



商業信託
Commercial Trust



Country Profile: Chile

The Facts

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| Location | South America, bordering along the coast of South Pacific Ocean |
| Languages | Official – Spanish Spoken – Mapudungun, German and English |
| Nationality | Chilean |
| Religions | Roman Catholic – 70% Evangelical – 15.1% None – 8.3% Other – 6.7% |
| Government | Republic |
| Head of Government | President |
| Legislature | Bicameral National Congress |
| Constitutional Document | Political Constitution of the Republic of Chile |
| Economy | Chile is an upper-middle income economy. It ranks 1 st for the most competitive country in Latin America. The economy is supported by fishery, forestry, wine, mining, financial and tourism sectors. The government offers investors a tax-friendly business environment, with high economic freedom and transparency, shaping Chile to the lowest risk country in Latin America in terms of economic stability, monetary discipline and political and fiscal equilibrium. |
| Currency | Chilean Peso (CLP) |
| GDP (2011) | Total – CLP 120,170.70 billion Per capita – CLP 6,907,950 Real GDP growth – +5.9% |
| Population | 17,067,369 (approx.) |
| Percentage of population | White and white-Amerindian – 95.4% Mapuche – 4% Others – 0.6% |
| Area | 756,102 km ² |
| Time zone | CLT (UTC -4) CLST (UTC -3) |
| Public Holidays | National holidays – 17 |
| Climate | Temperate, desert in north, Mediterranean in central, cool and damp in south |



Sources: Chile Business Council in China, Central Intelligence Agency, International Monetary Fund

Chile

According to 2010-2011 Global Competitiveness Report by the World Economic Forum, Chile ranked 30th out of 139 countries. The report also recognized Chile as the most competitive economy of Latin America. Chile is also one of the few countries that easily handled the global financial crisis during 2008-2009. The country is one of most preferred investment destinations for most foreign investors round the globe. Let's take a look at some major reasons why Chile is considered as an investor's paradise.

The Chile Business Climate

There are seven major reasons to invest in Chile.

- **Sustained economic growth:** According to statistics from www.investchile.cl, average annual growth rate of Chile's economy during 1985 and 2010 had been 5.5 percent. This is the highest average annual economic growth rate in Latin America, and one of the most impressive economic growth rates in the world during that period.
- **High GDP growth rate:** According to the Central Bank of Chile, the country's average annual GDP growth rate was 4.8 percent during 2004 and 2011. Moreover, with around 6 percent annual GDP growth in 2011, Chile's capita income reached US\$14,413, making the country's PPP reach at US\$16,171. It doesn't require mentioning why this is a perfect time to invest in Chile.
- **Globally integrated economy:** According to International Economic Relations General Management, Chile is a member of around 20 trade agreements. The country has trade agreements with around 58 countries in the world. More interestingly, countries that have trade agreements with Chile account for more than 90 percent of the world's GDP. Chile is also the first Latin American country to become a member of the Organization for Economic Co-operation and Development (OECD) in 2010.
- **Low corporate income tax rates:** In order to encourage foreign investments in the country, Chile charges one of the most competitive corporate income tax rates in the world. The country has corporate income tax rate of only 17 percent.
- **Favorable business environment:** According to Doing Business Report by the World Bank Group, Chile's ranking improved from 41 in 2011 to 39 in 2012. The report ranks 183 countries worldwide in terms of ease of doing business. Moreover, according to Economic Freedom Index 2010, Chile ranked 10th among 179 countries. Quite obviously, the country offers a great business environment for foreign investors.
- **Highly knowledgeable and skilled workforce:** Chile has several highly acclaimed business schools, colleges and universities. With high educational standards, the country creates some of the best talents in Latin America. Foreign investors who want to invest in Chile can easily find highly skilled and talented workforce. Moreover, cost of hiring talents in Chile is comparatively lower as compared to other American and European countries.
- **State-of-the-art infrastructure and world-class connectivity:** Chile had 18 international airlines, 23 private ports, 10 state ports, 37 airports, as of 2011. Moreover the country has a highly advanced and regularly maintained transport system. All these help foreign investors to save time and money when doing business in Chile.

Apart from all the above reasons, Chile benefits foreign investors with active government support, low rate of corruption, high living standards.

Types of Business Organizations in Chile

Depending upon business strategy, investment amount, and other factors, foreign investors require choosing an appropriate business structure when forming a company in Chile. Following are the two most popular business structures in Chile.

- **The Sociedad Anonima (SA):** This is similar to a corporation. This type of company is formed by a common fund provided by shareholders. Some important features of this business structure in Chile include:
 1. This type of company is administrated by the board of directors, with at least three members.
 2. There should be at least one representative with domicile in Chile
 3. There is no restriction on shareholding by foreigners. They can hold up cent percent of the company's shares.
 4. No minimum capital requirement
- **The Sociedad de Responsabilidad Limitada:** This corporate structure is similar to a limited liability company. It is perhaps the simplest form of corporate structure with minimum reporting requirements and minimum official formality. Most foreign companies chose this business structure when forming a company in Chile. Following are some major features of this business structure:
 1. Requires forming partnership among a minimum of two individuals or entities
 2. No minimum capital requirement
 3. The administration committee may include partners or an elected representative
 4. The administration committee should have at least one representative with domicile in Chile
 5. All partners may be foreigners

Forming a limited liability company in Chile requires certain special permits, licenses, and registration with tax authorities.

