

CHILE



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DOING BUSINESS IN LATIN AMERICA AND THE CARIBBEAN

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The following currency notations are used in this book.

ARS	Argentinean Peso	DOP	Dominican Republic Peso
BSD	Bahamian Dollar	GTQ	Guatemalan Quetzal
BRR	Brazilian Cruzeiro Real	HNL	Honduran Lempira
KYD	Cayman Dollar	MXN	Mexican New Peso
COP	Colombian Peso	NIO	Nicaraguan Córdoba
CRC	Costa Rican Colón	PYG	Paraguayan Guarani
USD	United States Dollar	UYU	Uruguayan Peso

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Chile's business environment is the result of a policy-driven strategy that has focused on building sound macroeconomic fundamentals and strong institutions, promoting competition and international integration, and creating a more equitable society in which all citizens benefit from economic development. Its open and export-driven economy, combined with an active policy of bilateral, regional and multilateral trade agreements, has meant a steady increase of foreign trade in goods and services and in the country's competitiveness.

Chile offers numerous advantages to the potential investor. The Chilean market is open, stable and well regarded both regionally and worldwide. Free trade agreements allow companies in Chile to access 86% of the world's GDP while the government's macroeconomic policies provide market stability and decreased investor risk. Chile has also signed numerous double-taxation agreements which further aid the international investor in doing business. All of this, combined with an excellent location and highly developed public infrastructure, make Chile an ideal investment location.

FOREIGN INVESTMENT

Foreign investors in Chile can own up to 100% of a Chilean-based company, and there is no time limit on property rights. They also have access to all productive activities and sectors of the economy, except for minor restrictions in certain areas such as coastal trade, air transport and mass media. In the case of fishing, restrictions are subject to the rules of international reciprocity.

Any foreign individual or legal entity, as well as Chileans with residence abroad, can invest through Decree Law N° 600 (DL 600), provided that the investment involved is at least USD5 million. Under this regime, investors enter into a legally binding contract with the Chilean State, which cannot be modified unilaterally by the State or by subsequent changes in the law, unless they are duly indemnified. However, investors may, at any time, request the amendment of the contract to increase the amount of the investment, change its purpose or assign its rights to another foreign investor.

DL 600 guarantees investors the right to repatriate capital one year after its entry and to remit profits at any time. Once all relevant taxes have been paid, investors are assured access to freely convertible foreign currency without any limits on the amount, for both capital and profit remittances. They are guaranteed the right of access to the formal exchange market. The repatriation

of the capital invested is not subject to any tax, duty or charge up to the amount of the originally materialized investment. Only capital gains over that amount are subject to the general Chilean tax regulations.

Additionally, foreign investors must comply with a debt-equity-ratio (currently 25/75), when investing through DL 600.

The DL 600 acknowledges as foreign investment the following:

- Freely convertible currency
- Tangible assets
- Technology
- Credits associated to foreign investment
- Capitalization of foreign loans, debts and profits transferable abroad

Foreign investors may request a maximum time limit of three years to materialize their contributions. Investments of not less than USD50 million for industrial or non-mining extractive projects can request a time limit of up to eight years. In the case of mining projects, the time limit is also eight years, but, if previous exploration is required, the Foreign Investment Committee may extend it to up to 12 years.

SPECIAL ADVANTAGES

DL 600 offers some tax advantages for foreign investors. It offers several different tax options, but basically allows the investor to lock into the tax regime prevailing at the time an investment is made.

Invariability of the Fixed Overall Tax Rate

All Chilean companies must pay a First-Category Tax (Corporate tax) equivalent to 20%. Nonresidents are subject to an additional 35% withholding tax currently levied on distributed or remitted profits (Variable Tax Regime). Under DL 600, a foreign investor (nonresident) can opt to lock into an effective fixed overall tax rate of 42%—instead of the 35% tax rate—on taxable income for up to 10 years (Invariable Tax Regime). The lock-in can be waived at any time, but an investor cannot subsequently revert to the guaranteed 42% rate. The First-Category payment of 20% can be set against tax returns under both the Variable Tax and Invariable Tax Regimes. Interest paid to nonresidents is also subject to a 35% withholding tax; however, interest on loans granted by foreign banks or other financial institutions is subject to a 4% tax, provided that excess indebtedness provisions do not apply.

TAX REGULATION FOR MINING PROJECTS

The income tax law establishes a special tax on mining producers. Such tax, commonly known as “royalty,” was originally enacted in 2005 and has had several amendments. According to the current drafting of the rules, enacted on October 2010, mining companies with sales between 12,000 and 50,000 metric tons of copper (or its equivalent in other minerals) will be subject to a progressive tax scale from 0.5% to 4.5% of the sales. In the case of mining companies with sales exceeding 50,000 metric tons of copper (or its equivalent in other minerals) the progressive tax scale is calculated depending on the operational margin and ranges from 5% in case the operational margin is less than 35% of the gross income, to a rate of 34.5% in case the margin is less than 85%. Above 85% of margin, a flat 14% rate shall be applicable to the entire operational income. In the new regime, the value of the metric ton of copper shall be determined in accordance with the average value of Grade A copper during the respective period in the London Metal Exchange, which shall be published by the Chilean Copper Commission during the first 30 days of each year.

