
Doing Business in Chile

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MSI's guide on *Doing Business in Chile* provides current information about the financial, regulatory and legal considerations that could affect business dealings within Chile. For further assistance please contact our MSI member firms in Chile.

Country overview

Population

Chile has a total population of 20 million inhabitants (2024). Official results from the 2024 census will be published during 2025.

Government

The Chilean Government is a representative democratic republic, unitary and presidential government.

The President is both the head of state and the head of government. In addition, the National Congress is divided into the Chamber of Deputies and the Senate. This branch of government carries out legislative power and shares executive power with the President. A separate judiciary branch carries out matters of legal concern.

The presidential term is 4 years with no immediate re-election. Chile has 16 regions, each with its own local authorities.

Languages

The national language is Spanish. However, a considerable amount of people speaks English especially in the capital.

Natural resources

Copper, gold, fishing resources, forestry resources, iodine, lithium, salmon, fruit, among others.

Currency

The national currency is the Chilean Peso.

Economic summary (*)

GDP: USD\$ 335,5 billion
Income per capita: USD\$ 28,533

Inflation: 4,39% (2024)

(*) World Economic Database IMF

Main sectors of the economy

Chile has built its recent economic success on the exportation of raw materials, most notably copper. Indeed, mining is Chile's biggest economic sector, agriculture and forestry are also key industries.

The company Codelco-Chile is the most important state-owned company, is the world's largest copper producer with an estimated 200 years of copper reserves.

With the opening of European and Asian markets, the export of forestry products, vegetables, fruit, fishmeal and fish, most notably salmon have increased significantly. Chile has also become a leading wine-producing country.

Other areas of opportunity and expansion include tourism. Chile, especially its adventure tourism sub-sector, has benefited from the recent boom in global tourism. This services sector has enormous potential for future development.

Economic Situation

The Chilean economy is recognized internationally as one of the most stable, open and competitive in Latin America, under the social economic model of prevailing markets.

Since 2010, the country has been a member of the Organisation for Economic Co-operation and Development (OECD).

According to the International Monetary Fund (IMF), in 2026, Chile's per capita GDP will reach US\$30,000, measured in

purchasing power parity (PPP), thus becoming the first country in South America to reach this objective.

This goal, previously estimated for 2022, was delayed for four years due to the pandemic.

In Chile, the Central Bank of Chile is the agency in charge of ensuring low and stable inflation over time. Its structures and its monetary policy within a conceptual framework of targets are used as instruments to ensure that the annual variation of inflation is around 3% annually with a tolerance range of one percentage point.

Chile continues to be the country in the region with the lowest credit risk and the best rating from risk rating agencies.

Although the global situation poses an uncertain scenario for all economies, the country continues to show leadership in terms of payment conditions, with solid legal and political institutions.

Setting up a business

Foreign investors can do business in Chile as individuals or through entities governed by the commercial code and other applicable legal regulations. It should be noted that there are no restrictions regarding the minimum or maximum amount of capital that any type of company may possess.

Our country has also established an attractive legal framework for foreign capital, whose pillars are economic freedom, non-discriminatory and non-discretionary procedures.

Practically all forms of business activity are permitted to the foreign investor. The government has issued special statutes, the "Foreign Investment Statute", in order to promote foreign investment.

Some minor regional investment incentives are available, granting special benefits to certain regions of the country.

Legal types of business entities

The following are the most common types of business entities in Chile:

1. Corporations ("S.A.").
2. Joint Stock Company ("SpA").
3. Limited Liability Companies.
4. Individual Limited Liability Company.
5. Partnerships.
6. Branch or agency of foreign companies.

Process of how to set up a business

Non-resident individuals and companies can operate in Chile in one of the following ways:

- Appointing a representative.
- Registering an agency or branch of a foreign entity.
- Setting up a business entity.

A. Appointing a representative.

Appointing a representative that acts based on a mandate or power of attorney, contained in an agreement that the non-resident principal confers to a Chilean resident individual or entity. The representative acts on behalf and at the risk of the foreign principal to carry out one or more business transactions. The principal and the representative are free to agree whether latter will receive any remuneration or not.

