Cariola Díez Pérez-Cotapos

Doing Business
in Chile 2021

Parque Nacional Torres del Paine, Patagonia Chile.

Cariola Díez
Pérez-Cotapos

We are backed by tradition,
we are moved by innovation.

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INTRODUCTION

Cariola Díez Pérez-Cotapos SpA is one of the largest law firms in Chile with almost 100 lawyers. We are a full-service firm where we add value to our clients through all our practice areas such as: corporate; mergers and acquisitions; mining and natural resources; environmental; banking, finance and capital markets; labour; litigation and arbitration; energy; oil and gas; transportation and infrastructure; media, technology and telecommunications; antitrust; aquaculture and fisheries; tax; engineering and construction; insurance; real estate and urban planning; hotels, resorts and casinos; regulatory law, among others, in order to provide a complete service in all areas that are relevant to doing business in Chile.

Our firm provides comprehensive legal advice to companies linked to the main economic activities of the country and stands out for its wide network of international contacts, which allows its lawyers to develop an interesting international legal practice, in which teamwork is essential with the inclusion of at least one partner in charge and experts in each area.

We are proud to be one of the leading law firms in Chile due to our local and international experience. Our firm maintains international working groups in relation to acquisitions, due diligence, projects, tax planning, corporate compliance, antitrust and litigation. We also advise foreign investors, foreign banks and financial institutions undertaking financial transactions and/or structuring project finance in Chile. Our lawyers work in close coordination with in-house corporate counsel and international law firms.

With respect to intellectual property (IP), through our sister firm Sargent & Krahn, we provide IP legal services in Chile as a leading firm in this area, whose scope includes: trademarks; patents, utility models and industrial designs; pharmaceutical law; copyright; technology, privacy and media; domain names; contractual aspects; unfair competition and consumer protection; litigation; geographical indications and appellations of origin and plant varieties.

The partners and lawyers of our firm are prominent professionals with recognition in the academic field, participating in conferences and as professors in the law schools of the most important universities in the country.

Moreover, they have collaborated in the drafting of Chile's current constitution, as legal advisors to public and governmental entities, and have been members of the Chilean Senate. Our firm's lawyers are at least bilingual, and many have postgraduate degrees from universities in the United States, Europe or Asia and have spent time abroad working in international law firms. This has enhanced their foreign language skills and broadened their exposure to the international legal environment.

INTRODUCTION

One of the main characteristics of our firm is teamwork, the immediate incorporation of the expert lawyer required for any transaction and proactivity towards our clients.

DOING BUSINESS IN CHILE

The information contained in this document does not constitute and should not be considered legal advice.

This document briefly discusses the legal framework applicable to any individual or company interested in carrying out business activities in Chile. The foreign investment regulations, corporate structure alternatives as well as the relevant tax provisions are summarized to explain the legal means available to do business in Chile. Naturally, the most convenient structure for any given business should be determined on a case by case basis, because this document is intended only to provide an overview of the most relevant provisions.

Generally, there are no restrictions based on the nationality of partners, shareholders or owners of Chilean companies. The only restrictions imposed by law in this respect are contemplated in very specific fields.

I. BUSINESS ORGANIZATIONS IN CHILE

There are several structures in which companies may be organized to undertake activities in Chile. From non-profit organizations to stock corporations, Chilean law sets forth different applicable regimes according to the different needs.

Generally, a foreign company may freely select any of the following forms of organization:

A) Branch of a Foreign Legal Entity
B) Corporation
C) Sociedad por Acciones (Simplified Corporation)
D) Limited Liability Company

In the case of banks, insurance companies and fund managing companies (e.g., pension-fund and investment found), among others, the law sets out certain regulatory requirements to be fulfilled, i.e. prior authorization by the competent local authority.

As a general rule, no particular structure is mandatory to undertake business in Chile, save for certain specific businesses, e.g. banking services, insurance companies and funds management, as well as certain exclusive corporate purpose entities related to services of public interest and subject to particular regulations (supply of water, electricity, etc. and public infrastructure, among others). Therefore, the various different considerations set out below must be carefully weighed to determine the most appropriate structure.

A.BRANCH OF A FOREIGN LEGAL ENTITY (Agencia)

A branch of a foreign legal entity is not an autonomous legal entity in itself but an agency of the parent company in Chile.

(1) Establishment

To establish a branch of a foreign legal entity in Chile, it is necessary that certain consul-certified and legalized, or duly apostilled, documents be registered with a local Notary Public. Thereafter, the agent must grant a public deed containing a statement of establishment for the branch. A summary of said statement must comply with certain publicity requirements. No prior official authorization is required.

Specifically, copy of the following documents in their original language of execution must be consul-certified and legalized, or apostilled:

- Articles of incorporation and by-laws of the foreign entity.
- General power of attorney of the foreign entity.
- Certificate of good-standing (or similar) of the foreign entity.
- Power of Attorney granted to the agent who will manage the branch.

If the original documents are issued in a language other than Spanish, they should be previously translated by the Ministry of Foreign Affairs of Chile.

Both the original documents and translations thereof must be filed with a Notary Public in Chile for registration.

On the same date of registration of those documents, the appointed agent should execute a public deed dealing with the following:

> (a) The name, capital (amount and capital contribution terms), domicile and corporate purpose of the branch in Chile;
> (b) A declaration and representation that the foreign entity is aware of the Chilean legislation that will govern its affairs in Chile, its branch, contracts and obligations; that the foreign entity and its assets shall be subject to Chilean laws, particularly as to compliance of obligations undertaken in Chile; and that the foreign entity consents to maintain in Chile assets that can be easily sold or liquidated to meet its obligations in Chile.

A summary of the public deed must be published in the Official Gazette and registered with the Registry of Commerce within 60 days from the date of its execution.

According to article 447 of the Commerce Code and article 121 of the Corporations Act (Law Nr. 18,046), the power of attorney granted to the agent must be a general one, with carte blanche authority, including a clause stating that the agent shall act in Chile under direct responsibility of the foreign entity, and with broad powers to carry out operations on its behalf. The authorities to represent the foreign entity before Chilean Courts, in the terms set forth by the Chilean Civil Procedure Code, should also be included. Therefore, and notwithstanding that most companies usually do not grant general powers of attorney to their officers or employees as a matter of policy, they must do so if they wish to operate a branch in Chile.

(2)Liability of the foreign entity

The foreign entity is liable for all the activities and business carried out by the Chilean branch, and this liability is not limited to the assets located in Chile.

(3) Capital

No minimum capital is required for the establishment of a branch of a foreign entity in Chile. Any amount of capital may be determined at the time of establishment of the branch, without being mandatory that said capital be paid-in on the date of establishment. Furthermore, the authorized capital of the branch may be modified at any time, either increasing or reducing it, in which case said amendment must be executed by the agent through a public deed. The publication in the Official Gazette and registration with the Registry of Commerce of an abstract thereof must be arranged within 60 days.

(4) Management

The branch shall be managed by the agent, who shall be vested with broad authority to represent the foreign entity as explained in (1) above.

(5) Remittances of profits

There are no limitations with regard to the remittance of profits from the branch, provided that all the pertinent taxes have been paid and that applicable foreign investment remittance terms and foreign exchange regulations have been complied with.

(6) Publication of Financial Statements

The agent must publish the financial statements of the branch every year in a local newspaper of the corporate domicile of the branch indicated in the notarized deed of establishment.

B.CORPORATION (Sociedad Anónima)

In general terms, Chilean regulations on corporations do not differ much from those of other jurisdictions.

Under Chilean law (basically, the Corporations Act -Law Nr. 18,046- and its Regulations), corporations may be either publicly-held or closely-held corporations.

Publicly-held corporations are those whose shares are registered in the Securities Registry held by the Financial Market Commission (Comisión para el Mercado Financiero or CMF), which include, among others, those corporations whose shares are subject to public offering, or those having 500 or more shareholders or in which at least 10% of the shares belong to 100 shareholders, excluding for purposes of calculation thereof those shareholders who individually or through other individuals or legal entities exceed such percentage, and those who voluntarily register their shares in such registry or who are legally obliged to do so.

Closely-held corporations are basically those not falling within the above definition.

Publicly-held corporations are subject to the supervision of the CMF, whereas closely-held corporations are not.

However, if a corporation, due to particular regulations, is required by law to be supervised by the CMF, such corporation is not deemed per se to be a publicly-held corporation, but it becomes subject in any event to disclosure and publicity requirements applicable to such kind of companies (e.g., concessionaires of public works).

Finally, other corporations, such as insurance companies, fund managing companies, etc. are qualified as “special corporations” and are also subject to the oversight of the CMF and generally are subject to the rules applicable to publicly-held corporations.

(1) Incorporation

Corporations, whether publicly-held or closely-held, are incorporated through the execution of a public deed by at least two incorporators. Certain legends required by the law must be included, such as the name of the shareholders, their profession and domicile; the corporate name, purpose of the corporation, its domicile; the capital stock

and the number of shares into which is divided, the description of preferred series, if any; and others. The public deed must also contain the by-laws of the corporation.

A summary of the public deed must be published in the Official Gazette and registered with the Registry of Commerce within 60 days from the date of its execution.

Alternatively, closely-held corporations may be incorporated electronically through the so-called "Simplified Regime" regulated by Law No. 20,659, using an electronic form available on the website of the Ministry of Economy, in which case the company will be registered in the Registry of Entities and Companies ("Registro de Empresas y Sociedades") held by said Ministry.

(2) Liability of the shareholders

Shareholders are only liable for the amount they have agreed to pay-in for subscribed shares.

(3) Capital

Capital must be paid within three years from the date of execution of the incorporation deed, or within such shorter period as provided in the by-laws, if any, indexed pursuant to Chilean inflation rates, or adjusted under other specifically-agreed mechanisms (e.g. exchange rate).

The capital of the corporation set forth in the by-laws shall be automatically increased, on an annual basis, in accordance with the Chilean inflation rate, once the balance sheet of the company has been duly approved by the shareholders, unless the company is subject to IFRS (International Finance Reporting Standards) as applicable accounting principles.

Any other increase of the capital of corporations shall require, generally, the amendment to the by-laws, which, in turn, shall require an extraordinary shareholders' meeting, which must be recorded in a public deed. A summary of said deed must be published in the Official Gazette and registered with the Registry of Commerce within 60 days as from the date of execution thereof.[1]

Among other means, increases in the capital of the corporation may be obtained through the capitalization of profits or retained profits; through capitalization of debts; or through additional contributions in cash or in kind. Any additional capital must be paid-in within three years as from the date of the relevant shareholders' meeting, or within such shorter period as is agreed therein, if any, except for stock option plans, regarding which the term for payment could be extended up to five years.

[1]Publication in the Official Gazette and registration with the Registry of Commerce may be substituted for the electronic submission of a form under Law Nr. 20,659. See preceding footnote.

In any case, before increasing the capital of closely-held corporations by issuing new shares, any existing reserves must be firstly capitalized, unless the unanimity of the issued shares with voting rights agrees to omit such capitalization.

Should the shareholders agree on an increase of capital by issuing new shares, the existing shareholders have a preemptive right to proportionately subscribe for any new shares (except where shares are issued for stock option plans, but only up to 10% of the total issued shares), a right which may be freely waived or transferred.

Reductions in the corporation's capital must also be agreed generally at an extraordinary shareholders' meeting and executed into a public deed. A summary of said deed must be published in the Official Gazette and registered with the Registry of Commerce within 60 days from the date of execution thereof (besides some additional publications required by law)[2]. The refund of funds, if applicable, may only be conducted after a 30-day waiting period following the publication in the Official Gazette.