Transitory Article 3 of the law that enacted the new rules on royalty (Law 20,469) sets forth that the foreign investors who had filed a foreign investment application prior to 31 August 2010, will remain subject to the former rules on royalty. However, they may choose to become subject to the new regime. If they choose to do so, they will be subject to the following taxation regime:

For the first three years they will be subject to the tax scale indicated above calculated depending on the operational margin, but which will range from 4% in case the operational margin is less than 40%, to 19.5% in case it is less than 75%. Above 75%, a flat 9% rate shall be applicable to the entire operational income.

From the fourth year until the termination of the tax invariability periods set forth in each investment contract signed by such investors, they will be subject to the original tax invariability regime set forth in such contracts, i.e., they will go back for such remaining period to the tax regime that was applicable to them prior to the enactment of Law 20,469.

On the expiration of the invariability periods under each of the original investment agreements, and for a period of six years thereafter, the investors will be subject to the current tax rates set forth in articles 64 bis and 64 ter of the Income Tax Law, i.e., the progressive tax scale calculated depending on the operational margin and ranging from 5% in case the operational margin is less than 35%, to 34.5% in case it is less than 85%, and with a flat 14% rate applicable to the entire operational income in case the operational margin is higher than 85%.

After the expiration of the additional six year invariability period, the investors will be subject to the tax rates then in effect.

Therefore, the advantage of the new regime for the companies that choose to become subject to it is that, although it increases the rate for the first three years, it returns to the original regime after the third year and for the entire duration of the original invariability period under the original foreign investment contract, and then grants an additional invariability period of six more years during which the applicable tax rates will be those existing as of this date.

Invariability of Indirect Taxes

Under DL 600, the foreign investors have the right to request in their investment contracts for the invariability of a tax regimen during the time of their agreed investment for sale and services and import tariff applicable for machinery and equipment which are not produced in the country and which are included in a list compiled for this purpose by the Ministry of Economy. Goods that comply with these conditions will be exempt from payment of the corresponding value-added tax (VAT). The same invariability can be obtained by entities that receive such foreign investment, in the amount that the investment was made.

Foreign investors who enter into a DL 600 contract are exempted from VAT on other technology imports, provided they appear on the list referenced above published by the Ministry of Economy.

CHAPTER XIV OF THE FOREIGN EXCHANGE REGULATIONS OF THE CHILEAN CENTRAL BANK (THE CENTRAL BANK)

The foreign investor is subject to use this regime where no investments contract has been signed with the State of Chile.

This regulation applies to international exchange operations involving credits, deposits, investment and capital contributions from abroad, as long as the involved amount is not less than USD10,000. Basically, Chapter XIV establishes information requirements, which must be fulfilled by the investor vis-à-vis the Central Bank, when doing said international exchange operations.

Under this regime, investors have the right to repatriate capital and to remit profits at any time, and to access, for this purpose, the formal exchange market. This regime does not grant the special advantages referred above for the DL 600.

ACQUISITION OF LAND BY FOREIGNERS

Foreigners have the right to acquire land in Chile. The only limitation refers to land located in the state borders.

Residency Requirements

Foreigners traveling to Chile for business are allowed to enter the country without a special visa for a renewable period of 90 days (“tourist visa”). Foreigners who wish to work in Chile must obtain a visa subject to a labor contract. The basis of the application is a labor contract prepared according to Chilean labor law and executed by the employer in Chile. While the visa application is being processed, the employee will not be authorized to work until a special work permit is granted which will allow the foreigner to work during the visa approval.

ENVIRONMENTAL REGULATION

The Chilean Constitution, as well as Law N° 19,300, guarantees the right to live in a pollution-free environment, the protection of the environment, the preservation of nature, and the conservation of the environmental heritage. Law N° 19,300 contains the principles which inspire environmental law, as well as the instruments of environmental management. Among such instruments are the Environmental Impact Assessment System, quality and emission norms, and Prevention and Decontamination Plans.

Environmental laws are mandatory and binding for all investment projects, such as thermoelectric and hydroelectric plants, nuclear plants, mining, oil and gas plants; airports; highways and roads; ports, real estate developments in congested areas; water pipelines; manufacturing plants; forestry projects; sanitary activities: production, storage and reusing of toxic, inflammable and hazardous substances, regardless of whether these are public or private projects, among others.

In this context, and within the Environmental Impact Assessment System, the projects or activities must be environmentally assessed in order to determine whether they meet the thresholds set forth by Law N° 19,300. This assessment can be carried out through the filing of an Environmental Impact Study or Declaration, to determine if the effects, circumstances or characteristics set forth in Law No. 19,300 are generated by their execution. All projects that must be environmentally assessed as previously described shall be assessed by the Environmental Authority.

Additionally, Law N° 19,300 imposes liability to those who willingly or negligently cause environmental damage. Liability includes payment for cleanup of environmental damage and indemnification according to law. Failure to comply with the obligation to prevent damage to the environment, clean-up plans and with legal provisions are sanctioned with warnings, fines, temporary or permanent closure of facilities and even immediate suspension of the activity causing damage.

