutory or contractual reserves	0,00
- Regulated reserves	0,00
- Other reserves	0,00
Profits/Losses brought forward	0,00
<b>Result for the year (profit or loss)</b>	0,00
Investment grants	0,00
Regulated provisions	
<b>NET EQUITY</b>	<b>61.394,08</b>
<b>OTHER LIABLE EQUITY CAPITAL</b>	
Proceeds of issues of participating stock	0,00
Conditional advances	0,00
Other liable equity	0,00
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	
Provisions for contingencies	0,00
Provisions for charges	0,00
	<b>0,00</b>
<b>LIABILITIES</b>	
Convertible debenture loans	0,00
Other debenture loans	0,00
Loans from credit institutions	0,00
Loans and financial debts	26.780,27
Received advances and prepayments	0,00
Trade accounts payable	7.497,49
Tax payable	0,00
Trade accounts payable - fixed assets	0,00
Other debts	0,00
Liquid debts	0,00
Deferred income	0,00
	<b>34.277,76</b>
Unrealized exchange profit	
<b>TOTAL LIABILITIES</b>	<b>95.671,84</b>



## DOING BUSINESS IN CHILE

<b>PROFITS AND LOSS ACCOUNT</b>	€
<b>Operating income</b>	
Sales of goods purchased for resale Sales of finished goods	397.805,13
Income for services	0,00
<b>Net turnover</b>	<b>397.805,13</b>
Change in stock of finished goods and work in progress	0,00
Capitalized production costs	0,00
Attributable profit on long term contracts	0,00
Operating subsidies	0,00
Write-off of provisions and transfer of charges	0,00
Other income	<b>0,00</b>
<b>Operating costs</b>	
Purchase of goods for resale	-218.295,96
Change in stock	0,00
Purchase of raw materials, supplies and other consumables	0,00
Change in stock	0,00
Other purchases and external charges	0,00
State - Taxes and similar levies	0,00
Salaries and appointments	0,00
Social contributions	0,00
Depreciation and provisions :	0,00
* Fixed assets : depreciation/amortization	0,00
* Fixed assets : provision for loss in value	0,00
* Current assets : provision for loss in value	0,00
* Provision for liabilities - operating	0,00
Other expenses	-139.435,21
<b>OPERATING RESULT</b>	<b>40.073,96</b>
<b>Share of profits from joint ventures</b>	
Allocated gain or transferred loss	0,00
Allocated loss or transferred profit	0,00
<b>Financial income</b>	
Income from shares in and loans to group companies	0,00
Income from securities and other financial fixed assets	0,00
Other financial income	0,00
Write-off of financial provisions and transfers of charges	0,00





## DOING BUSINESS IN CHILE

Realised gains on exchange differences	0,00
Proceeds from sale of securities	0,00
	<b>0,00</b>
<b>Financial expenses</b>	
Depreciation and provisions expense	0,00
Interest expenses	-7.161,17
Realised losses on exchange differences	0,00
Net loss from sale of securities	0,00
	<b>-7.161,17</b>
<b>FINANCIAL RESULT</b>	<b>32.912,79</b>
<b>CURRENT RESULT BEFORE TAX</b>	<b>32.912,79</b>
<b>Extraordinary income</b>	
Extraordinary operating profits	0,00
Proceeds from sales of assets	0,00
Write-off of depreciations, provisions and transfers of charges	0,00
<b>Extraordinary expenses</b>	
Extraordinary operating expenses	0,00
Net book value of assets disposed of	0,00
Depreciations and provisions expenses	0,00
<b>EXTRAORDINARY PROFIT</b>	
Employees' profit sharing	0,00
Corporate tax and research tax credit	0,00
<b>Total income</b>	<b>0,00</b>
<b>Total expenses</b>	<b>0,00</b>
<b>NET PROFIT/LOSS</b>	<b>32.912,79</b>