Corporations, with some qualified exceptions, may not acquire their own shares.

(4) Management

The management of a corporation is vested upon a Board of Directors appointed by the shareholders. The Board shall not have less than three members in closely-held corporations, and not less than five or seven, as applicable, in publicly-held corporations, as required by the law. Directors need not to be shareholders of the company.

A shareholders' meeting may, at any time, remove the Board as a whole.

The Board of Directors may delegate some of its authority upon a General Manager who shall have the judicial representation of the company and shall be entrusted with the duty of implementing the resolutions of the Board of Directors. In publicly-held corporations, Directors cannot serve simultaneously as General Manager; in closely-held corporations, only the President of the Board is subject to such restriction.

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(5) Distribution of Profits

The law requires that publicly-held corporations distribute at least 30 % of their net consolidated profits each year, unless otherwise agreed by the shareholders' meeting with the unanimous vote of all issued shares.

In closely-held corporations, shareholders may have the by-laws to include any policy for the distribution of profits as they may wish, provided that a minimum distribution percentage be set forth therein.

[2] Publication in the Official Gazette and registration with the Registry of Commerce may be substituted for the electronic submission of a form under Law Nr. 20,659. See footnote 1.

Interim dividends, against profits of the current year, may be approved by the Board of Directors, provided that there are no accumulated losses. Should there be any accumulated losses, or in case the corporation ends up with losses or with profits in an amount lower than the distributed sum, each Director shall be personally and jointly liable for the reimbursement of improperly distributed interim dividends.

(6) Financial Statements

Financial statements of closely-held corporations may be audited by account examiners or external auditors appointed by the shareholders' meeting or through any other mechanism set out in the by-laws, including the option to exempt the company from any audit or review.

Financial statements of publicly-held corporations must be audited by an external auditing firm, duly registered with the CMF ("Empresa de Auditoría Externa"), to be appointed annually by the shareholders' meeting.

Publicly-held corporations must publish their financial statements as well as certain relevant information required by the CMF in their website; if the company does not have a website, then it must publish them in a local newspaper of its corporate domicile.

(7) Transfer of shares

Shareholders may freely transfer their shares, except if the by-laws (only of closely-held corporations) or a shareholders' agreement contain a limitation.

In publicly-held corporations, the by-laws may not limit the free transfer of shares. Any private agreement between shareholders setting forth transfer restrictions, whether in a closely-held or in a publicly-held corporation, must be deposited at the offices where the Shareholders' Registry of the company is held and annotated in such registry in order to be enforceable against third parties (but under no circumstances against the company).

Transfers of shares must be executed before a Notary Public, two witnesses of age or a securities broker, or else, through public deed, and must be annotated in the shareholders' registry in order to be effective before the company and third parties.

(8) Dissolution

Corporations are dissolved if it is so agreed by 2/3 of the total issued shares with voting rights, by agreement reached in an extraordinary shareholders' meeting called for that purpose, or if all the shares are held by one person on entity for a period exceeding 10 consecutive days, or if absorbed through a merged by another company. The by-laws of the company may include other additional events that result in the dissolution of the corporation.

Should the dissolution of the corporation takes place, its liquidation shall be undertaken by a liquidation committee freely elected by the shareholders, except where no liquidation is necessary (acquisition of all the shares by one person or entity, or absorption through merger by another company).

(9) Minority shareholders

Any minority shareholder is entitled to withdraw from a corporation in case certain resolutions are agreed upon by the shareholders' meeting. Among such resolutions are: the transformation of the corporation into another legal form; merger with another company; disposal of 50% of the company's assets; granting of real or personal guarantees to secure third party's obligations that exceed 50% of the company's assets and the issuance of preferred shares, or the increase or reduction of preferences attaching to such shares.

Some other grounds for withdrawal may be included in the by-laws by the shareholders. The withdrawal right implies the corporation's obligation to purchase all of the dissenting shareholder's shares, either at book value or, in the case of publicly-held corporations whose shares have stock market presence, at market value.

C. SOCIEDAD POR ACCIONES (SIMPLIFIED CORPORATION)

Under legislation enacted in 2007 to encourage -among other things - private entrepreneurship and investment in venture capital companies, a new kind of company structure was introduced in Chile (namely, "Sociedad por Acciones", or "SpA"), which basically provides for a corporate structure similar to that of a closely-held corporation, although having some material differences to reduce formalities and administrative costs attached generally to corporations. Accordingly, the SpA is not an appropriate vehicle to raise capital from the public and if, as a matter of fact, it is held by 500 or more shareholders, or at least 10% of the shares belong to a minimum of 100 shareholders (excluding those shareholders who individually or through other individuals or legal entities exceed such percentage), over a period longer than 90 days, they become governed, as a matter of law, by the provisions applicable to publicly-held corporations.

SpAs are governed by the Commerce Code, but in the absence of provisions therein (and in the relevant by-laws), they are governed by those provisions applicable to closely-held corporations.

Some noteworthy peculiarities of the SpAs (as opposed generally to corporations) are the following:

(1) Sole shareholder

Notwithstanding that a critical legal requirement for every company under Chilean laws is having at least two partners or shareholders, a SpA may have a single shareholder, even from the time of incorporation, as a sole incorporator. Furthermore, and unless otherwise set forth in the by-laws, a SpA is not dissolved if all of the issued shares are acquired by one shareholder.

The above provides a useful corporate alternative for foreign companies having to incorporate a subsidiary in Chile, thereby avoiding the need to include a nominal partner or shareholder to meet formally the two-partner/shareholder rule.

(2) Incorporation and Amendments[3]

Incorporation formalities are substantially similar to those of closely-held corporations, but the execution of a public deed may be replaced alternatively with a private document, provided that the signatures therein be authorized by a Notary and that such document be recorded in a Notary. Also, the applicable term for registration and publication of this public deed or private document is reduced from 60 days to 1 month.

The by-laws contained in the public deed or private document containing the articles of incorporation may be amended by a shareholders' resolution adopted not only in a formal shareholders' meeting but also directly through a public deed or a private document, provided that all of the shareholders execute such deed or document.

Alternatively, SpAs may be incorporated electronically through the so-called "Simplified Regime" regulated by Law No. 20,659, using an electronic form available on the website of the Ministry of Economy, in which case the company will be registered in the Registry of Entities and Companies ("Registro de Empresas y Sociedades") held by said Ministry.

[3] Under Law No. 20,659, the incorporation, modification and dissolution procedure can be significantly reduced, at no cost, by simply filing a form electronically through the website of the Ministry of Economy. This law was designed to have a gradual application to the different types of companies, from limited liability companies and simplified corporations (already applicable) to closely held corporations (already applicable). Open corporations were not considered for purposes of this law.

(3) Capital

Capital must be paid within the term set out in the by-laws. In the absence of any clause governing this issue, the applicable term is five years as from the incorporation date or the date of capital increase resolution, as the case may be.

The by-laws may authorize management to increase capital, along with providing the conditions to exercise such authority, notwithstanding the regular authority of the shareholders to decide on capital increases.

There is no need to offer the shares issued upon a capital increase on a preemptive basis to the existing shareholders (preemptive right), unless otherwise provided in the by-laws.

Capital reductions require the unanimous consent of the shareholders, unless the by-laws provide for a specified majority instead.

(4) Voting rights

The by-laws may contemplate a series of shares having special voting power, i.e. having more than "one vote per share".

(5) Management

The management of a SpA may be freely organized in the by-laws. Accordingly, a SpA may be managed by any given body (a Board of Directors, a Committee, etc.), by one or more shareholders or by third parties, or through any other mechanism that the shareholders deem to be suitable.

(6) Distribution of profits

The by-laws may set out a preferred series of shares entitled to receive a dividend for a given or determinable amount and at any and all event, becoming therefore a dividend that is not contingent upon actual profits earned by the SpA.

Also, the by-laws may provide that profits resulting from, or associated to, a specific line of business or specific assets, be distributed as dividends regardless of general profits or losses of the SpA resulting from all other businesses, assets and financial results generally.

D. LIMITED LIABILITY COMPANY (Sociedad de Responsabilidad Limitada)

Under Chilean law, the interested parties may set up an unlimited liability company. Since limited liability companies are patterned on the same rules as those set out for unlimited liability companies, except mainly for this specific characteristic, we will now refer to rules that are commonly applicable to both (with the exception of (3) below, which only applies to limited liability companies).

(1) Organization

Limited liability companies are organized by execution of a public deed by at least two partners, either individuals and/or legal entities. Said deed must also set forth the name of the company, its corporate purpose, capital contributions and so on, as well as the by-laws of the company. A summary of said deed must be published in the Official Gazette, and registered with the Registry of Commerce within 60 days from its day of execution.

Limited liability companies may not have more than 50 partners, whether individuals or legal entities.

Alternatively, limited liability companies may be incorporated electronically through the so-called "Simplified Regime" regulated by Law No. 20,659, using an electronic form available on the website of the Ministry of Economy, in which case the company will be registered in the Registry of Entities and Companies ("Registro de Empresas y Sociedades") held by said Ministry.

(2) Supervision

Limited liability companies are not subject per se to any particular supervisory control, such as that exercised by the CMF over publicly-held corporations.

(3) Liability

Partners' liability is limited to their obligation to contribute a given amount as capital into the company, as indicated in the by-laws.

(4) Capital

There is no minimum capital requirement to incorporate a limited liability company in Chile. Partners may freely determine the terms and conditions for the payment they intend to contribute to the company.

The corporate capital may be amended from time to time, either increasing or decreasing it.

Capitalization and increases to the corporate capital may be made through contributions in cash or in kind, and/or through capitalization of profits or capitalization of debts.

(5) Management

The management of a limited liability company may be vested in one or more partners, in a third party or in a Board of Directors or other suitable body specially appointed for that purpose. The quorum and structure of this body, in case the partners decided to include it, may be freely established in the by-laws.

(6) Distribution of profits

The terms and conditions for profit distributions may be freely set forth in the by-laws by the partners.

(7) Transfer of interest

The transfer of ownership interests in a limited liability company requires the unanimous consent of all its partners. Otherwise, the transfer will be null and void.

In case the partners agree to transfer their interests, a public deed must be executed, and a summary thereof published in the Official Gazette and registered with the Registry of Commerce within 60 days from the execution date.

(8) Financial Statements

Limited liability companies are not generally required to publish their financial statements.

II. FOREIGN INVESTMENT IN CHILE

The regulatory framework for foreign investment in Chile is mainly found in two legal bodies: The Framework Law for Direct Foreign Investment in Chile (Law 20,848 or "DFI Law"), in effect as of January 1, 2016, and Chapter XIV of the Compendium of Foreign Exchange Regulations of the Central Bank of Chile. Additionally, Chile has executed Agreements on Reciprocal Promotion and Protection of Investments ("APPIs", also known as Bilateral Investment Treaties or "BITs") and Free Trade Agreements ("FTAs") with numerous countries, providing additional protection for foreign investors. This also includes the Agreements for the Avoidance of Double Taxation that Chile has entered into with various States, which grant a more favorable tax treatment to foreign investments that come from such states.

A. DIRECT FOREIGN INVESTMENT LAW ("DFI LAW")

The DFI Law regulates investments made by any natural or legal person incorporated overseas, not residing or domiciled in Chile, whose investment is equal to or greater than USD$5,000,000, or the equivalent to said sum in other foreign currencies.