- **General Partnership or Sociedad Colectiva:** In this form of doing business in Chile, all the partners have the right to administrate the business, either individually or via an elected representative. Each partner is also responsible for the legal liabilities of the partnership. A general partnership of this type can be created by the partners or their representatives signing a duly notarized deed, which contains a minimum of the following information:
 1. The names, addresses and professions of each partner
 2. The name of the partnership, which needs to include the name of at least one of the partners and is followed by "y compañía" (and company)
 3. The object of the partnership
 4. The capital contributed by each partner
 5. How the profits and losses will be assigned to the partners
 6. When the legal existence of the partnership will begin and end
 7. The amount each partner will draw each year for personal expenses
 8. How the partnership will be liquidates and how the assets will be distributed among the partners
 9. How differences between the partners will be resolved (with or without the use of an arbitrator)

The partnership deed should be filed with the Register of Commerce within 60 days of the creation of the partnership.

- **Limited Partnership or Sociedad en Comandita:** Here, some of the partners contribute the capital without the right to administrate the business. These partners therefore have limited liability. One or more of the remaining partners are then designated to manage the business with unlimited liability for all debts and losses. The requirements for creating a limited partnership are the same as those for a general partnership.
- **Association or Cuentas en Participación:** This is a contract between two or more entities or individuals to share in commercial transactions that are to be carried out by one of the entities in their name. Here, the entities share all profits and losses that might arise equally with each other. There are no legal requirements for creating an association.



Setting up a Business in Chile

According to Doing Business 2012 report by the World Bank Group, starting a business in Chile takes only 7 working days in 2012. This is one of the reasons why Chile's ranking in terms of ease of starting a business improved from 62 in 2011 to 27 in 2012. Following are seven major steps towards establishing a "standardized company" in the country.

- **Step 1:** According to Law No. 20494, forming a company in Chile requires notarizing articles of incorporation. This process takes one or two days and costs around US\$ 250. The notary should send an excerpt of the public deed to the Commercial Registry and to Official Gazette.
- **Step 2:** The next step is to get a registration certificate from the Commercial Registry. Request for registration can be processed online. Completing this procedure takes only 2 working days. This requires paying US\$ 15, plus an amount of 0.2 percent of the capital.
- **Step 3:** The newly formed corporation should then get the Rol Unico Tributario (tax registration number). Moreover, the company should also submit a description about the company to the Internal Revenue Service. The description of the notification should include domicile, nature, investment, and proposed activities of the business. This takes only one day, and doesn't require paying any fee.
- **Step 4:** The next step is to print receipts and invoices of the company. By law, they should print these receipts from an authorized printing company in Chile. This step takes around one day. Usually the cost of printing a 50-pages book requires around US\$ 43. The company can print invoices and receipts only after the tax registration number has been obtained. This is because the invoices and receipts should include the tax registration number.
- **Step 5:** After printing is complete, all printed documents should be sealed at the IRS. This does not require paying anything, and takes only one working day.
- **Step 6:** After this, the company should contact with the competent municipality to get a "patente municipal" working license. Step5 and Step6 can be completed at the same day.
- **Step 7:** This step requires registering with the labor-related accident insurance. This step also takes only one day, and can be completed simultaneously with the previous procedure. This also doesn't require paying any fee.



Taxation

Tax requirements for doing business in Chile are lower than most other countries in the world. Moreover, the country has a very simple, fair, and corruption free tax system. Among the members of the Organization for Economic Co-operation and Development (OECD), Chile has the lowest personal income tax rate. Depending upon monthly units of levy, payable income tax rate in Chile may vary from Zero percent to 40 percent. Following are some major features of the country's tax laws.

- The country doesn't charge any tax on foreign sales for companies that are based in Chile but selling products and services in other countries.
- There is a three year tax holiday on all foreign sourced income outside of Chile for new permanent residents of the country.

With proper advanced tax planning, foreign companies can gain several other tax benefits when doing business in Chile.

Taxes are levied at the national level in Chile. The main sources of tax are:

- Corporate and personal income taxes
- Value-Added tax
- Import duties

Immigration and Visa Requirements

Unlike many other Latin American countries, Chile doesn't hold any 'minimum investment' criterion for those applying for immigration and business visa. In fact, Chile's visa and immigration systems are much simpler and corruption-free than any other Latin American countries.

Those who want to visit the country before making an investment can apply for tourist visa as well. However, American citizens don't require a visa for visiting Chile and can stay there for less than 90 days. Citizens of other countries, however, should get a tourist visa from the Chilean Consulate to be able to visit the country for touring or business purpose. Applying for tourist visa requires visiting the Chilean Consulate in person.

Those who are going to start a business in Chile may apply for business visa or investment visa. These visas are initially granted for one year. Although getting a business visa is easy, the visa renewal process is quite stringent. For getting an approval on renewal application, the company requires proving that their business in Chile is legitimate and profitable to the Chilean economy. It is recommended that foreign investors should take professional help when applying for business visa or business purpose immigration in the country.

Reference

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