B. Registering an agency or branch of a foreign entity.

To establish branches of foreign companies in Chile, there is no need for formal approval from the government. A legal representative must be established on behalf of the foreign company, who

must legalize certain documents before a Chilean Public Notary. These must be written in the language of origin and be accompanied by a Spanish translation.

The required documents are the following:

- i. Proof that the company is legally established abroad and a certificate of good standing.
- ii. An authentic copy of the company's current bylaws.
- iii. A general power of attorney issued by the company to the legal representative that will represent it in Chile.

This power of attorney must clearly establish that the legal representative acts in Chile under the direct responsibility of the company and with ample powers to be able to act on its behalf.

Likewise, the legal representative must sign a public deed making certain declarations on behalf of the company,

Subsequently, an extract of the deed in the Commercial Registry must be registered and published such extract in the Official Gazette.

C. Setting up a business entity

Corporations are composed of shareholders that raise common capital.

Decisions are adopted through shareholders' meetings, and they are managed by a board of directors.

Shareholders: Formed by a minimum of 2 shareholders, with no maximum number of shareholders.

- Types: Corporations can be classified as open or closed.

- Open Corporations (S.A.A.): Those that registered in the Securities Registry ('*Registro de Valores*', in Spanish) kept by the Financial Market Commission ('*Comisión para el Mercado Financiero*', or 'CMF' in Spanish). Companies are required to register their shares in the Securities Register if they have had more

than 2,000 shareholders registered in the register of shareholders for twelve consecutive months, or such higher number as may be established by the Financial Market Commission via general rule, provided that such number does not compromise public faith, taking into consideration the type of shareholder, the nature of the company or similar circumstances.

- Closed Corporations: All the rest of stock corporations that do not meet the criteria for Open Corporations (S.A.A.).

- Liability: The liability of the shareholders is limited to the amount of their shares.

- Administration: They must have a board of directors, composed of at least three essentially revocable members, that appoint a manager and the chairman of the board.

- Oversight: Open Corporations must register with the Registry of Securities Issuers and are subject to oversight by the CMF. Closed Corporations are not subject to oversight.

- Transfer of shares: There is no legal limitation on the transfer of shares.

- Reserved business: There are certain businesses that are reserved for Corporations, and which are overseen by the CMF or another sectorial Superintendency (banks, insurance companies, public works concessionaries, general funds administrators, etc.).

Joint-stock Company, this is a variation of Corporations and are governed primarily by their bylaws, and their shareholders have quite a bit of freedom in the establishment of their provisions. In the silence of bylaws or of special standards that govern this type of companies, they are governed by the standards for closed corporations (most flexible option).

Limited Liability Companies or "LLCs" are partnerships in almost all respects, except that the members may limit their liabilities to a specified amount in the Articles of Association. The Articles

should specifically state the duration of the LLC, without prejudice to the possibility of automatic renewal or other arrangements that the partners consider appropriate to their particular needs.

This type of company requires a minimum of two partners and can have a maximum of 50 members.

The members are the owners of the social rights. The transfer, sale, assignment or disposal of their rights or the creation of interests in favour of third parties in the LLC, as well as any amendment to its Articles of Association, requires a formal amendment to the Articles of Association signed and approved by all the partners by means of a public deed.

The management of LLCs is flexible. The partners are free to determine the structure that best suits their needs. Typically, LLCs grant general management powers to one or more of their partners with sufficient authority to manage the entire business.

An *individual or natural person* can acquire the status of a legal entity under the figure of an Individual Limited Liability Company (E.I.R.L.). Equity is limited to what is stated in the deed and the proprietor only responds with their personal property up to the capital contribution to the company and the company responds with all its assets. EIRLs can carry out all types of civil and commercial transactions, except for those reserved by law for Stock Corporations (S.A.).

Process of Incorporation.

The process of incorporating a local business entity is relatively straightforward and can be completed within approximately 3-4 weeks.

For this purpose, a public deed outlining the Articles of Association of the business entity is required, which must be signed by all partners or shareholders of the business entity. An extract of this deed must be published in the Official Gazette and registered in the Commercial Register of the respective

Registry of Commerce within 60 days from the date of the public deed. In exceptional circumstances, the articles of association may also be recorded in a private instrument notarised in the registry of a Notary Public.