(1) Methods of Investment

a. Freely exchangeable foreign currency.
b. Tangible goods in all forms and conditions.
c. Reinvestment of profits.
d. Credit capitalization.
e. Technology in its various forms suitable for being capitalized.
f. Credits associated with foreign investment derived from related companies.

(2) Materialization and Purpose of the Investment

The application of the rights conferred to the foreign investor by the DFI Law requires for the investment to be made in a Chilean company that receives the investment after January 1, 2016, and this investment must grant the investor the direct or indirect control over, at least, 10% of the company's voting shares, or an equivalent percentage or stake in the corporate equity if it is not a stock-based company, or in the assets of the respective company.

(3) Proceedings and Foreign Investor Certificate

In order to qualify as a foreign investor and access the rights available under the DFI Law,

it is necessary to request a certificate issued by the Agency for the Promotion of Foreign Investments (the "Agency") demonstrating the interested party's foreign investor status. The request submitted before the Agency must provide evidence that the investment was materialized in the country, including a detailed description thereof, indicating its amount, purpose and nature, all subject to the manner and conditions determined by the abovementioned Agency.

(4) Rights of the Foreign Investor under the DFI Law:

The following are the basic rights granted by the DFI Law:

a. Overseas repatriation - at any time - of the invested capital and net profits, once the applicable tax obligations have been fulfilled. In any case, this right shall be subject to the limitations and restrictions that the Central Bank may impose in accordance with its general attributions regarding foreign exchange.

b. Access to the Formal Exchange Market ("FEM", comprised by banks and other authorized financial entities) to liquidate currencies that comprise the investment and to acquire the currencies necessary to repatriate the invested capital and net profits, applying the exchange rate that is freely agreed with the corresponding FEM entity. This right shall in any event be subject to the limitations and restrictions that may be imposed by the Central Bank in accordance with its general attributions regarding foreign exchange.

c. Right to not be arbitrarily discriminated, whether directly or indirectly, subjecting the foreign investor to the legal regime that is applicable to local investors.

d. Right to value added tax (VAT) exemption in the import of capital assets, provided that they comply with certain special requirements and procedures envisaged in the tax regulations. This right is applicable both to the foreign investor and to the company that is the recipient of its investment.

(5) No Tax Invariability

The DFI Law does not set forth the possibility that foreign investments can resort to a tax invariability regime, as was the case of the previous foreign investment regime set forth by Law Decree 600, which was in force and effect until December 31 of 2015, and as was transitorily the case under the DFI Law until December 31 of 2019 (including certain special rules for certain investments related to mining projects).

(6) Effectiveness of the foreign investment agreements executed under the previous system

Foreign investment agreements executed until December 31, 2015, between the State of Chile and foreign investors subject to Law Decree No. 600, shall remain in full force and effect and, consequently, the respective foreign investors shall retain all of the rights and obligations stipulated under the referenced foreign investment agreements.

The management of said foreign investment agreements shall correspond to the Agency, in its capacity of legal successor of the Foreign Investment Committee.

B. HAPTER XIV OF THE COMPENDIUM OF FOREIGN EXCHANGE REGULATIONS OF THE CENTRAL BANK OF CHILE

Chapter XIV of the Compendium of Foreign Exchange Regulations of the BCCH ("Chapter XIV") regulates all foreign loans, deposits, investments and capital contributions for an aggregate amount equal to or higher than US$10,000, (minimum amount currently in force under BCCH's policy) transferred into Chile from abroad.

Pursuant to the current foreign exchange regulations, all transfers of funds into Chile from abroad relating to loans, deposits, investments or capital contributions must be made through the FEM and be informed to the BCCH. However, no access to the FEM is guaranteed to the foreign investor or capital contributor and the Chilean borrower, as applicable, for the repatriation of the capital investment and/or profits, or the payment of the principal of and/or interest on the foreign loan, respectively (save for investments on loans made under D.L. 600, pursuant to foreign investment contracts signed prior to December 31st, 2015).

(1) Foreign Loans

a. Loans may be disbursed in Chile or abroad; in both cases, these loans must be informed to the BCCH.

b. The terms for repayment of principal and interest may be freely agreed between the creditor and debtor, including the interest rate agreed upon by the parties.

c. If the debtor defaults on the payment of principal and/or interest, the law entitles the guarantor to pay and carry out the transfer of the funds. Such guarantee must be informed to the BCCH according to Chapter XIV as well.

d. The remittance of principal is not subject to taxation. The remittance of interest is subject to a 35% withholding tax, unless the lender is a foreign bank or an international financial institution (as defined in Chilean Income Tax Law), in which case the payment of interest is subject to a 4% withholding tax. Double taxation treaties may also reduce the withholding tax rate on interest.

(2) Capital Contributions, Investments and Deposits

Chapter XIV also establishes certain rules applicable to capital contributions, investments and deposits made in Chile from abroad, in foreign currency. These regulations do not apply to contributions in kind and are only applicable to acts involving payment obligations or the subsequent right to transfer foreign currency abroad by individuals or entities with residence or domicile in Chile.

According to the above referred regulations, the capital contributor or the investor does not formally enter into a foreign investment contract with the State of Chile, but they must inform such acts to the BCCH according to the regulations of Chapter XIV. In addition, as mentioned above, payments and transfers from and to Chile, arising from the aforementioned acts, must be made through the FEM.

Chapter XIV entitles the investors to freely repatriate the capital contributed or invested in Chile and remit the profits obtained from such capital contributions or investments at any time.

(3) Minimum Amount

Chapter XIV of the Compendium of Foreign Exchange Regulations applies only to those transfers from and to other countries under foreign loans, capital contributions, investments and deposits of an aggregate amount of US$ 10,000 or more (minimum amount currently in force under BCCH's policy).

III. ECONOMIC PUBLIC ORDER

The Political Constitution of the Republic envisages certain principles and rules that seek to establish the foundations for our economic system, which are collectively known as "economic public order". Many of such principles and rules are based on the respect for individual liberties and private initiative as the primary driving forces of economic activities.
The main rules that establish economic public order may be summarized below:

(1) Constitutional rights and their protection

The Constitution protects certain economic constitutional rights, such as the property right, the right to acquire goods, equality before the law, equal protection of the law in the exercise of rights, the right of association, freedom of work, the equal distribution of taxes and other public burdens as determined by law, the right to develop any lawful economic activity, non- discrimination by the State in economic matters, etc.

The property right is particularly relevant, as it is the pillar for private economic activity. The Constitution provides that no one can be deprived of his or her property, except if mandated by a law that authorizes expropriation in the name of public welfare or national interest. It also sets forth that the expropriated party will be authorized to challenge the legality of the expropriation before national courts, and such party will always be entitled to compensation for the monetary damages that were effectively caused, which compensation must be paid in cash and up front.

The Constitution additionally sets forth that only the law may establish the limitations and obligations that result from the social function of property, as required by the Nation's general interests, national security, public use and sanitation and the conservation of the environmental heritage.

Furthermore, the Constitution also grants a special action, known as the "Constitutional Protection Action", which may be exercised by any person that has been deprived, threatened or disturbed in the legitimate exercise of certain constitutional rights by an arbitrary or illegal action or omission. The Constitutional Protection Action, which was created in 1976, has given rise to a rich case law related to the protection of constitutional rights.

(2) Control of public spending

The Constitution establishes numerous provisions with the goal of controlling public spending.

For example, only the President of the Republic may initiate the discussion of bills of law intended to (i) create new public services or jobs that are remunerated by the State; or (ii)

take out loans or enter into any other kind of operations that could bind the State's credit of financial liability and cancel, reduce or amend obligations, interests or other financial burdens, regardless of their nature, established in favor of the State.

Likewise, the President must submit to Congress, every year, the bill for the National Budget. In turn, Congress is not entitled to increase or decrease the estimation of income within the context of this bill; and in general is only entitled to reduce the expenses contained in the same. Additionally, Congress is not entitled to approve any new expenditures to be charged to the Nation's funds, without specifying, simultaneously, the sources from which the necessary resources to finance such expenditures will be obtained.

Finally, one of the main functions of the General Comptroller of the Republic - an autonomous body, of constitutional status, which is independent from the Executive Branch - is to monitor the State's income and investment of its funds, as well as to examine and judge the accounts of persons in charge of assets belonging to governmental entities.

(3) Autonomy of the Central Bank

The Constitution recognizes the Central Bank as an autonomous entity, which is independent from the Executive Branch. Its specific powers are defined by an Organic Constitutional Law, which provides that its function is to preserve currency stability and the normal functioning of internal and external payments. In addition, this statute indicates that the Central Bank is empowered to regulate the amount of money and credit in circulation, the execution of foreign credit and exchange transactions, and to issue regulations pertaining to monetary, credit, financial and foreign exchange regulations.

Furthermore, the Constitution also sets forth that the Central Bank may not act as guarantor for financial institutions, nor acquire instruments issued by the State, its bodies or the companies it owns. Likewise, it also provides that no public expenditure or loan may be financed by direct or indirect loans issued by the Central Bank.

IV. COMPETITION LAW

The competition legal regime applicable in Chile is contained in Decree Law No. 211 ("DL 211") which penalizes any act or agreement that prevents, restricts or hinders free competition, or that tends to produce any of the aforementioned effects. The most recent reform to DL 211 was made by Law 20.945, published on 30 August 2016, which introduced important changes to competition law, such as: the inclusion of a mandatory merger control system, the criminalization of hardcore cartels, a significant increase of the amount of applicable fines and the inclusion of "interlocking" as a per se anticompetitive conduct among competitors.

The system is composed by an Antitrust Court under the name of Tribunal de Defensa de la Libre Competencia ("TDLC") which is independent from the Government and whose function is to prevent, correct and punish attempts against free competition. Also, there is a National Economic Prosecutor under the name of Fiscalía Nacional Económica ("FNE"), a government body in charge of investigating alleged violations to free competition, filing claims on behalf of the national interests and pursuing the claims before the Antitrust Court.

The proceedings before the TDLC may be contentious and non-contentious, depending upon the different matters decided on them.

A. ANTITRUST

The DL 211 broadly defines the conducts contravening free competition as "any fact, act or convention that impedes, restricts or impede free competition or tends to produce such effects". This broad definition is then somehow refined by four -also rather- broad examples, which are classified as restrictive practices, namely (i) agreements between competitors, whether express or tacit, with the purpose of fixing purchases or sales prices, limiting the production of goods or assigning areas or quotas of market, or the joint conducts among them abusing of the market power arising from such agreements, with the purpose of excluding competitors or affecting tender processes results; (ii) the abusive exploitation by a company or by a conglomerate of companies with a common controller, of a dominant position in the market, by way of fixing purchases or sales prices, imposing tied sales of products, assigning areas or quotas of market or imposing other abusive practices; (iii) predatory practices or unfair competition, carried out with the purpose of reaching, maintaining or increasing a dominant position; and (iv) the simultaneous participation of a person in a relevant executive position or as a director in two or more competing companies, provided that each of the competitor's company group has annual revenues from sales, services and other operational activities in excess of the amounts determined by the law (currently amounting to 100.000 Unidades de Fomento (app. USD 4,000,000) ("interlocking").

