



CÁMARA
CHILENO-SUIZA
DE COMERCIO A.G.

DOING BUSINESS IN CHILE



JORNADA CHILENA

MAY 6TH, 2011

LATIN-AMERICAN-SWISS CENTER
UNIVERSITY OF ST.GALLEN

Felipe Ernst Edwards

CHILE, FIRST OVERVIEW



Social

- Population 16.9 million
- Official Language Spanish
- Currency Peso (CLP) CLP 470 = US\$1
- Literacy rate 97%
- Life expectancy 78 years

CHILE, FIRST OVERVIEW



Economy

- GDP 2010 US\$ 258 billion
- GDP per capita 2010 US\$ 15,341
- Interest rate (Monetary Policy) 4.5%
- Unemployment rate 2010 8,2% (2011: 7,3%)
- Public debt (2009) US\$ 2.5 billion
- Exports (2010) US\$ 69,621 billion
- Imports (2010) US\$ 54 billion

Source: Central Bank of Chile (www.bcentral.cl)

GENERAL COMPARATIVE ADVANTAGES



- 20 Years of Democracy.
- 20 Years of Economic Growth.
- Rule of Law.
- Moderate Taxation.
- Active Government Support.
- Highly positive Business Environment (ranked 15 among 82 economies, Economist Intelligence Unit, April 2010. (www.eiu.com))
- Low Corruption.
- Good Infrastructure.
- Quality of Life.

FOREIGN TRADE: 20 Agreements with 57 countries.



Free Trade Agreements with all major partners (e.g. USA, EU, China, EFTA, Canada, Mexico, Japan and South Korea).

The FTAs cover a market of more than 4.8 billion consumers.

Customs duties for most products abolished or significantly reduced.

CORPORATE LAW



The most important corporate structures are:

- The Sociedad Anónima (SA)
- The Sociedad por Acciones (SpA)
- The Sociedad de Responsabilidad Limitada.

CORPORATE LAW



The Sociedad Anónima (SA)

- Is based on shareholder's capital.
- Foreigners may hold up to 100% of the shares.
- Liability limited to the contribution to the capital.
- No minimal capital.
- Administration by the board of directors.
- At least one representative with domicile in Chile.

CORPORATE LAW



The Sociedad por Acciones (SpA)

- Is very similar to the SA.
- The structure is very flexible: the shareholders may incorporate specific agreements in the company's bylaws.

CORPORATE LAW



The Sociedad de Responsabilidad Limitada

- Based on the partnership of two or more individuals and/ or legal entities.
- The partners may be foreigners.
- Liability is limited to the contribution to the capital.
- No minimal capital.
- Administration by the partners or an elected representative.
- At least one representative with domicile in Chile.

CORPORATE LAW



The founding procedure:

20 days if the founders are in Chile.

More if they are represented by proxy: Notarization and Legalization.

Costs in Chile depend on the capital; a reasonable average is USD 1,000.00 excluding legal fees.

CORPORATE LAW



Other formalities include:

- Registration with the tax authorities (SII); taxpayers number (RUT).
- Declaration of initiation of business activities to the SII.
- Municipal Licence.
- Special permits.

ACCOUNTING AND REPORTING



IFR-Standards apply for publicly traded SA.

All businesses must present their accounting to the tax authorities for control.

No statutory auditors required.

CURRENCY AND FINANCIAL TRANSFER



The Chilean Peso (CLP) is legal tender for all debts.
CLP 1.000.- are worth approx. US\$ 2.-

Financial obligations are usually expressed in UF
(Unidad de Fomento). At the current rate the UF is
worth CLP 21. 750 (May 6th, 2011).

Foreign exchange operations through authorized
banks and exchange houses; formal exchange
market.

TAXES



Business income tax (1st category): 17%.

Individual income tax (2nd category or complementary):
progressive rate of max. 40%.

General tax on payments abroad: 35%.

License fees: 30%.

Advisory services: 30%.

Interests on loans from authorized banks: 4%, others
35%.

SWISS-CHILE DOUBLE TAXATION AGREEMENT

General principles:

In force since 1.1.2011

Gains taxed only in the state of domicile.

Limitation on taxation at the source:

- Dividends: 15%.
- Interests: 5% loans from credit institutes; 15% others.
- License fees: 5% use of equipment; 10% others.

Chile grants tax credits. Switzerland grant exemptions.

VAT



VAT of 19% on customary sale of goods and services.

Services of employees and independent consultants (e.g. lawyers, tax consultants) are not subject to VAT.

The VAT paid on imports may be used as a credit against the VAT on the sale.

LABOR LAW



Profit sharing: At the election of the employer either 30% of the profits or 25% of each employees salary with a legal limit.

Severance payment: One month's salary (with limit UF 60) per year of service with limit of 11 years.

Liability for provider's respect of labor law and social security law.

SOCIAL SECURITY



Pension plan: Contribution 10% of the salary plus commission established by the fund (average 2.6%).

Health Care: Contribution 7%; max. 70 UF.

Unemployment: Employer's Contribution: 2.4%;
Employee's Contribution: 0.6%.

Exemption from contributions based on treaty.

Recht herzlichen Dank für Ihre Aufmerksamkeit!



Felipe Ernst

Figueroa Valenzuela & Cia., Abogados

Moneda 970, Piso 5

Santiago de Chile

+56 2 696 0171

fernst@fva.cl , skype: **felipernst**