Once the business entity is incorporated, its legal representative must complete an initiation of activities form and apply for a tax identification number, known as *rol único tributario* or RUT, from the *Servicio de Impuestos Internos* (Internal Revenue Service). There are no costs associated with this process.

The business entity is also required to pay an annual licence fee to the Municipality of its domicile, which varies between 0.25% and 0.5% of the entity's capital, with a maximum of approximately USD500,000.- This municipal licence fee is payable in half-yearly instalments.

How to bring foreign capital into Chile

The transfer of foreign capital into Chile must be made using any of several legal statutes: Title I, Chapter XIV of the Chilean Central Bank's Compendium of Foreign Exchange Regulations.

To date, there are no restrictions applicable to credit, deposit, investment, and capital contributions operations. Only information requirements and execution of certain operations through the FEM (Banks and Exchange Houses) remain.

Bringing loans into the country

Foreign loans do not require prior authorization from the Chilean Central Bank for their entrance into the country.

To receive foreign currencies entered into the country, certain information regarding the operations must be submitted to the FEM entity involved, information that the Formal Exchange entity must send to the Chilean Central Bank before the funds are handed over to the debtor.

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

The payment of the capital, of the interest and other obligations related to the loan must be remitted through the FEM and the Chilean Central Bank must be informed through a commercial bank

Differential exchange rates

The foreign exchange regulations allow freedom in the setting of exchange rates for transactions on both the formal and the informal exchange markets. The principal foreign currency quoted in Chile is the US dollar and exchange rates for other currencies are usually linked to the dollar exchange rate.

Formalities

All individuals or entities that start a business activity in Chile must comply with certain administrative requirements. The principal requirements are:

- Taxpayer number (RUT).
- Declaration of initiation of activities.
- Municipal license.
- Sectored permits for some businesses, such as: health permits (SNS); environmental permits (SESMA); foresting permits (CONAF); agricultural and livestock permits (SAG); mining permits (SERNAGEOMIN); marine permits (DMM); air navigation permits (DGAC); and telecommunications permits (MTT), among others.

Financial year of taxes and financial accounts

The financial year is equal to the calendar year.

The entity's financial year cannot exceed twelve months and can end on any day chosen by the shareholders. However, for tax purposes, December 31 must be used as the year end date, although the Internal Revenue Service can authorize the use of a June 30 year end date.

Accounting and auditing

In general, any business or taxpayer is required to maintain complete accounting records: a cashbook, a journal, a ledger and a balance sheet register, or their equivalents.

Companies that operate in duty free zones, where incentives exist must keep

separate accounting records for these operations.

The accounting entries must be kept in accordance with **IFRS** principles.

Independent statutory audits

In general, only certain types of entities are required to appoint independent auditors. Such entities include banks, financial institutions, insurance companies, pension plans, publicly traded corporations, and cooperatives.

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

Public availability of financial statements

Certain entities (principally banks, financial institutions, insurance companies, pension plans, and publicly traded corporations) must file and provide quarterly and annual financial statements to the Financial Market Commission (CMF, for its acronym in Spanish). These statements are publicly available.

In addition, the annual financial statements filed in the CMF and those of an agency or branch of a foreign corporation must be published in a newspaper. Other entities are not required to file financial statements with any Government agency, and only exceptionally, other entities must provide financial information to Chilean authorities, for example, certain non-profit organizations, such as foundations with a certain amount of capital, must send a balance sheet to the Ministry of Justice.

Basic financial statements

1. Balance sheet
2. Statement of income
3. Statement of cash flows
4. Statement of equity
5. Notes to the financial statements

Incentives foreign investors/local investors

The best incentive is the opportunity to take advantage of the country's rich natural resources within a stable legal framework and a reasonable tax regime that does not discriminate between local and foreign investors.

There are also several tax concessions, regional incentives and industry incentives generally available to investors.

Tax Incentives, Double Tax Treaties to avoid double taxation and Chile has the largest network of DTT in Latin America, and all DTTs signed by Chile follow the OECD model convention with deviation.