The reform also introduced changes to the system of fines and penalties. The Antitrust Court can punish the aforementioned conducts with penalties consistent in prohibitions of entering into agreements with Governmental entities, disqualification to hold certain positions, criminal penalties and fines. The fines are for fiscal benefit, and may amount to up to 30% of the sales of the offender corresponding to the product or service line related to the infraction during the period in which the offense was perpetrated, or up to double the economic benefit gained from the infraction In case it is not possible to determine the amount of the sales or the economic benefit, the TDLC may apply fines up to the amount of 60,000 annual tax units (app. US$ 50,000,000). The fines may be imposed on the corresponding legal entity, on its directors, managers and on any person involved in the conduction of the relevant act. In the case of fines applied to legal entities, their directors, managers and those persons having benefited from the respective act may be jointly liable to the payment thereof, provided they took part in its execution.

Regarding criminal penalties, Law 20.945 reintroduced them for hardcore cartels, which had been repealed from the Chilean competition statutes in 2004. The penalty for hardcore cartels may range from 3 years and 1 day of imprisonment, up to 10 years of imprisonment.

Finally, regarding cartas, DL 211 contemplates a leniency program benefitting the business agent that provides the FNE with complete information regarding a collusion case, which is also extensible to criminal liability for the first individual to provide information to the FNE. It should be noted that the FNE is entitled to make dawn raids and intervene communications during investigation procedures regarding collusion cases.

B. MERGER CONTROL

The most significant amendment enacted by Law 20.945 is the introduction of a mandatory merger (or concentration transaction) control system. Before the reform, there was no compulsory ex-ante merger control in Chile. The new system consists of two phases and is initiated by means of a notification of the parties to the FNE.

With the entry into force of this new system, the parties must notify to the FNE, prior to its execution, the concentration transactions that have an impact in Chile and surpass the sales thresholds that the FNE sets for that purpose in a resolution. The current notification thresholds set by the FNE in its Exempt Resolution N° 157 of 25 March 2019 are: a) that the sum of the sales in Chile of the agents that contemplate its concentration have reached, during the previous year to which the notification is verified amounts equal to or greater than 2.500.000 Unidades de Fomento (app. USD 100,7) (“Joint Threshold”);

and b) that in Chile, at least two of the agents that contemplate its concentration, separately have generated sales, during the year prior to the year in which the notification is verified, for amounts equal to or greater than 450.000 Unidades de Fomento (app. USD 18,1) ("Individual Threshold").

It should be noted that the FNE is entitled to adjust these thresholds if there are reasons that justify such adjustment.

The procedure is initiated by a filing made by the parties which format and minimum information to be submitted was set forth in Regulation Nº 33 of the Ministry of Economy. The analysis performed by the FNE involves two phases, the first of which begins once the transaction is notified. Since that date, the FNE has 10 days to determine whether the filing is complete, in which case it shall initiate an investigation. Within 30 days following the initiation of the investigation, the FNE shall either: (i) approve the transaction simply and unconditionally, if it comes to the conviction that the transaction will not substantially lessen competition; (ii) approve the transaction, conditioning said approval to the fulfillment of mitigation measures offered by the notifying parties, if it comes to the conviction that, subject to said measures, the transaction will not substantially lessen competition; or (iii) extend the investigation for a maximum of 90 additional days, if it considers that should the transaction be simply and unconditionally executed, or conditioned to the measures offered by the notifying parties, as the case may be, could substantially lessen competition. In such event, the proceeding moves to Phase II.

In Phase II, the FNE shall inform its decision to extend the investigation to all agencies and authorities that may be directly concerned and to the economic agents that may have an interest in the transaction. Those who receive said communication, as well as any third party interested in the transaction, including suppliers, competitors, clients or consumers, may submit information to the investigation within 20 days following the publication of the extension decision in the FNE's website. Upon the expiration of the 90 days during which the investigation has been extended, the FNE shall also either: (i) approve the transaction simply and unconditionally; (ii) approve the transaction, conditioning said approval to the fulfillment of mitigation measures offered by the notifying parties; (iii) prohibit the execution of the transaction, should it conclude that it has the aptitude to substantially lessen competition.

Regarding the recourses system, the law only contemplates a special revision recourse in case the FNE forbids the execution of the transaction. The recourse must be filed before the TDLC within 10 days following the notice of the FNE's decision. The TDLC shall schedule a public hearing to be held within 60 days following its reception of the investigation's docket. The public hearing may be attended by the challenging parties, the FNE and all those who submitted information during the investigation. Within 60 days following the hearing, the TDLC shall issue its decision confirming or repealing the FNE's decision.

In case the TDLC's decision repeals the FNE's decision, approving the transaction subject to the fulfillment of mitigation measures different from the ones offered by the parties to the FNE, both the parties and the FNE may file a complaint recourse before the Supreme Court.

It should be noted that all the terms contemplated in this new procedure must be computed in business days only (thus excluding Saturdays, Sundays and legal holidays).

The DL 211 also contemplates as anticompetitive conducts some related to the mandatory merger control system, in particular: (a) not notifying a concentration transaction to the FNE, being obliged to do so; (b) perfecting a concentration transaction notified to the FNE and which has been suspended; (c) not complying with the measures with which a concentration has been approved; (d) perfecting a concentration transaction contrary to the provisions of the resolution or judgment which has prohibited such transaction; (e) notifying a concentration transaction providing false information. The TDLC may punish these conducts with the sanctions established in DL 211 mentioned above.

C. INTERLOCKING AND ACQUISITION OF MINORITY STAKES

Interlocking: The reform also introduced, among the hypotheses of anticompetitive behavior, direct interlocking between competitors, punishing the simultaneous participation of a person in a relevant executive positions or as a director in two or more competing companies, provided (i) each of the competitor's company group has annual revenues for sales, services and other operational activities in excess of 1000,000 Unidades de Fomento (app. USD 4,000,000); and (ii) the simultaneous participation in the abovementioned positions is held during 90 continuous days since the end of the calendar year in which the relevant companies exceeded the referred threshold.

Obligation to inform the acquisition of minority stakes: Law 20.945 also introduced a new provision setting forth the obligation to inform to the FNE, within 60 days from its execution, "the acquisition, by one company or an entity belonging to its company group, of an interest, whether direct or indirect, representing more than 10% of the equity of a competing company, considering both stakes held in its own name and those held by third parties in their benefit", so as to allow the FNE to evaluate the opening of an investigation. The obligation to inform shall only be triggered in case the acquiring company, or its company group as the case may be, as well as the company which interest is being acquired, separately have annual revenues for sales, services and other operational revenues exceeding 100,000 Unidades de Fomento (app. USD 4,000,000) in the last calendar year.

The Law sets forth that any actions to prosecute infractions to this new provision shall expire within 3 years from the date in which the acquiring company informs the FNE.

V. CHILEAN TAXATION

A. OVERVIEW:

Under the Constitution of the Republic of Chile, taxes, customs duties and all kinds of public charges must be implemented through the enactment of a law passed by the Congress.

The initiative to legislate in tax matters rests only with the President. Consequently, taxes may not be changed unless the Executive Branch takes action and the Congress approves said initiative.

Matters related to fiscal policy are under the authority of the Minister of Finance.

In tax matters, government action is carried out by three different public agencies:

1. The Internal Revenue Service (IRS), which is in charge of the administration of tax laws and has the power to issue regulations and conduct tax audits;
2. The Treasury, which is in charge of tax collection; and,
3. The Customs Agency, which deals with all matters related with custom duties applicable to imports.

If, as a consequence of a tax audit, a claim is submitted by a taxpayer, the competent court will be the Taxes and Customs Courts. Its decision may be appealed before the corresponding Court of Appeals and, through certain procedures, the case may go up to the Supreme Court.

The main taxes established by Chilean law are the following:

1. Income Tax;
2. Value Added Tax (VAT)
3. Stamps Tax;
4. Contribution to regional development; and
5. Real Estate Tax.

B. INCOME TAX

(1) General Aspects

Under Chilean law, the concept of taxable income is very broad and includes all kinds of earnings or profits and, in general, any increase in wealth generated during a fiscal year.

As a general rule, taxpayers domiciled or resident in Chile are subject to taxation on a worldwide basis. Non-domiciled and non-resident taxpayers are taxed only on income from Chilean sources. As an exception to the above, foreigners who establish their domicile or residence in Chile will only be subject to taxes on income from Chilean sources for the first three years (this term may be extended by the IRS). Chile has entered in more than 30 Double Taxation Treaties with countries such as Canada, Brazil, China, Spain, France, United Kingdom, Japan and Russia, among others.

(2) Main taxes established in the Income Tax Law ("ITL") are the following:

a. First Category Tax: This tax is paid by the business generating the income and is payable at a rate of 27%.[4]

• Law No. 21,210 ("Law that Modernizes the Tax Legislation") modified the tax regimes in force until December 31 of 2019 (Attributed Income Regime and Semi integrated Regime) by establishing a sole general tax regime in Article 14 of the ITL, semi integrated, and with a First Category Tax rate of 27%. This tax regime is similar to the semi integrated regime in force until December 31 of 2019 and maintains the obligation of "restitution" for dividend distributions.[5]

• The entities subject to this regime will be subject to First Category Tax on their accrued income with a rate of 27%. Shareholders will be subject to the Global Complementary Tax or the Additional Tax — the latter only levies shareholders that are not domiciled nor resident in Chile— only on profit distributions.

• The amount of the first category tax will be considered as a credit against final taxes due by the company's shareholders at the time of profit distributions.

• In the case of companies subject to this general tax regime, the credit will be 65% of the first category tax. However, if the foreign investor is located in a country that has a Double Tax Treaty in force with Chile, a 100% of the first category tax will be credited against the Additional Tax.[6]

[4] Taxpayers subject to the ProPyme Regime of Article 14 letter D of the LIR are subject to first category tax at a rate of 25%.

[5] In addition, there is a new special regime for SMEs known as ProPyme Regime. This is regulated in Article 14 D of the Chilean Income Tax Law.

[6] In the case of ProPyme regime, the tax credit will be of a 100% of the first category tax.

The ITL also includes the obligation of performing monthly provisional payments, which are considered as an advance against the final tax accrued at the end of the respective fiscal year by the company. During the first year after incorporation, the monthly provisional payment will be a 1% of the gross income; after the first year, such provisional payments will be calculated according to the ratio between the amount paid for First Category Tax and the interim payments of the previous year.

b. Personal Progressive Tax: This tax is applied to individuals domiciled or residing in Chile on income of any source, including income originating from outside of Chile and must be yearly declared by the taxpayer. The rate ranges from 0% to 40%.

Regarding shareholders that are subject to the Personal Progressive Tax, the ITL has included a rule that states that even when only 65% of the first category tax will be credited against this final tax, the total tax burden on profit distributions will not exceed 44.45%.

c. Additional Tax: The Additional Tax is assessed, as a general rule, on income from Chilean sources earned by individuals or entities neither domiciled nor residing in Chile.

This tax is also assessed on certain payments made by Chilean taxpayers abroad, as analyzed herein.

The general tax rate is 35%, although in some cases it might go down to 2%, as explained below.

As mentioned before, the First Category Tax paid may be credited against the Additional Tax due on profits earned and distributed by Chilean companies, but it will also be deemed as an additional taxable income for Additional Tax determination. In the case of the general tax regime of Article 14 A of the ITL, if the foreign investor is from a country with which Chile does not have a double tax treaty, the credit for the First Category tax is limited to 65% of said tax.

In some cases, the Additional Tax must be declared annually by the taxpayer, whereas in others it must be withheld by the person or entity making the payment.

d. Second Category Tax: This tax is a progressive tax applied on the aggregate amount received by an employee on account of wages, salaries, profit-sharing or others.

The taxation rates range from 0% to 40% of the relevant income per fiscal year.