In January 2010, Law N° 20,417 came into effect thereby creating the Environmental Ministry, the Environmental Assessment Agency and the Environmental Superintendence, who, in general terms, shall be in charge of developing policies and environmental plans, as well as coordinating the environmental assessment of projects and activities and the control and sanction thereof. Moreover, Law N° 20,417 amended Law N° 19,300 in several aspects, some of them regarding the assessment of projects, as well as incorporating access to environmental information and strategic environmental assessment. In turn, on 28 June 2012, Law N° 20,600 was published, which created environmental courts. Said courts should become operational by the end of December 2012, thereby completing the installation of the new environmental institutions. In addition, with the start of operations of the environmental courts, all of the enforcement, punishment and control powers of the Environmental Superintendence shall come into effect.

TAX-FREE ZONE SPECIAL REGIMES

Chile has two tax-free zones, one in the northern port of Iquique and the other in Punta Arenas, located in the extreme south of the country.

Merchants and manufacturers in these zones are exempt from first-category corporate tax and from VAT and customs duties on imports. Goods can be re-exported without paying taxes, but goods sold within Chile must pay regular import duties and VAT upon leaving the tax-free zone.

In addition, goods that are moved to the area surrounding a tax-free zone (qualified legally as an “extension area”) are liable only for a tax of 0.6% on the CIF value of the goods. This can be set against import duties and VAT, if the goods are subsequently transferred to the rest of the country, or be reimbursed, if they are subsequently exported.

On 3 July 2012 the Executive Branch of the government sent to Congress a bill that seeks to create new tax-free zones in isolated areas of the country, particularly in Magellan.

COMPETITION AND ANTITRUST REGULATIONS

DL 211, as amended, promotes and protects free competition, prohibits monopolistic practices, such as agreements between competitors, abuse of dominant position and, in general, any other unfair practice that may limit economic freedom. DL 211 prohibits any practice, arrangement or agreement that prevents, restricts or hinders free competition or tends to produce such effect. DL 211 applies to all individuals and legal entities, including government companies, engaged in economic activities.

Amendment of acts, agreements or contracts, fines and the amendment or dissolution of legal entities may be imposed due to infringement of DL 211.

The merger control in Chile, save for some exceptions like radio and television, is voluntary. The parties of the transaction, the National Prosecutor or a third party with legitimate interest in the transaction, can submit the merger to the Antitrust Court for review.

BUSINESS ENTITIES

Among the legal alternatives for companies or individuals to structure their business in Chile, there are inter alia limited liability companies (*sociedades de responsabilidad limitada*, LLC), stock corporations (*sociedades anónimas*, S.A.), limited liability stock company (*sociedad por acciones*, SpA), contractual mining companies (*sociedades contractuales mineras*, SCM), and branches of foreign corporations (*agencia*).

In any of these alternatives, it is important to note that a representative with domicile in Chile must be appointed and registered before the tax authorities in order to act on behalf of the Chilean legal structure with relatively broad powers of attorney.

LIMITED LIABILITY COMPANY

This type of company is regulated in Law N° 3,918, as amended. The liability of the partners of LLCs is limited to the amount of their capital contributions as agreed in the bylaws (*Estatutos*). Partnership interest may be transferred only with the consent of all partners. There is great flexibility in the provisions that can be included in the bylaws.

Minimum Capital

No minimum capital is required and the timing for capital contribution is fixed in the bylaws.

Number of Partners

There must be at least two and not more than 50 partners who may be Chilean or foreign, individuals or companies.

Management

Management responsibilities are shared by all/some partners or by managers appointed by them.

Formal Requirements

LLCs are formed by the execution of the articles of association by public deed granted by a Chilean notary public, which abstract must be filed with the

competent Commercial Registry and published in the Official Gazette. The formation process takes approximately 15 to 30 days. The incorporation of LLCs requires no governmental approval.

INDIVIDUAL LIMITED LIABILITY ENTERPRISE

Law N° 19,857 established Individual Limited Liability Enterprises (ILLE). Only individuals may incorporate ILLE, which require neither minimum capital nor partners. It is managed by the owner of the enterprise or by managers appointed by the owner. Incorporation requirements are the same as those mentioned for LLCs. The owner is liable up to the amount of the capital obliged to contribute to the ILLE.

STOCK CORPORATION

Chilean corporations are governed by Law N° 18,046, as amended. Its capital stock is represented by shares, which may be transferred without any limitation. Shareholders' liability is limited to capital contributions made or promised to the corporation.

Stock corporations can be either open (listed) or closed corporations. Open corporations are those that:

- Make public offer of its shares under Law N° 18,045 of 1981, on the Capital Market
- Have 500 or more shareholders
- Have at least 10% of their subscribed capital belonging to at least 100 shareholders

Open corporations are registered in the National Securities Register and are supervised by the Superintendence of Securities (SVS). Financial statements of closed corporations must not be disclosed.

Minimum Capital Stock

There is no requirement on minimum capital stock, except for banks, financial institutions and insurance companies and others, such as stockbrokers. The capital of the corporation must be determined in the articles of incorporation (*Estatutos*) and may be increased or reduced by virtue of a decision of the shareholders' meeting. The initial capital must be fully paid within a three-year term. Except by unanimous consent, open corporations must distribute profits of no less than 30% of total net profits. However, closed corporations may expressly adopt another provision in its articles of incorporation.