Chile has entered into agreements to avoid double taxation with Argentina, Australia, Austria, Belgium, Brazil, Canada, China, Colombia, Croatia, Czech Republic, Denmark, Ecuador, France, India, Ireland, Italy, Japan, Malaysia, Mexico, Netherlands, New Zealand, Norway, Paraguay, Peru, Poland, Portugal, Russia, South Africa, South Korea, Spain, Sweden, Switzerland, Thailand, United Arab Emirates, United Kingdom, United States of America and Uruguay.

In addition, Chile is part of the Multilateral Convention to Apply Measures Related to Tax Treaties to Prevent Base Erosion and Profit Shifting (MLI) since March 1st, 2021.

Chilean law provides special incentives for:

- The oil industry.
- Operations in free trade zones in Chile.
- Operations in Regional Incentives zones.
- Exporters.
- The forestry industry.
- Research and development activities.
- Solar thermal systems.
- Investments in the Araucanía region.
- Small and medium enterprises (PYMES for its acronym in Spanish) taxed under its special regime (PYME regime) are allowed to apply instant depreciation of 100% of the value of fixed assets.

Taxation

The administration, inspection and interpretation of tax Law of the main taxes are the responsibility of the Internal Revenue Service (*Servicio de Impuestos Internos* or SII). Its main responsibilities are to control tax evasion and assess taxes within the Chilean

Territory. The collection process fall on the General Treasury Service (*Tesorería General de la República*).

In the event of a disagreement between the taxpayer and the SII, the administrative procedure is carried out in first instance before the Tax and Customs Judge, and their jurisdiction is determined based on regional territories. Second instance is responsibility of the Courts of Appeals and, finally, cassation appeal based on procedural or substantive arguments can be filed before the Supreme Court.

The statute of limitations is three years from the date on which the payment of the corresponding taxes should have been made. In special cases, for example, if taxes were not filed or the SII deems as malicious or fraudulent the tax submission the statute of limitation is extended to 6 years.

The taxes of general application to a business in Chile are the following:

1. Corporate and personal income taxes
2. Value Added Tax or VAT
3. Capital Gain Tax
4. Stamp Tax
5. Municipal business license
6. Real Estate Tax.

VAT

The general VAT rate is 19%.

VAT is levied on sales, services, and other taxable events the law assimilates to the aforementioned, such as imports of goods.

VAT taxable base considers the price of the sale or the remuneration paid for the service, and submission and payments duties usually falls on seller or service provider, unless change of subject applies.

Chile taxes digital economy with general 19% VAT rate, and in this case, specific duties for foreign service providers applies.

Income tax

Income taxation in Chile is based on two factors: the taxpayer's place of residence and the source of the income.

Entities resident or domiciled in Chile are taxed upon their worldwide income. As a rule, non-residents are subject to tax only for their Chilean source income, Permanent establishments of non-Chilean residents would be subject to tax only upon their Chilean source income.

Withholding Tax, that is the income tax levied on individuals or legal entities without residence or domicile in Chile is called "Additional Tax".

Individuals with domicile or residence in Chile are subject to income tax over all the revenue received by them, despite to their geographic source. The revenue earned by them as dependent employees is subject to the sole Wage Tax called "Second Category Tax". In all other cases, their income is subject to "Surtax".

Corporate Tax in Chile is named as "First Category Tax" or FCT and it levies income derived from activities which capital play a relevant role on its generation. First Category Tax rate is 27% as a general tax regime, but small and medium enterprises may apply for a special regime in which First Category Tax rate is 25% (12,5% during the 2024 calendar year).

All resident taxpayers, whether individuals or corporations, are subject to taxes on their total income, wherever earned, with the sole exceptions of foreign individuals who only pay taxes on Chilean source income for their first three years in the country. This period can be extended.

Foreign source income is taxed in Chile on a cash basis unless Chilean "controlled foreign company" Rules or CFC Rules apply. By this regime, foreign passive income of a controlled entity is recognised in Chile on an accrual basis.

Capital Gain Tax

In general Capital Gains are taxed as normal business income.

In some cases, the sales of shares or funds quotas are subject to FCT as a sole tax provided certain requirements are met.