Second category taxpayers are not subject to any other income taxation, unless they have income from sources other than wages or salaries.

e. Mining Royalty: This tax is applied to the mining companies' incomes obtained in the exercise of its activities. Regarding mining companies with annual sales on any kind of minerals up to the equivalent to the value of 50,000 and not less than 12.000 metric tons of fine copper or less, they are subject to a progressive tax rate with a maximum of 4.5%. Mining companies with higher sales are subject to a progressive tax rate from 5% to 14 %, depending on their operational margin.

(3) Taxes on business enterprises and their owners or shareholders

Business enterprises of any kind, as already mentioned, are subject to the First Category Tax on accrued income.

Thereafter, shareholders domiciled, or resident abroad, will be subject to Additional Tax for the business profits only at the time of distribution.

If the foreign investor is domiciled or resident in a country that has no Double Taxation Treaty in force with Chile, it will only be able to credit 65% of the First Category Tax against the Additional Tax, thus the tax burden will be 44,45% as calculated below:

Company's taxation			
Profit before taxes		$	100
First Category Tax	(A)	$	(27)
After tax profit		$	73
Foreign shareholders' taxation			
Net dividend		$	73
Gross dividend [7]		$	100
Additional Tax (35% on 100)		$	(35)

[7] The dividend that is effectively paid to the foreign shareholder must be increased by the Frist Category Tax with the purpose of calculating the Additional Tax.

Credit (65% on 27)		$	17,55
Additional Tax due	(B)	$	17.45
Profit after tax		$	55.55
Total tax burden (A+B)		$	44.45

However, if the foreign investor is resident or domiciled in a country that has a Double Taxation Treaty in force with Chile, then it will be able to credit a 100% of the First Category Tax against the Additional Tax, consequently the tax burden will be 35%, as shown in the calculation below:

Company's taxation

Profit before taxes		$	100
First Category Tax	(A)	$	(27)
After tax profit		$	73

Foreign shareholder's taxation

Net dividend		$	73
Gross dividend		$	100
Additional Tax (35% on 100)		$	(35)
Minus credit		$	27
Additional Tax due	(B)	$	(8)
Profits after taxes		$	65
Total tax burden	(A+B)	$	35

(4) Transfer of Shares and equity rights

Transfers of shares are usually subject to First Category Tax and Additional or Personal Progressive Tax, unless the transfer is performed by an individual, in which case it will only be subject to final taxes. However, under certain conditions, transfers of shares could be exempt from all taxation.

(5) Depreciation

Depreciation on fixed assets, except for land, is tax-deductible using the straight-line method based on their useful lives, in accordance with the guidelines of the Chilean Internal Revenue

Service (IRS), calculated on the value of the assets, restated by cost of living variation (IPC index).

However, the taxpayer may opt for accelerated depreciation for new assets if acquired locally, or for new or used assets if imported, with useful lives of over three years. For this purpose, the assets will be assigned useful lives equivalent to one-third of the normal span, eliminating fractions of months. Taxpayers may discontinue the use of the accelerated method at any time but may not opt again for the accelerated method.

In addition, there are depreciation regimes that are even more favorable for small taxpayers or taxpayers with low income.

The IRS has issued general guidelines on the useful lives of fixed assets for different activities, such as industry, mining or fisheries. However, the competent Regional Tax Director may, at the request of the taxpayer or of the Foreign Investment Committee, modify the applicable depreciation if deemed advisable.

In general, no allowance is made for amortization of intangible assets, such as goodwill, patents, trademarks, etc. Depletion is not tax deductible, except for the acquisition price of mining properties, where the price may be deducted on a unit of production basis.

Please note that the additional tax expense for the operating company (caused by the used of the accelerated depreciation), will not be considered in calculating the taxes applicable over the distribution of profits to its shareholders or partners.

(6) Branch of foreign corporation

Branches of foreign entities are taxed with world source income. The ITL gives the IRS the authority to assess the taxable income of a branch should the accounting records not prove adequate for assessing it. In such a case, the IRS may assess taxable income on the basis of gross income, assets, capital invested, sales, or percentage of exports and imports.

(7) No income tax on imports

The 35% Additional Tax levied on certain payments to individuals or entities not domiciled in Chile is not applicable to imports, provided the import prices are reasonable in terms of market values. Amounts paid in excess of reasonable prices are taxable.

(8) Interest payments

Interest on loans obtained abroad is normally subject to a 35% Additional Withholding Tax;

nevertheless, interest paid to non-Chilean banks or financial institutions are taxed at a reduced 4% rate under certain conditions.

(9) Excess indebtedness

In the case of excess of indebtedness, the local debtor must pay the difference needed to complete 35% tax for foreign loans granted by related parties subject to a tax withholding on interests with a rate lower than 35% (e.g. 4%).

Excess indebtedness is, for these purposes, a situation in which the total annual indebtedness exceeds three times the tax equity of the company. Local, foreign, related and unrelated debt must be considered for the calculation.

(10) Royalties, patents and technical assistance

In general, the payment of royalties, patents and brands to entities not domiciled in Chile is subject to a 30% Additional Tax to be withheld by the payer. However, the rate of this tax is reduced to 15% for royalties related to invention patents, utility models, industrial designs, designs of integrated circuits or mask work, new vegetable varieties and software, provided that the licensor is not a resident of or incorporated in a tax haven. Payments for standard software are exempted from additional tax.

In the case of technical assistance or engineering services, the rate is 15%. However, the tax rate goes up to 20% if these services are rendered by a person or entity residing or incorporated in a tax haven.

All these payments are normally deductible as expenses for tax purposes.

(11) Income Taxes on Payments made to Individuals or Entities not domiciled in Chile

In accordance with the general rules indicated above, payments made to an individual or entity not domiciled in Chile, are subject to additional tax to be withheld by the payer, generally 35%.

The rate is lower in the following cases:

- Payments made to insurance companies not established in Chile for insuring equipment or other goods located in Chile and for life or medical insurance of individuals who are residents of or domiciled in Chile are taxed 22%. In these cases, reinsurance is taxed at a 2% rate.

- Payments for engineering or technical advisory services are subject to a 15% rate.

- Remunerations paid to individuals or entities not domiciled in Chile for maritime transportation to and from Chilean ports and commissions thereon, as well as remunerations originating from services to vessels and freight in Chilean or foreign ports, 5%. Based on the reciprocity principle, this tax is not applied when, in the country where the vessel is registered or in the country of the operator, a similar charge does not exist or is not applied to Chilean vessels.

- Payments for the rental, lease, charter or any other contract which provides for the use of foreign vessels for coastal trade, 20%. The same is applied when the relevant contract allows or does not forbid coastal trade.

- Payments for the rental of imported capital goods eligible for deferment of custom duties, 1.75%.

(12) Related party transactions

In the case of transactions between related parties, the IRS may object to the prices, values or returns charged or paid by the local entity if those prices, values or returns differ from prices charged or paid in arm's length transactions.

In case of related party transactions between a Chilean taxpayer and a foreign entity, Chilean transfer pricing rules apply. These rules follow the OECD guidelines on transfer pricing.

C. VALUE ADDED TAX

(1) Tax Rate and Transactions Subject to VAT

The tax rate is 19% assessed on the price of the transaction. When the price is manifestly below the market price, the IRS is entitled to assess it.

In general terms, the following transactions are subject to VAT:

- Sales and other contracts whereby the title to movable or immovable goods with constructions is transferred, provided that they are executed on a recurrent basis;

- Services corresponding to commercial, industrial, financial, mining, construction, insurance, advertising, data processing and other business activities

- Rental of movable goods, as well as the rental of real estate furnished or equipped to carry out industrial or commercial activities;

- Financial Lease of immovable property, provided they are executed on a recurrent basis;

- Insurance premiums, with some exceptions;

- In certain cases, construction activities (analyzed later in greater detail); and,

- Digital services provided by providers resident or domiciled abroad (analyzed later in greater detail).

(2) Tax Liability

As a general rule, the seller of goods or services is responsible for the payment of the tax. The amount of VAT, however, is added to the price of the goods or services. Consequently, it is actually the buyer who bears the economic impact of the tax.

Exceptionally, when the seller is not domiciled in Chile or for other reasons is difficult to control by the IRS, the buyer has to withhold and pay VAT.

The tax is payable monthly, except for special situations such as imports.

(3) Credit and Debit System

VAT charged by a company on sales of goods or services is called "VAT debit". VAT borne by a company on purchases of goods or services is called "VAT credit". The tax borne on the acquisition of related physical assets, including buildings and constructions, may also be credited.

VAT credits are deducted from VAT debits and the difference has to be paid to the Chilean Treasury.

If in any given month credits exceed debits, the difference may be carried forward and added to the credits of the following month.

VAT credits incurred in the purchase of fixed assets that remain outstanding for more than two months may be refunded in cash by the Treasury.

(4) Exemptions

There are few exemptions in the Chilean VAT law. The main ones are the following:

(a) Exports;

(b) Interest on loans and other financial operations. In the case of deferred payment of a sales price, interest charged is subject to VAT;

(c) International freight, both by air and sea;

(d) Personal services; and

(e) Services subject to Additional Tax, unless the services are provided or used in Chile and that those enjoy a specific tax exemption given by the Chilean law or by treaties to avoid double taxation in Chile.

(f) Revenues which are not considered as income.

(5) Construction

According to the latest amendments introduced by Law N° 21,210, the sale of real estate that includes constructions is subject to VAT when performed on a regular basis. However, the sale of land is not subject to this tax; for this, provisions have been established in the law allowing for the deduction of the cost of the land from the taxable basis in the case of sales of immovable property.

Revenues originating from construction contracts are also subject to Income Tax.

(6) Digital services

Law No. 21,210 introduced a new taxable event for VAT that levies the following services provided by providers resident or domiciles abroad and that are used in Chile:

- The intermediation of services provided in Chile, whatever their nature, or of sales performed in Chile or abroad, provided those sales give rise to an import;

• The supply or delivery of digital entertainment content, such as videos, music, games or other similar, through downloading, streaming or other technology, including for these purposes, texts, magazines, newspapers and books;
• The provision of software, cloud storage, platforms or computing infrastructure; and,
• Advertising, regardless of the medium through which it is delivered, materialized or executed.

The person responsible for VAT if the beneficiary of the service is a VAT taxpayer will be the same VAT taxpayer. For those cases in which the beneficiary of the service is not a VAT taxpayer, the providers are responsible for VAT through a simplified tax regime.

(7) Exports

As indicated previously, exports are exempt from VAT. However, exporters may recover VAT charged on purchases or services necessary for their exporting activities as a credit against the debit originated in their local sales. Additionally, they may recover this credit in cash as a refund.

D. STAMP TAX

Bills of exchange, promissory notes, letters of credit and, in general, any kind of documentation referring to a loan or a credit transaction for borrowed money are subject to stamp tax.

The rate is 0.066% monthly on the face value of the document, with a maximum of 0.8%. Should the document be payable at sight, the rate is 0.332%.

Documents needed to grant loans or perform credit transactions destined to finance exports are exempted from stamp tax provided some conditions are met.

E. CONTRIBUTION FOR REGIONAL DEVELOPMENT

Law No. 21,210 introduced in article thirty-second the so-called "Contribution for Regional Development" (the "Contribution") that establishes an additional economic burden on investors who develop investment projects with assets valued at more than USD 10 million.