Number of Shareholders

Stock corporations require at least two shareholders. Nonresident foreign individuals or legal entities can be shareholders of stock corporations. Such

shareholders, either individuals or entities, domestic and foreign must have a Tax Identity Number at the time of the incorporation of the stock corporation.

Shareholders' Meeting

This is the corporation's governing body and it is comprised of its shareholders.

An ordinary shareholders' meeting is held annually, inter alia to elect the members of the board of directors, and to approve the annual financial statements and distribution of dividends.

Special shareholders' meetings are held whenever called by the board of directors or by 10% or more of the shareholders, and only matters specified in the call may be discussed and voted on in the meeting.

Special shareholders' meetings are required for important issues like the dissolution, transformation, merger or division of the corporation, or the amendment of its bylaws.

Except for special cases as in those just mentioned above, resolutions of both ordinary and special shareholders' meetings shall be adopted by simple majority of the shares present with voting rights.

Board of Directors

The board of directors manages the corporation. It is elected in ordinary shareholders' meetings and consists of a minimum of three directors in closed corporations and a minimum of five directors in open corporations. Directors do not need to be shareholders and can be foreigners. The law does not limit the number of boards on which an individual may sit and does not impose a sanction for the lack of attendance to board meetings. Directors may physically be present to participate in board meetings or join the meeting through technical devices. Directors must discharge their duties with the care and diligence that individuals ordinarily use in their own business endeavors. Directors who as a result of their fraudulent or negligent acts damage the corporation, shareholders, or third parties, are held personally, jointly and severally liable for damages.

Management

The company may have one or more managers (*gerentes*) appointed by the board of directors. The manager is liable to the company and its shareholders for damages caused by his fraudulent or negligent actions.

Formal Requirements

Corporations are formed without special governmental authorization, although corporations dedicated to banking, insurance, mutual funds or stock exchange business do require such an authorization. A stock corporation is governed by

its articles of incorporation (*Estatutos*) contained in the public deed of incorporation, having been duly executed before a notary public. An abstract must be published in the Official Gazette and filed with the Registry of Commerce. The formation process of a closed stock corporation takes approximately 15 to 30 days.

An amendment to the articles of incorporation adopted by a shareholders' meeting is likewise published and recorded with the Registry of Commerce.

SOCIEDAD POR ACCIONES

A *Sociedad por Acciones* (SpA) is a stock corporation that may be solely owned by one shareholder. The capital of a SpA is divided into shares. Subsidiary SpA shall be regulated by the same laws as those governing stock corporations, and its provisions may not be contrary to the nature of the latter.

Minimum Capital

No minimum capital is required and the timing for capital contribution is fixed in the articles of incorporation, but may not be over five years.

Number of Partners

There may be only one shareholder, who may be Chilean or foreign, individuals or companies.

Management

There is significant flexibility in the choice of management structure, which shall be included in the articles of incorporation.

Formal Requirements

SpA is formed without special governmental authorization and is governed by its articles of incorporation contained in the public deed or a private deed of incorporation having been duly executed before a notary public. An abstract must be published in the Official Gazette and filed with the Registry of Commerce. The formation process of a SpA takes approximately 15 to 30 days.

An abstract of the amendment to the articles of incorporation adopted by its shareholders or in a public deed wherein all of its shareholders appear, must be published and filed in the Registry of Commerce.

FOREIGN CORPORATION BRANCHES

Foreign stock corporations planning to conduct business in Chile on a permanent basis can form a branch (*agencia*). The branch is not subject to the control of a governmental agency either in its formation or in its operation, with the exception of branches of foreign banks. The foreign corporation is required to appoint a representative in Chile, granting him broad powers of attorney. The

branch does not require a board of directors or other formalities for its management. Although the branch needs a certain assigned capital, there is no minimum requirement. Branches of foreign corporations must disclose on an annual basis a branch balance sheet.

In order to register a branch, the following documents in the official language of the country of origin, duly translated into Spanish, must be submitted for notarization before a Chilean notary public:

- Evidence of legal incorporation of the foreign corporation under the laws of the country of origin and certificate of present existence and good standing
- A copy of the current bylaws of the foreign corporation
- General power of attorney granted by the foreign stock corporation to the attorney in fact in Chile

This registered branch structure is considerably less used than the independent corporate structures described above. Branches may have certain practical problems derived from the fact that they are not independent legal entities from the foreign corporation, beginning with the direct responsibility of the head office for the acts of the branch.

An abstract of the public deed is registered with the Commercial Register and published in the Official Gazette. The formation process takes approximately 30 to 60 days, as the required documentation must be legalized and officially translated into Spanish.

Costs for the establishment of a branch are similar to the establishment of the independent corporate structures mentioned above.