A preferential tax regime is available in case of gain derived from the sale of shares or funds quotas in Stock Exchange provided legal requirements are met.

Capital Gains Tax 0 - 10% - 27% - 35%

Stamp Tax

Stamp Tax is levied on the documents issued in connection with money lending operations, at a fixed percentage over their amount for every month ranging from their issuance and their maturity. Stamp Tax ranges from 0.066% up to 0.8% of the principal amount, depending on the maturity date (from one month or less up to 12 months or more). Loans without a maturity date or which are payable on demand are subject to a tax of 0.332%.

Municipal business license

This license taxes the exercise of any profession, job, industry, trade, art or any other secondary or tertiary lucrative activity, including investment companies.

All of them are subject to a municipal contribution that is paid through the respective municipal license.

The municipal license is calculated based on the net tax equity informed by the business to the tax authorities. The rate to be applied ranges between 0.25% and 0.5% depending on the Municipality.

Withholding taxes

The most common Withholding tax is applied to dividends made abroad, taxed with a 35%.

If the recipient of a dividend is a non-resident, dividends will be subject to Additional Tax (a type of withholding tax) at a 35% rate. First Category Tax (Corporate Tax) that has already been paid can be used as tax credit against this Additional Tax. If the dividend is paid from a Chilean company registered

under the SME Corporate Tax Regime, the credit for First Category Tax is 100%. In turn, dividends paid from Chilean companies under the General Tax Regime, the credit for First Category Tax is only a 65% creditable against the Additional Tax unless the recipient of the dividend is domiciled or resident in a country that has signed a double tax treaty with Chile, because in this case the First Category Tax credit is fully creditable (100%).

HR/ Labour Law**Employment law**

The Chilean Labour Code regulates the labour relationship between employee and employer, the employment contract, the different types of contracts, as well as the rights and obligations arising from the labour relationship for both parties.

Article 7 of this code defines the individual employment contract as "an agreement by which the employer and the employee reciprocally commit the latter to render personal services under the dependence and subordination of the former, and the former to pay a determined remuneration for these services."

System applicable to all workers, whether national or foreign.

As for the term, there are three types of employment contracts:

- Open-Ended Contract
- Fixed-Term Contract
- Contract for Works and Services

Social security

Each employee is obliged to contribute to the pension system, paying 10% of their taxable remuneration in a pension fund administrator. However, foreign professionals and technicians providing services in Chile may be excluded from contributing to the Chilean social security system (only pension funds and health insurance), provided that they meet the requirements established in Article 1 of Law No. 18,156, i.e., they are members of a foreign social security system that grants benefits similar to those provided in Chile (retirement,

disability, illness and death), and that the employee expressly states in the employment contract the willingness to keep their membership abroad. This exemption does not include payments for work-related accidents and occupational diseases, and unemployment insurance.

It is important to mention that Chile has effective International Social Security Agreements with several countries: Germany, Argentina, Australia, Austria, Belgium, Brazil, Canada, Colombia, Denmark, Ecuador, Spain, United States, Finland, France, Holland, Luxembourg, Norway, Paraguay, Peru, Portugal, Quebec, United Kingdom, Czech Republic, Republic of Korea, Sweden, Switzerland, Uruguay, in addition to the existence of an Ibero-American Multilateral Agreement.

Pension

Employees who join the labour force have been required to contribute to the private system administered by pension fund administrators ("AFPs", as per its acronym in Spanish) under an individual capitalization scheme.

Employees' contributions to private pension funds are withheld from monthly compensation at a fixed percentage and based on a monthly remuneration.

The age the pension starts varies depending on the future mortality rates but will be 65 years for men and 60 years for women.

Payroll

When starting a business and employing staff, the company must register with the tax authorities.

Wage Tax called "Second Category Tax" and social security is paid monthly to the tax authorities.

Hours worked

The normal working week is limited to 44 hours until April 2026, which will be reduced to 42 hours per week.

From April 2028 the working day will be limited to 40 hours per week. The weekly

working day may be divided into a minimum of 5 days and a maximum of 6 days, with a break on Sunday as a general rule.