This new Contribution is assessed on taxpayers of the first category tax that determine their income based on effective income according to complete accounting records, who develop projects and investments that meet the following two joint requirements:

i. It includes the acquisition, construction or importation of physical fixed assets for a total value equal to or greater than USD 10 million. For this, it will also be considered that the assets are part of the investment project when they are used in project under a lease with a purchase option.
ii. It must be submitted to the environmental impact assessment system.

The amount of the Contribution is equivalent to 1% of the acquisition value of all the physical fixed assets involved in the same investment project, but only in the part that exceeds USD 10 million. In the case of investment projects in which different taxpayers participate, the value of the Contribution will also be calculated considering all the assets that are part of the investment project, and its amount will be distributed among each of the taxpayers according to the corresponding proportion.

The Contribution will be accrued in the first year in which the project generates operating income, without considering depreciation, provided that the definitive receipt of works by the Municipality has been obtained or the Superintendency of the Environment has been informed of the act or activity that accounts for the start of its operations. The Contribution and must be declared and paid in April of the year following the accrual, together with the annual income tax declaration

However, projects intended exclusively to activities related to health, education, science, researching or technological development, and house and office construction are exempt from this Contribution.

F. REAL ESTATE TAXES

Real estate is taxed at a rate between 1% and 1.4% per annum. The tax is assessed on the fiscal valuation of the property.

VI. LABOR LAW, SOCIAL SECURITY SYSTEM AND IMMIGRATION

A. LABOR CONTRACTS

Our legislation recognizes three categories of labor contracts: individual labor contracts, collective labor contracts, and special contracts.

(1) Individual Labor Contract

This is a written contract between an employer and an employee whereby they are bound, the employee to render personal services under ties of dependence and subordination to the former, whereas the employer to pay compensation for those services.

Article 10 of the Labor Code states the minimum provisions that must be included in the individual labor contract, namely the date and place of the contract, the identity of the parties, the position of the employee and job description, the place of work, the remuneration to be paid by the employer, the terms of payment (at maximum 1-month intervals), workday, the duration of employment and the benefits in cash or in kind to be provided by the employer.

The lack of a written contract makes it legally presumed that the stipulations of the contract are those declared by the worker, and this can be sanctioned with fines.

(2) Collective Labor Agreements

The collective labor contract is understood as "the convention celebrated between employers and employees with the purpose of establish common labor conditions, remunerations or other benefits in kind or money, for a fixed period of time".

The Collective Contract must be agreed in writing and must be registered in the Labor Inspection within 5 days since its subscription, besides; it cannot have a term of less than two years or more than three years. Also, the law stipulates the minimum clauses to be included in these instruments.

The Labor Code, also preview the possibility that the employer and one or more Unions freely negotiate a collective agreement, without being subject to a ruled legal proceeding, which is also considered an labor collective instrument.

(3) Special Contracts

Our law also considers the existence of special labor contracts. Each of these contracts have

their own characteristics and specifications, e.g. the apprenticeship contract which is restricted to individuals under 21 years of age; farm employees' contracts; contracts for employees on ships or at sea and temporary dock employees and contracts for domestic help.

(4) Labor Contract Duration

The parties may agree on a perpetual contract or limit the duration of the contract to the completion of a particular job to be performed by the employee, or else agree on a fixed period of time. In this last case, the duration of the contract cannot be agreed for periods exceeding one year, or two years in the case of managers, professionals and technicians. At the expiry of the original fixed period or of its extension, the contract terminates ipso facto but, if the employee continues rendering services for the same employer, by virtue of law the term of the contract becomes perpetual.

(5) Worker's Age

For purposes of labor and social security legislation, work may begin, as a general rule, at the age of 18 and retirement may occur at the age of 65 for men and at the age of 60 for women. Nevertheless, the Social Security System contains provisions which allow for early retirement in certain cases.

In Chile, retirement is not a legal cause of termination.

(6) Employee's Nationality

The law states that regarding Companies with 25 or more employees hired, at least 85% of them must be Chilean citizens. To determine this ratio, the law excludes technicians. For these purposes the law deem the following persons as Chileans: (i) foreigners whose spouse or civil partner or whose children are Chilean, including widows or widowers of a Chilean spouse; and (ii) foreigners who have resided in the country for more than five years, not considering accidental absences.

To determine the proportion of Chilean workers referred to, the total number of workers that an employer occupies within the national territory must be taken into account and not that of the different branches separately.

(7) Working Hours

The normal workweek is limited to a maximum of 45 hours. This maximum must be worked in no less than five and no more than six consecutive days. The normal workday shall not exceed 10 hours.

agreed workday, if shorter- shall be agreed only to take care of necessities or temporary situations of the company, which are all those circumstances that, while not permanent in the company's productive activity and deriving from occasional events or from unavoidable factors, do imply a greater work demand in a certain amount of time (but not more than 2 overtime hours per day). Overtime work agreements shall be evidenced in writing and be temporarily effective over a period not exceeding three months, renewable by agreement of the parties. However, the permanence of the circumstances that originated them, which by no means shall affect the occasional character of the overtime work, will determine the limit for its renewals.

Overtime must be paid at 50%.

Working hour limits do not apply to employees who work for different employers; to managers or administrators, or to employees who work without immediate superior supervision or outside the working premises, factory, etc. nor employees whose activities are not of a steady nature or require only their presence.

There is also an exception regarding stores or commercial establishments which, in days immediately prior to Christmas or national holidays, may extend the workday by two hours. In these cases, the hours in excess of the 45-hour maximum will be paid as overtime.

(8) Part Time Jobs

The Labor Code regulates a special contract called "part time". Its week duration cannot exceed 30 hours per week. According to Chilean law, part time jobs are subject to the same provisions applicable to regular jobs, with the following exceptions: i) the maximum profit-sharing payment can be ratably reduced in accordance to the number of hours worked, and ii) the parties are able to agree on different alternatives for workweek distribution, thus allowing the employer to choose between said alternatives and select the one that will be used during the following week or period.

(9) Daily and Weekly Rest and Yearly Vacations

(9.1) Daily Rest Period: The workday must be divided into two periods, leaving between them at least a half-hour break for lunch, which must not be considered for the purposes of determining the workday. The law also indicates some cases in which the rest period is longer, i.e. restaurants, hotels and club employees.

(9.2) Weekly Rest Period: Sundays and days legally established as holidays shall be nonworking days, except for activities authorized by law to be performed on those days, companies exempted from the above prohibition must compensate their employees with a paid day off in exchange for worked Sundays or holidays. However, in certain activities, at least two rest days in the month must be granted on Sundays. When more than one paid day off is accumulated in one week, the parties may agree on a special distribution or on a special remuneration mechanism. In this last case, remuneration for the compensated rest day has a surcharge that cannot be less than 50%.

(9.3) Vacations: Employees who have worked for more than one year have the right to an annual paid vacation of 15 working days. The holiday must be continuous, but the excess over the 10 working days may be divided by mutual agreement. After working ten years, continuously or not, for the same or different employers, vacations are extended by one working day for every three years of service for his current employer.

In case of employees who work in the 11th and 12th Regions of the country and the province of Palena, the basic vacation period is 20 days.

(10) Maternity leave and benefits

(a) Maternity Leave:

Female employees are entitled to six weeks leave before (prenatal leave) and twelve weeks after (postnatal leave) the birth of a child, on full pay. This payment is made by the Social Security system and not by the employer. In addition, women cannot be dismissed during pregnancy and for a period of one year as from the end of the postnatal leave, other than with prior authorization of a labor court.

Additionally, to the referred postnatal leave, exists a supplementary permit that as a general rule, provides a 12 weeks permit after the end of the postnatal dispensation of the mother, on full pay. Nevertheless, the mother entitled to this benefit may choose to return to her job in a part time schedule, in which case the parental permit and subsidy is extended to 18 weeks. In this case, the subsidy granted by the Social Security System is reduced to 50% of its salary and the employer must pay, at least, 50% of the remuneration set forth in the labor agreement and all variable remuneration to which she is entitled to. Likewise, the mother may benefit the father of the child by granting him part of the parental leave. In this case, the subsidy will be paid according to the salary of the father.

When the health of a child under one year of age requires attention at home as a result of a serious illness, which circumstance will be demonstrated through a medical certificate issued by the services in charge of the infant's health, the employee mother will be allowed to an employment leave and subsidy allowance in cases of prenatal, postnatal and paternal postnatal leaves, during the period prescribed by the health service. If both parents are under a labor agreement, either one of them, at the mother's choice, will be able to use this permit and will be entitled to the corresponding subsidy allowance. However, the father will be entitled to these rights in case the mother of the child is deceased or if the legal custody has been granted by a judicial ruling.

Additionally, the employee who has been entrusted by a court of law with the personal care of a child less than one year old, as a protection measure, shall also be entitled to such leave and subsidy allowance. This right shall be extensive to the spouse or civil partner mentioned above.

Establishments with more than 20 female employees, regardless of their age or marital status, must provide a nursery service for children under 2 years old. Employers may contribute to an external nursery school to provide such service. While the women are feeding their babies, they must be granted one hour a day for this purpose.

(b) Other leaves of absence

In the event of death of a child, spouse or civil partner, every employee shall be entitled to 7 calendar days of paid permit, in addition to the legal vacations to which the employee is entitled to. In this case, the employee shall also be entitled to labor protection or immunity for one month, as from the date of death, thus entailing that said employee cannot be fired unless a labor court has previously authorized such dismissal.

However, regarding employees hired for a fixed term or for a specific task or service, labor privilege shall favor them only during the effective term of the corresponding employment contract if said term is less than one month, without requiring the court's authorization.

This permit shall amount to three business days in the event of death of a child during pregnancy, as well as in the event of death of the worker's father or mother, albeit without granting the benefit of labor privilege or immunity.

In case of marriage or civil union, every employee shall be entitled to 5 continuous working days of paid leave, in addition to the annual holiday. This leave may be used, at the worker's option, on the day of the marriage and on the days immediately before or after the marriage.

(11) Remunerations

The law considers as remuneration the cash payments and cash-equivalent benefits in kind that the employee receives from the employer on account of the employment agreement.

The remuneration includes base salary, overtime payment, commissions, profit sharing and bonuses. The law further indicates that certain payments or allowances do not constitute remuneration, such as lunch, family allowance for each charge of the employee, transportation allowance, etc.

The remuneration must be paid in the agreed fixed period, which cannot exceed one month. However, in the case of variable remunerations, this variable remuneration or commission is usually paid monthly, bimonthly or quarterly. Other payments which depend on the quarterly or yearly results of the company, i.e. bonuses and profit sharing, are paid at the end of the quarter or business year, respectively.

The amount of remuneration can be freely agreed between the employer and the employee. However, the law sets a minimum level, which in the case of the monthly base salary for employees working 45-hour weekly cannot be lower than one legal monthly minimum wage (CL$320.500; US$413 approximately), as from March 1st, 2020.

(11.1) Profit Sharing

Under the provisions of the Chilean Labor Code, if a company earns profits, it must share part of them with its personnel. The law stipulates that companies must distribute 30% of net profit to the employees, calculated in proportion to the employee's salary. The basis used to determine profits is the corporate taxable income (subject to certain adjustments) less 10% of net equity. However, and in lieu of the above obligation, the employer may pay a bonus of 25% of the yearly salary, but the bonus in this case, regardless of the level of salary of the employee, cannot exceed 4.75 monthly minimum wages (at present app. CL$1,522,375; US$1,963).

The company and the employees may agree on a profit-sharing system different from those described above, provided the payment to the employee is not lower than the two alternatives mentioned above.