CONTRACTUAL MINING COMPANY

This type of company is incorporated by the execution of its incorporation deed and charters, through public deed granted before a Chilean notary public, an abstract of which must be filed with the competent Mining Registrar. It must own at least one mining concession. It must have at least two shareholders, who may be either Chilean or foreign, individuals or companies. The shareholders are liable up to the amount of the contributions committed in the charter of the company. However, shareholders may agree to be liable for the company's obligations. The equity interest of the company is divided into shares. The parties are free to determine the form of management, including the creation of a board of directors. Notwithstanding the previous, the shareholders' meeting will always be in charge of the final management of the company. There is great flexibility regarding this type of entity, including distribution of profits in kind. No governmental agency is required to approve or supervise its operation.

TAXATION

The Chilean Tax System includes mainly income tax (*Impuesto a la Renta*), value added tax (*Impuesto al Valor Agregado*), stamp tax (*Impuesto de Timbres y Estampillas*) and import duties (*Aranceles*).

INCOME TAX

Residing individuals or domiciled legal entities in Chile are subject to tax on income derived from any source, either domestic or nondomestic. Nondomiciled/nonresident individuals or legal entities are subject to tax on income of Chilean source only. The four types of legal structures are subject to the same income tax treatment with few differences.

A tax holiday is granted to foreign individuals who recently arrive in the country and establish domicile or residence in Chile. During the first three years since its arrival, they will pay taxes only from its Chilean sources incomes.

The Income Tax Law contains the following taxes:

First Category Tax (Tax on Business Profits)

The First Category Tax (FCT) is a business profits tax. It is levied on income deriving from capital and from companies that undertake commercial, industrial, mining and other activities. FCT is levied on profits from any commercial activity.

The current rate of FCT is 20% and applies to income, which is calculated on a received or accrued basis. A loss incurred may be carried back and/or forward and deducted against profits without time limit. Inter-company dividends and profits received between local companies are exempt from FCT in the receiving company.

Second Category Tax (Tax on Employment Income)

Second Category Tax (SCT) applies to income from dependent employment, such as salaries. The SCT is a progressive tax, with rates ranging from 0% to 40%. It is calculated on total salary and remuneration for work, less compulsory and voluntary social security payments. The SCT is withheld and paid by the employer on a monthly basis.

Income earned by individuals from independent professional activities or any other lucrative occupation is not subject to SCT but is liable to pay the Global Complementary Tax (in case of residents) or Additional Tax (in case of nonresidents). Residents are normally subject to a withholding tax of 10% on gross income. The withholding tax received by the Treasury can be used as a credit against the Global Complementary Tax and, if the taxes withheld monthly are more than the final tax due, the taxpayer can claim reimbursement over the difference.

Global Complementary Tax (Personal Tax on Total Income)

Global Complementary Tax (GCT) is an annual tax, which affects individuals domiciled or residing in Chile and is levied on the overall taxable income. It is calculated on progressive rates ranging from 0% to 40%.

To calculate GCT, individuals who receive dividends should include the FCT paid corresponding to those dividends in the tax base and the income is thus grossed-up. The corresponding tax rate is applied on total income and the FCT already paid may be credited against the GCT due.

Additional Withholding Tax (Tax on Income Derived by Legal Entities or Individuals not Residing or Domiciled in Chile)

The Additional Withholding Tax (or Additional Tax) affects individuals or legal entities that are not residing or not domiciled in Chile and applies to income derived from Chilean sources (generally when the income is made available from Chile to a legal entity or individual resident in a foreign country). Additional Tax is normally paid through a withholding mechanism. Depending on the type of income, returns must be filed annually or monthly.

The general rate of Additional Tax is 35%, with lower tax rates applying for some types of income.

Royalties and other amounts paid for the use of trademarks and similar services are subject to a 30% tax rate. Royalties for the use of patents, computer programs and similar services are subject to a tax rate of 15%. However, if the beneficiary is related to the payer, the tax rate will increase to 30%.

Payment of engineering services, and professional or technical services rendered through an advice, report or map, supplied in Chile or overseas, is subject to a 15% tax rate, unless the beneficiary is a related party in which case the tax rate increases to 20%.

FCT paid at the corporate level can be used as a credit against the Additional Tax to which its owners are liable when they receive dividends or make profit withdrawals whether they are shareholders of a Stock Corporation, partners of a Limited Liability Company, or the Head Office of a Branch or Agency operating in Chile. A special ledger, known as *Fondo de Utilidades Tributables* (FUT), is required to track retained profits and the corresponding tax credit.

Foreign Tax Credit

At a unilateral level, taxes paid in foreign countries on certain commercial activities can be used as a credit against FCT in Chile. Any unused tax credits may be carried forward against future tax liabilities.

At a bilateral level, if there is a Double Taxation Treaty in force, all income taxes paid in one country are creditable in the other.

Capital Gains

Generally, capital gains are considered normal income and, as a result, are subject to ordinary taxation. However, in certain cases, capital gains by transfer or sale of shares in a Stock Corporation or of equity rights in a Limited Liability Company may be subject to a sole tax of 20% or entirely exempt under certain conditions.

Business Platform Companies

Law N° 19,840, enacted in November 2002, enables foreign investors to set up a platform company in Chile for channeling and managing investments in third countries, allowing them to tap into Chile's advantages, such as not paying Chilean taxes on earnings obtained from these overseas investments.