In general, a minimum break of 30 minutes must be allowed in the middle of the day for feeding. Such period is not considered as worked time, and therefore is not added to the working week. If working conditions require continuity of labour, a shift system may be established with the approval of the Labour authorities.

The normal working period may be extended by mutual written agreement to a maximum of two hours more a day, provided such an extension is not detrimental to the health of the worker. These overtime hours will be paid with a 50% surcharge on the value of the ordinary hour.

Human rights and labour relations

According to Chilean law, human rights are a limit on the employer's powers of management and discipline, so that companies must take all necessary measures to avoid violating these rights in the course of the employment relationship.

Companies found to have been involved in human rights violations during the relationship by a court of justice will be excluded as suppliers to the government for a period of 2 years. Also, if the violation occurs at the time of the worker's dismissal, he will be entitled to an additional compensation ranging from 6 to 11 monthly wages, as mentioned above.

Visa and work permits

Citizens from some countries must obtain a visa before entering the country. In the case of certain South American countries such as Argentina or Brazil an identity card is sufficient. This matter is based on reciprocity.

Temporary residence is required to perform any kind of remunerated activity in the country.

Temporary residence is the permit granted by the National Migration Service ("SERMIG", as per its acronym in

Spanish) to foreign persons who intend to settle in Chile for a limited period of time, which will be valid for up to 2 years, except for the subcategory of seasonal workers.

Unions

Unions are regulated by the Labour Code, which recognizes the autonomy of these organizations. According to the law, its main purposes are to represent employees in exercising their rights, verify compliance with labour legislation and social security, assist its associates, promote education, and improve workplace safety and provide non-profit services for members. Employees are free at any time to become members of the union, to resign from membership or even to stay.

Employees may be members of only one union in a company. The law allows for more than one union in each company. Union directors (3 to 9 councillors, depending on the number of members) may not be dismissed without the permission of the labour courts.

Termination of employment contract

The Labour Code lays down provisions concerning termination of employment contracts.

There is no termination of employment without cause in Chile (except for managers, domestic servants, and exclusive trusted personnel), so termination must be based on causes authorized by the Labor Code. Under this law, the employment contract may be terminated only by agreement between employer and employee, by resignation of the employee, by death of the employee, by expiry of the fixed term agreed in the contract, the completion of the work which gave rise to the contract, for reasons beyond the control of the parties (force majeure) and for dismissal by the employer.

The employer may dismiss the employee on the general basis of the needs of the enterprise, such as changes in the state of the economy, rationalisation of the enterprise. In this scenario, the employee will be awarded the following severance pay: (i) Compensation for

years of service awarded to the employee, is 30 days of monthly base pay for each year or fraction of the year during the six months spent in the same employer's service, with a cap of 330 days of monthly base pay. If notice of dismissal is not given 30 days in advance, the employee will be entitled to severance pay equal to one month's base salary.

The employee can sue the company for unjustified dismissal before a Labor Court and if the employer does not provide evidence on the actual need of the company to dismiss the employee, the company will be obliged to pay an additional 30% of the compensation to the employee.

Employees may also be dismissed for cause, i.e., serious breach of contract by the employee, gross misconduct, sexual harassment, workplace harassment, etc., in which case the employee is not entitled to severance pay.

However, the employee may challenge the dismissal in a Labour Court, claiming unjustified dismissal and if the Court rules in favor of the employee, the company is obliged to pay the compensation indicated plus an additional fine of 80% up to 100% of the compensation calculated above.

Within 10 business days of termination of employment, the employer must provide the former employee with a final settlement and pay him any legal or contractual compensation for termination of employment as well as any other outstanding amounts.

Unemployment Insurance

Unemployment Insurance is jointly financed by the worker (the employer must withhold this contribution), the employer and the Chilean State. In the case of open-ended employment contracts, these contributions consist of:

- Employee: 0.6% of the gross wage, with a ceiling of UF 126.6, effective as of January 2024.
- Employer: 2.4% of the gross wage

Contact us

The information provided in this guide cannot be exhaustive and we recommend anyone considering doing business in Chile should seek professional advice from our member firms before making any business or investment decision.

Contact our member firms in Chile to discuss your requirements:

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