(11.2) Additional Benefits

Employers have no legal obligation to provide fringe benefits in addition to the mandatory minimum, other than benefits which may be voluntarily agreed in individual or collective contracts or agreements. Pension and sickness benefits are covered by the Social Security system.

(12) Health and Safety

(a) Chile provides a public and private medical system for employees including preventive and curative health care. The preventive medical service provides for periodic medical checks. When employees are found to suffer a specific illness, they are granted sick leave. During periods of sick leave, the employer cannot terminate the labor contract without cause, but the medical system pays the salary starting on the fourth day of illness or the first day in case of leaves exceeding 10 days. A monthly cap applies. This system is funded through employees' contributions.

Insurance for accidents or professional illnesses provides for medical and dental attention, hospitalization and medicine as well as indemnities (depending on the type of disabilities suffered) and related expenses.

Indemnities are granted in the form of a pension to the injured employee or to his/her spouse and dependent children in case of death of the employee. The Employees' Compensation Fund is funded through a base contribution (made by the employer) of 0,90% of the employee's salary (with a cap of 80,2 U.F. per base salary), plus an additional payment, which must be borne by the employer exclusively depending on the activity and level of risk of the company (additional rate from 0% to 3.4%).

(b) The Employees' Compensation Insurance Law established under Law Nr. 16,744 states the obligation for companies or establishments with more than 25 employees to create a Permanent Safety, Hygiene and Risk Prevention Committee (Comité Paritario), comprising representatives of both employers and employees. This committee is responsible for the adoption of all the measures needed to avoid work-related accidents and for recommending the proper use of the safety gear existing in the company. None of the employees' representatives in this committee can be dismissed while sitting on the committee, without prior authorization of the labor courts.

13) Termination of the Labor Contract

The Labor Code establishes provisions regarding the termination of the labor contract and employment stability. Under this statute the labor contract may only be terminated by agreement of both employer and employee, by the employee's resignation, by the death of the employee, by the expiry of the fixed term agreed upon in the contract, by the completion of the work for which the employee was hired, by an act of God or circumstances beyond the control of the parties (force majeure) and upon dismissal by the employer.

If the employer dismisses the employee based on the general grounds known as "company's needs," such as changes in economic conditions, downsizing of the company, or in case of termination at will (when law permits it), the following severance compensations will be awarded to the employee: i) Severance compensation for years of services: amounting to one month's remuneration for each year or fraction thereof in excess of six months spent in the service of the same employer, with a limit of 330 days' worth of remuneration. However, for the purposes of calculating this severance compensation, the law stipulates that the basic monthly remuneration cannot exceed a maximum of 90 "Unidades de Fomento" (approximately US$3,334), which cap may be waived by the parties; ii) If the dismissal notice is not given 30 days in advance, the employee will be entitled to receive a severance compensation equivalent to one month's remuneration (same cap above applies).

If the employer does not pay the above severance to the employee, some increases may apply up to 150%.

Nevertheless, if the employee is dismissed for cause, i.e. serious breach of contract by the employee, material misconduct, etc., no right to severance compensation arises for the employee. However, the employee may contest the dismissal before the Labor Courts and if the Courts rule in favor of the employee, the company will be obliged to pay the severance indicated above plus an additional penalty of up to 100% of the above-calculated severance compensation, depending on the termination cause invoked.

According to article 162, 5th paragraph, of the Labor Code, if at the time of dismissal, the social security contributions are not duly paid, the dismissal will not result in terminating the labor contract. Consequently, the employer could be forced to pay the remuneration and other payments established in the labor contract to the employee until these social security contributions are finally duly paid.

Labor release settlement agreements must be made available to the employee within 10 work days after him/her separation.

(14) Subcontractor Employees / Temporary Employees

In Chile it is common that large companies subcontract companies to perform specific tasks or render special services such as security and cleaning services, catering, etc.

Chilean law provides that if the contractor breaches legal or contractual obligations towards his employees, the main company (usually called client) can be jointly- liable or subsidiary liability. This liability is extended to labor and social security obligations, therefore during the term of these contracts the principal must permanently verify that contractors comply with their obligations unto their employees.

Temporary employees supply is permitted only for some exceptional circumstances provided by law and for a limited time period.

(15) Teleworking and remote working

The Chilean legislation contemplates the option that the parties by mutual agreement establish the modality of distance work and teleworking for the provision of their services. By teleworking the Chilean Law refers to whether the services are provided through the use of technological, computer or telecommunication means or whether such services must be reported through these means. By remote working, it refers to the fact that the worker renders his services, totally or partially, from his home or another place or places different from the establishments, facilities or tasks of the company, even from places freely chosen by the worker.

In accordance with Chapter IX of Title II, Book I of the Labor Code, the parties must sign a contract or an addendum establishing the modality of teleworking and remote work, which in no case may imply an impairment of the rights of the workers.

The contract or addendum signed by the parties must contain at least the following provisions:

i. Express indication of the agreed modality
ii. Place of provision of services
iii. Duration of the agreement
iv. Monitoring or control mechanisms
v. Working day
vi. Disconnection time

In case the labor relationship starts under the modality of telework or remote work, it will always be necessary the agreement of the parties to adopt the presence modality. However,

in the event that the telework or remote work mode is agreed after the commencement of the labor relationship, either party may unilaterally return to the original conditions agreed in the contract, subject to prior written notice to the other party at least 30 days in advance.

B. UNIONS

Unions are regulated by the Labor Code, which recognizes the autonomy of these organizations. Under the law, their main purposes are to represent the employees in exercising their rights, foster integration between employers and employees, check compliance with social security and labor legislation, help their members, promote education and improvement of safety in the work place and provide non-profit services to the members.

Employees are free to join the union or stay out of these organizations. Employees may join only one union in a single company.

Under the law, more than one union may exist in each company.

C. SOCIAL SECURITY

(1) Overview

In 1980 the Government introduced a major change in the Chilean Social Security system, making a transition from Government-administrated pension and managed healthcare systems, to contributions made to funds administrated by private entities subject to overall Government control.

Under Decree Law Nº 3,500 of 1981, old-age pensions are financed exclusively by the employees through contributions that are accumulated in individual accounts at entities known as Administradoras de Fondos de Pensiones (AFP). For these purposes, employees must contribute 10% of their monthly remuneration up to a maximum of 80,2 Unidades de Fomento (currently approximately US$3,334). Any remuneration in excess of 80,2 Unidades de Fomento is not subject to the 10% contribution. The Unidad de Fomento is a monetary unit created by statute back in 1975, which is adjusted daily in accordance with the variation undergone by the CPI and is used for tax, labor and other cases in which inflation adjustments are required by law or by agreement of the parties, e.g. medium- and long-term financing, lease agreements, etc.

In addition, employees must contribute a 7% of their monthly remuneration for medical care, also up to a 80,2UF cap.

Finally, the employers must contribute between a 1% and 1.5% of the employee's remuneration for disability and survival insurance (SIS).

(2) Coverage

The Social Security system covers all employees, including independent employees. The latter are legally obliged to contribute to a mandatory insurance that covers old age, disability and survivorship insurance.

In the case of foreign employees, as a general rule, they must also pay social security contributions as indicated above. However, Law Nº 18,156 grants exemption from social security contributions to foreign technician employees and the company that contracts them, provided that the following conditions are met:

1. The expatriate subscribes to a social security system outside Chile covering at least illness, pension, disability and death.

2. EThe employee expressly declares in his employment agreement that he will remain affiliated and paying the foreign social security system.

D. UNEMPLOYMENT INSURANCE

This insurance is financed on a tripartite basis, as the contributions are paid by the employer, the employee (2.4% and 0.6% of the employees' taxable remuneration up to a maximum of 120,4 UF, respectively) and the government.

This insurance is mandatory for every employee hired after October 1st, 2002, whereas it is discretional for those employees hired before said date.

In the case of fixed-term contracts, the entire contribution (3%) is exclusively financed by the employer.

E. TAXES

(1) National Employees

Remunerations of employees are subject to a monthly Second Category Income tax, under a progressive tax scale to be deducted at source by the employer. This tax is payable by the company to the Treasury within the first 12 days of the month following that of the deduction.

Currently, the tax brackets range that goes from exemption to a 40% tax rate.

(2) Foreign Employees

Foreigners' employees rendering services in the country and that are domiciled or residing in Chile are also subject to the Second Category tax as explained above.

As a general rule, foreigners neither domiciled nor residing in Chile and working in Chile are subject to a flat 35% Additional Income tax to be deducted by the company that employs them in Chile upon payment of the salary or fee, and the tax is payable to the Treasury within the first 12 days of the month following that in which the tax was deducted. However, the rate for said additional tax shall be 20% in case the foreign employee with no residence or domicile in Chile receives remunerations from a Chilean source, originating in the provision of scientific, cultural or sports services. Likewise, the tax rate shall be 15% if such employee is remunerated by a Chilean source, originating from the provision of services deemed to be professional or technical.

The tax law does not contain a definition of domicile, and in the absence of such definition the general provisions of the Civil Code apply. Under these provisions, domicile is acquired whenever sufficient evidence exists that the foreigner is coming to live in Chile for a reasonable period of time, i.e. if he is hired under a labor contract for one year or more, assumes an executive position in the company, brings his family, etc.

In the case of residence, the Tax Code does provide a definition, indicating that residence is acquired when the foreigner stays in Chile for more than six continuous months in any single year or more than six months, whether uninterruptedly or not, in any two consecutive tax years.

In the case of foreigners, during their first three years of residence in Chile they must pay taxes as indicated above only on their Chilean source income and this three-year term may be extended by the tax authorities. After the three-year term or its extension is over, the foreigner must pay taxes on worldwide income.

F. VISAS FOR FOREIGNERS

It is important to take into consideration that a Bill of Law has been approved by the Congress to modernize the current Immigration law; therefore, once enacted the new law, these processes will suffer changes and / or new procedures will be added for obtaining visas. It is expected that the new law will enter into force during 2021 after release of its specific Regulations that are being prepared.

Currently, Chilean law provides three kinds of visas for foreigners who wish to work in Chile, as follows:

A. TOURIST VISA

Foreigners coming to Chile for business but not intending to immigrate, take up residence or conduct remunerated activities are considered tourists.

The tourist visa is granted for a maximum period of 90 days. However, the authority is empowered under exceptional circumstances to limit the stay of the visitor to shorter periods. In certain special cases, the tourist visa may be extended once, for a maximum period of 90 days counted as from the expiry of the first period. To obtain a tourist visa, the foreigner must hold a passport.

Even though tourists are not allowed to develop remunerated activities in Chile, in certain cases, the Department of Immigration of the Ministry of Internal Affairs may grant a special Work Permit to a tourist, allowing him to carry out remunerated services in Chile for periods not exceeding 30 days. This Work Permit may be extended for additional periods of 30 days until the expiry of the original or extended period of the tourist visa.

B. VISA SUBJECT TO AN EMPLOYMENT AGREEMENT (WORK VISA)

This visa is granted to foreigners who are living in Chile under an employment agreement. This visa is also made extensive to the spouse, parents and children living with the foreign employee in Chile. These beneficiaries however are not allowed to engage in business activities in the country unless they obtain their own visa. The Work Visa is granted subject to the following requirements:

(a) The employer must have legal domicile in Chile;

(b) The employment agreement to be submitted must be signed in Chile before a Public Notary or outside Chile before a Chilean Consul;

(c) In case of foreigner professionals or technicians, they must prove they hold the corresponding professional degree through duly certified documents;

(d) The profession, activity or work to be carried out by the employee is necessary for the country;

(e) The activities that the employee will carry out in Chile are not considered to be dangerous for national security;

(f) The employment agreement must contain special provisions, such as; (i) employer's obligation to withhold and pay the income tax affecting the employee's salary; (ii) the employer's obligation to pay travel expenses of the employee and his family to return to his country of origin or to any other country that may be agreed upon termination of the labor contract; (iii) reference to the social security system to which each employee shall be affiliated; and (iv) the fact that the employment will only be in force once the employee has any kind of permit or visa that allows him to do so.