Companies set up as a Business Platform must be incorporated in accordance with Chilean law and can either be open-listed stock corporations or closed stock corporations, subject to the same regulations and governmental supervision as listed stock corporations.

Double Taxation Treaties

To date, apart from the Double Taxation Treaties in force with Argentina, Belgium, Brazil, Canada, Colombia, Croatia, Denmark, Ecuador, France, Ireland, Malaysia, Mexico, Norway, New Zealand, Paraguay, Peru, Poland, Portugal, Russia, South Korea, Spain, Sweden, Switzerland, Thailand and the United Kingdom, other Double Taxation Treaties have been signed with Australia and the United States, which are awaiting legislative approval prior to their effectiveness. Negotiations are underway with several other countries, for example, with South Africa.

All these Double Taxation Treaties, with the exception of Chile-Argentina, follow the OECD Model Convention.

VALUE ADDED TAX (VAT)

VAT is Chile's main consumption tax. It is levied at the current rate of 19% on sales of goods and services (with a few exemptions for some services), and on sales of real estate property when this is owned by a construction company and was built totally or partially by said firm. The same general rate applies to imports, recurrent or otherwise, made by any individual or legal entity.

VAT must be declared and paid on a monthly basis.

Exports are exempt from VAT and are entitled to reimbursement of the VAT borne on purchases of goods and services that are used as part of their export activity.

STAMP TAX

Any kind of document reflecting a loan or credit operation (e.g., bills of exchange, promissory notes or letters of credit) is subject to stamp tax at the rate of 0.05% of the face value for every month elapsing between the date of issuance and the maturity of the document with an overall cap of 0.6%. If the document has no expiration date, a sole tax rate of 0.25% should apply. Even foreign loans or credit operation not reflected in such documents are subject to this stamp tax at the moment they are registered in the accounting records of the Chilean borrower.

IMPORT DUTIES

There is a general 6% custom duty rate applied to all imports (with certain exceptions), unless they come from a country with which there is a Free Trade Agreement. To the extent the imported assets are used in merchandise exported abroad, the duties can be exempt. Imports are not subject to income tax provided that the transfer prices are among the market values.

INTELLECTUAL PROPERTY

In general, Chilean law provides for the protection of intellectual property, (that in its restricted civil law meaning includes, among others, copyright and related rights), as well as industrial property.

Such rights may be owned by any individual or legal entity, Chilean or foreign, save from some rights with moral content.

APPLICABLE REGULATIONS

Industrial property in Chile includes mainly trademarks, patents, utility models, industrial designs and drawings, geographical indications, appellations of origin and lay-out designs (topography) of integrated circuits.

These rights, including the procedure to obtain its recognition by the authority, its duration term, protection mechanisms among other related matters, are regulated mainly by Law N° 19,039 amended, by Law N° 19,996 and Law N° 20,160, and its Regulation, among others.

Intellectual property in Chile is governed by Law N° 17,336, as amended and its Regulation.

At an international level, Chile has also signed such agreements as the Berne Convention and the Paris Convention, along with the Patent Cooperation Treaty (PCT), WIPO Performance and Phonograms Treaty (WPPT), WIPO Copyright Treaty (WCT) and the Trademark Law Treaty (TLT).

Also, given the fact that Chile is part of the World Trade Organization, it is governed by one of its multilateral agreements, the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

It is also important to mention that Chile has replicated several international obligations contained in the intellectual/industrial chapters of the free trade agreements it has signed, such as chapter 17 of the Free Trade Agreement with the U.S. and title IV of the Free Trade Agreement with the EU.

APPLICATION REQUIREMENTS

Trademarks

Applications, along with payment, must be presented to the trademark register of the Chilean National Trademark and Patent office (INAPI). INAPI will examine the application and once the trademark subject to evaluation is formally accepted, it must be published in the Official Gazette. If there are no observations against or oppositions to it, the trademark will be granted and for all legal effects will be deemed as registered.

The aforementioned application can be presented by any legal entity or individual, Chilean or foreign, and in the cases where the presentation is made by a representative, the power of attorney granted to him/her for this purpose must be submitted along with the application.

Patents

It is necessary to file a text of the patent application in Spanish. That text must consist of a specifications presentation, set of claims and an abstract.

Patents application must also be filed to the INAPI, which after a preliminary examination will order its publication in the Official Gazette. After this is done, an expert will verify the compliance with the novelty, non-obviousness and usefulness requirements for industrial purposes. If the expert considers these requirements to be met by the application, he will issue a favorable report, which leads to the patent's granting.

A power of attorney must be presented together with the application if the applicant and the inventor are different persons.

Once the patent is granted, the owner can partially or completely assign his patent rights.

Copyright

This is done through an application for the registration of the work in the Intellectual Property Registry, operated by the Intellectual Rights Department of the Libraries, Archives and Museums Direction (DIBAM). The inscription has a

cost of 10%, 35% or 40% of one UTM equivalent to approximately USD80 as of October 2012.

It is important to mention that the Intellectual Property Registry is not authorized to reject applications, as well as that third parties are not involved in the procedure of the application, and that in connection with accepted international principles, this procedure grants only a presumption of copyright over the work with its registration.

TERM OF EFFECTIVENESS

Trademarks

Ten years as from the granting date. A registration can be renewed indefinitely before expiration for subsequent new terms of 10 years. No annuities are due during the time the registration is in force. Use of a registered trademark is not compulsory.

Patents

Twenty years from the filing date. No renewal is possible. Two annuities are due during the time the patent is in force.

Copyright

Protection is granted for the whole life of the author and is extended up to 70 years after author's death.

INDUSTRIAL PROPERTY OFFICE

The INAPI acts both as the registration authority and also as an administrative court in case of conflicts (oppositions, cancellations, etc.). The decisions issued by INAPI may be appealed before the new Industrial Property Appeals Court (*Tribunal de Propiedad Industrial*).

For copyright, the competent office is the Intellectual Property Registry (*Departamento de Derechos Intelectuales*) of the DIBAM.

LABOR LAW

The Labor Code, together with other labor laws, applies to the employer-employee relationship when it qualifies as under-subordination or dependency. When the services are performed without such subordination or dependency, the agreement is not ruled by the Labor Code but by the Civil or Commercial Code.

The Labor Code contains minimum mandatory conditions applicable to the relationship between employers and employees. The parties are entitled to

negotiate other conditions provided that they are above the minimum guaranteed by law. The Labor Code states that the rights contained in the labor laws cannot be waived. Therefore, notwithstanding any agreement of the parties to the contrary, the minimums contained by law are applied.

HIRING OF EMPLOYEES AND LABOR CONTRACTS

The agreement must be in writing, and executed within 15 days from the start-up of services. In case the employer does not comply with that provision, the employee's declaration on the content of the labor contract will be deemed as true.

BENEFITS AND LABOR RIGHTS

The maximum working period for employees is 45 hours per week; exceptions may arise due to the nature of the work or if parties agree on a shorter working period. Overtime must be paid with a 50% surcharge over the agreed remuneration. The regulations relating to working hours are not applicable to senior employees such as managers and executives or to those employees that work without direct and regular control or supervision. The labor authority may authorize special distribution of the working period, when the nature of the activity performed requires an ad hoc regime.

MINIMUM WAGE

A minimum wage is fixed by law every semester (currently approx. USD405 per month).

HIRING OF FOREIGN EMPLOYEES

A maximum of 15% of the employees are allowed to be foreigners. This rule does not apply to technicians and companies with 25 employees or less.

NON-WAGE LABOR COSTS

Each employee must pay contributions to pension funds, which are accumulated in an individual account. The contributions amount to 13% (approx.) of the salaries. They also must pay contributions for health care insurance, at a minimum of 7% of the salary.

TERMINATION OF EMPLOYEES; SEVERANCE BENEFITS

The employer may terminate the labor contract as may be required by the needs of the company. The unilateral termination of the contract by the employer triggers a severance payment. Such an indemnity can be agreed upon by the parties; in the absence of an agreement, the employer must comply with the severance payment equivalent to the last monthly remuneration paid to the

employee for every year worked with an upper limit of 330 days (11 months) and approximately USD4,200 per year of services rendered. In the case of employees with authority to represent the employer, such as managers, the employer does not need to invoke a cause of termination. Some causes allow the employer to terminate the labor agreement without the mandatory severance payments referred to above (e.g., gross misbehavior or dishonesty and other material breaches of the contract).

TRADE

IMPORT RESTRICTIONS

In general, Chile has a regime of freedom for foreign trade. Nevertheless, certain products such as foods, medicines, agrochemicals and some others require registration before importation, because of sanitary considerations. The fixed import duty is 6%. Chile has signed numerous Free Trade Agreements, especially with the European Union, the United States, Canada, Mexico and recently with China, that reduce or eliminate import duties for several or all products depending on the exporting country.

EXPORT RESTRICTIONS

There are no restrictions to the export of goods. Exports are exempt from VAT and enterprises are entitled to reimbursement of VAT on purchases of goods and services that they use as part of their export activity.

DISTRIBUTION PROTECTIONS

There are no limitations to the distribution of imported goods. A foreseeable and transparent customs regime exists, which guarantees liberty in foreign trade.

INTERNATIONAL INTEGRATION¹

Chile's open economy, combined with an active policy of bilateral, regional and multilateral trade agreements, has underpinned a sustained increase in foreign trade in goods and services and in the country's international competitiveness, consolidating its position as an active international player.

For imports from countries with which it does not have a trade agreement, Chile applies a flat-rate tariff of 6%. Its Free Trade Agreements (FTAs) and its low level of non-tariff barriers, make it one of the world's most open economies, a position that is further reinforced by the Double Taxation Avoidance Agreement it has signed with 24 countries.

¹ Chile Land of Opportunities, Foreign Investment Committee, second edition, June 2012

Chile's 22 trade agreements, covering a total of 59 countries, have expanded its domestic market of 16.8 million inhabitants to one of over 4,302 million potential consumers around the world (representing 85.7% of global GDP and 62% of the world's population). At present, 93% of Chile's exports take place under the preferential terms of these trade agreements, which include:

Free Trade Agreements: Australia, Canada, Central America, China, Colombia, EFTA (Norway, Switzerland, Iceland and Liechtenstein), Malaysia, Mexico, Panama, Peru, South Korea, Turkey and the United States.

Economic Association Agreements: European Union (EU), Japan and P4 (New Zealand, Singapore and Brunei Darussalam as well as Chile).

Economic Complementation Agreements: Bolivia, Cuba, Ecuador, Mercosur and Venezuela.

Partial Scope Agreements: India.

Agreements Under Negotiation (but not yet in force)

Nicaragua and Vietnam.

Agreements Under Negotiation (as of May 2012)

Thailand: Thailand is Chile's fourth largest Asian trading partner. Bilateral trade reached over USD800 million in 2012, with Chile exporting goods for USD287 million to Thailand and importing goods worth USD528 million from Thailand. Talks on a FTA between Chile and Thailand began in May 2011 and several rounds of negotiations have since been held to discuss tariff reductions. Thailand is of strategic interest to Chile since it's a members of ASEAN and has a market of over 68 millions inhabitants.

Trans-Pacific Partnership – TTP (Australia, Brunei, Malaysia, New Zealand, Peru, Singapore, the United States and Vietnam as well as Chile): These talks aim to create a free trade area bringing together the economies of the Asian Pacific region. The first round of talks took place in Australia in March 2010.

ANALYSIS OF SELECTED FTAS

European Union (EU)

The Chile-European Union Association Agreement, signed on 18 November 2002 and in force since 1 February 2003, established the complete elimination of tariffs and non-tariff barriers on trade in goods (excluding only some fishing and agricultural products), divided into six categories depending on the period for this process which reaches a maximum of 10 years. The agreement's full implementation began on 1 March 2005.

Since the agreement came into force, tariffs have been totally lifted on 7,426 products, representing 94% of those negotiated and 98.2% of Chile's exports to the EU.

In 2011, EU countries accounted for 18% of Chile's total exports. Its main markets in the euro zone were Netherlands, Italy, France, Spain and Germany. Imports from the EU were up by 27.2% in 2011. The growth of Chile's exports to the EU has been boosted by factors that include their increased competitiveness as a result of the lifting of tariffs.

United States

The Chile-U.S. FTA, signed on 6 June 2003 and in force since 1 January 2004, consolidated and increased the access of Chilean products to the vast U.S. market, which accounts for 19% of global GDP by establishing clear long-term rules for trade in services and investment as well as trade in goods.

Out of the 7,705 products covered by the agreement, 98% obtained immediate tariff-free access. This has increased to 99%, and as from 1 January 2015, 100% of trade between the two countries will be tariff-free.

In 2011, bilateral trade between Chile and the United States reached USD23.822 million, up by 41.3% from the previous year. This represented 15.4% of Chile's total foreign trade, up by two percentage points from 2010, due principally to a 28.7% increase in its exports to this market. Tariff liberalization means that Chilean products now compete on more favorable terms, with the agribusiness sectors as the main beneficiary.

China

With a population of close to 1.350 billion and sustained growth of over 8% in recent years, China is today the most important player in the world economy, accounting for 14% of global GDP. Under the FTA, tariffs were immediately lifted on 92% of Chilean products and on 50% of China's exports. The Chilean products included copper and other minerals, market garden produce, fish oil, pork and other processed food while tariffs on fresh and frozen salmon, apples and grapes will be eliminated over a period of 10 years.

The Chile-China FTA, signed on 18 November 2005 and in force since 1 October 2006, was the result of rapid and effective negotiations. As well as boosting bilateral trade and eliminating barriers, it establishes a framework for future regional and multilateral cooperation. Tariffs have already been totally eliminated on 63% of the products negotiated and under the agreements, 7,336 products exported by Chile will have duty-free access to the Chinese market by 2015.

Since this FTA came into force, China has increased its importance in Chile's foreign trade, emerging as its single largest trading partner. China is today indeed its largest export market and its second largest supplier of imports.

South Korea

The Chile-South Korea FTA, signed on 15 February 2003 and in force since 1 April 2004, has led to an approximately three-fold increase in bilateral trade. By 2010, 6,938 Chilean products had obtained tariff-free access to the South Korean market and a further 59 products were added in 2011, representing in total 93% of Chile's exports to this market.

This FTA has proved important in expanding the range of Chile's exports to South Korea. This is reflected not only in the number of products but also in the number of exporters, which now reach over 450, up from 288 in 2003. South Korea is, as a result, Chile's fifth largest export market and its seventh largest supplier while Chile's exports to this market are growing at annual rate of 6%.

Malaysia

The Chile-Malaysia FTA came into force on 18 April 2012 and eliminates tariffs on 98.6% of Chile's exports to Malaysia and 95% of its imports from this country. The Malaysian economy is similar to that of Chile but also complementary in that it imports raw materials and food and exports fuels and manufactured goods. In terms of market potential it is important to note that it has a per capital income of close to USD 14,700.

Chile's annual exports to Malaysia reach over USD 210 million and, since the 2009 world economic crisis, have shown a positive trend, expanding by 106% in both 2012 and 2011, while over the past five years the number of companies engaged in bilateral trade has increased by 24% to 759.

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