(g) The foreigner may only engage in the activities agreed upon in the employment agreement and cannot accept other remunerated positions without prior approval of the authorities.

The visa is granted for up to two years and may be extended for equal periods. The employee must apply for a permanent residence in Chile after two years residing in the country. This visa expires upon termination of the employment agreement.

C. TEMPORARY RESIDENCE VISA

This visa is granted, inter alia, to professionals, technicians and experts who do not come to Chile under a labor contract with a company or branch office in Chile, but as independent consultants and whose services in Chile are considered useful or convenient for the country. This visa also covers the spouse, parents and children and, again, these beneficiaries are not allowed to carry out business activities in Chile unless they obtain their own visas.

To obtain this visa, documents must be filed proving the applicant's professional degree as well as other documents that may be requested by the authority.

This visa is granted for up to one year and may be extended once for an equal period. The employee must apply for a permanent residence in Chile after completing one year of residence.

Notwithstanding the foregoing, there are other types of temporary visas that apply for certain circumstances concerning foreigners that wish to apply for it.

These types of visas can be processed in-country, entering as tourists or from abroad. Based

on the Department of Immigration heavy workload visa processes are taking up to a year in Chile. Therefore, it is a much easier and faster process applying abroad before the Chilean Consulate at the country of origin of the applicant. Consulate visa processes may take no more than 2 months and the application and process is mainly online (however some appointments are required). Specific documentation may be required by a particular Consulate.

VII. ENVIRONMENTAL REGULATIONS

In the last decade, Chilean environmental law has become increasingly important and consistent with far higher standards. From the judicial enforcement of the constitutional right to live in a pollution-free environment to the enactment of the Environmental Act, Law 19,300 ("EA"), and numerous decisions by the environmental authorities and landmark jurisprudence, the environmental regulations have formed a legal body that must be taken very much into account when considering any new investment project with environmental consequences.

In Chile, there is no single body of laws that encompasses the entire gamut of environmental regulations. Rather, it is scattered throughout numerous legal statutes of varying hierarchy, each referring to a specific matter. The following paragraphs provide a brief summary of the regulations we consider most relevant-from a practical standpoint- in developing any given activity or project.

A. GOVERNMENTAL ENVIRONMENTAL BODIES AND ENVIRONMENTAL COURTS

There are three Governmental bodies related to the application of environmental regulations in Chile:

First, the Environmental Ministry, which is in charge of the design and application of environmental policies, plans and programs, and the protection of the biodiversity and renewable resources. Second, the Environmental Evaluation Service ("SEA"- for its Spanish acronym), whose main function is to administer the Environmental Impact Evaluation System.

Finally, the Environmental Superintendency ("SMA"- for its Spanish acronym), which is a decentralized public service that executes, organizes and coordinates the follow-up and supervision of the environmental certification resolutions, prevention and decontamination plans, environmental quality and emissions regulations, management plans, and other environmental instruments established by law.

In addition, there are Environmental Courts, whose main role is to resolve environmental controversies, such as lawsuits seeking reparation of environmental damage, claims against decisions by the SMA, and claims against environmental certification resolutions, amongst others.

B. ENVIRONMENTAL IMPACT EVALUATION SYSTEM ("SEIA" –Spanish acronym)

This system was created by the EA. Any project or activity included in a specific list contemplated by the EA must be submitted to this system prior to its performance or modification.

extraction of aggregates, peat or clay; oil pipelines, gas pipelines, mineral or comparable ducts, etc.

If the project or activity that must be submitted to the SEIA is found to produce certain relevant environmental impacts, described in the EA, then an Environmental Impact Study ("EIA"- Spanish acronym) must be filed with the SEIA. If the project or activity is not found to produce said impact, then no EIA is necessary, only an Environmental Impact Statement ("DIA" – Spanish acronym).

Among the environmental consequences that require filing of an EIA instead of a DIA we have risks to human health, due to the quantity and quality of effluents, emissions or residues; potential material adverse effects on the quantity and quality of renewable natural resources, including soil, water and air; the relocation of human settlements or significant alteration to the lifestyles and customs or the population; their location in or in the vicinity of human settlements, resources and protected areas, priority conservation sites, protected wetlands and glaciers likely to be affected, as well as the environmental value of the territory where its location is planned; and any significant alteration, in terms of magnitude or duration, to the landscape or tourist value of any given area; and any alteration to monuments or sites of anthropological, archeological and historical value, and in general those that are part of our cultural heritage.

There are several differences between how an EIA and a DIA are processed, chiefly the deadlines that the environmental authorities have to work with in issuing an environmental certification resolution ("RCA" – Spanish acronym). In the case of an EIA, the authority has 120 days, whereas for a DIA the deadline is shortened to 60 days. In practice, these deadlines are longer because the procedure is usually suspended at the request of the project owner in order to collect data and information needed to answer inquiries made by the authorities.

The corollary of this process is an RCA, which could be either unfavorable, in which case the project or activity cannot be carried out, or favorable. In this last case, the RCA usually establishes certain conditions that the owner must meet during the various different project implementation and operation stages.

C. OTHER RELEVANT ENVIRONMENTAL REGULATIONS

(1) Emission and environmental quality standards

There are several emission standards that establish maximum limits that certain specific sources may emit.

In relation to atmospheric emissions, specific emission standards apply in the Santiago Metropolitan Region that are more stringent than those generally in force.

As to industrial liquid waste, emission sources must adhere to the relevant emission standard, the application of which depends on the water mass that receives the discharge (rivers, lakes, underground aquifers, sea). Usually, in order to comply with the emissions standard, one needs to implement a waste treatment plant under the operational supervision of the Water Utilities Superintendency.

Elsewhere, there are environmental quality standards that set out the maximum limits for the concentration of pollutants likely to pose a risk to human health or an environmental protection or conservation hazard. There are quality standards for the control of pollutants that affect the atmosphere and inland and maritime waters.

(2) Hazardous solid waste

The handling of hazardous waste is regulated by Executive Order 148 of 2003, i.e. Sanitary Regulations for the Management of Hazardous Waste, which introduces conditions for the management, storage and elimination of these wastes. Significant hazardous waste generators must file a waste management plan with the Sanitary Authority for approval.

Hazardous waste transportation is regulated by Executive Order 298 of 1994, i.e. Regulations for the Transportation of Hazardous Waste, which establishes the safety conditions to be met by all vehicles that carry hazardous materials or wastes.

(3) Native Forestland Act

Law 20,283 on the Reclamation of Native Forestlands and Forest Development generally provides that any tree-felling activity on native forestlands, regardless of the location, must be conducted on the basis of a management plan previously approved by the National Forestland Protection Agency ("CONAF" – Spanish acronym). Nevertheless, it does forbid the felling, elimination, destruction or removal of planting stock of native plant species that are part of a native forest and classified as "in danger of extinction," "vulnerable," "rare," "insufficiently known" or "out of danger."

(4) Indigenous Peoples Act

Law 19,253 introduced a special statute applicable to indigenous peoples. It provides that indigenous lands may not be disposed of, attached, encumbered or acquired through adverse possession, except among indigenous communities or individuals belonging to the same ethnic group. Nevertheless, they may be subject to liens upon authorization by the National Agency for the Furtherance of Indigenous Peoples ("CONADI" – Spanish acronym). These liens cannot include the home of an indigenous household and the land it needs to survive. Likewise, lands owned by indigenous communities cannot be leased, conveyed under bailment or assigned to third parties for their use, enjoyment or administration. Lands belonging to indigenous individuals may be subjected to the above treatment for a maximum of five years. In any case, these lands, with the prior consent of CONADI, may be exchanged for non-indigenous lands having comparable commercial value, duly ascertained; the latter will then be deemed to be indigenous lands and the former will no longer enjoy this status.

Additionally, Chile has ratified the International Labor Organization Nº169 Convention on Indigenous and Tribal Peoples. Pursuant to that Convention the government must consult the indigenous people, through appropriate procedures, about legislative or administrative measures that may affect them.

(5) Liability for environmental damages

In general, liability for environmental damages is subjective, i.e. for a person or entity to be required to cure environmental damages or pay indemnification equivalent to said damages, not only must it have caused those damages, but they must also have been the result of willful misconduct or negligence. Exceptionally, there are some cases of strict liability, such as the damage regulated by the Nuclear safety Act 18,302 of 1984, the Navigation Act contained in Decree Law 2,222 of 1978, and the Agricultural Protection Act contained in Decree Law 3,557 of 1981, that regulates the use of pesticides.

VIII.- INTELLECTUAL PROPERTY

Our sister firm, Sargent & Krahn, was established in 1889 and offers comprehensive services in this area. For instance, we can: searches, filing and prosecuting trademarks and patents; copyrights; IP litigations; negotiation and drafting of license agreements of softwares, trademarks, patents and other rights, and protection of trade secrets; regulation issues related to pharmaceutical industry (lifescience); unfair competition, publicity and consumer protection; advice in information technology (IT); databases protection; protection of geographical indications, domain names and plant varieties.

We especially value the relationship with our clients. Therefore, each client is appointed a general IP counsel who is teamed with a litigation attorney. We also have technical professionals with experience in matters related to engineering, electronics, chemistry, biology, software and pharmaceutical products.

Sargent & Krahn has developed an extensive international network of correspondents who collaborate with the registration and litigation of trademarks and patents of Chilean companies abroad.

Our firm's ability to develop in-house products and services differentiates us from our competition and facilitates the contact with our clients. In 1991, we developed WEEKMARK, today an online portal for exclusive use of Sargent & Krahn's clients that provides relevant information in connection with trademarks, domain names and patents.

A. TRADEMARKS

Trademarks have an effective term of 10 years. Registrations are granted for products and services as classified under the 10th edition of Nice Classification. In addition, the Law has two additional categories of trademarks; one is the "establecimiento comercial" for retailer names, and the other is known as "establecimiento industrial," for the name of manufacturing facilities. There is no trade name registration in Chile, but the Corporate Law grants protection for the name of Stock Corporations registered in the Registry of Commerce.

Trademark applications are filed before the "Instituto Nacional de la Propiedad Industrial" (INAPI) and are subject to an examination on formalities before publication, and on absolute and relative grounds after publication. Applications are published in the Official Gazette for opposition purposes. As in most jurisdictions, the Law contains a full range of grounds for opposition, and also contemplates the right for the owners of non-registered trademarks to file oppositions based on famous trademarks registered abroad, even if the trademark has not been previously used in Chile.

The trademark application process takes about 6 months if no oppositions are filed. Opposition proceedings last for about 1 year and are decided by the Director of the INAPI and may be appealed before a specialized Court, the "Tribunal de Propiedad Industrial" (Industrial Property Court). The Industrial Property Courts decisions may be subject to further annulment remedies ("Recurso de Casación en el Fondo"), to be filed with the Supreme Court whenever the decision issued by the Industrial Property Court has been reached in breach of substantive law.

Use of trademarks is not mandatory in Chile and trademark registrations are not subject to cancellation based on lack of use.

A power of attorney is required to represent a trade mark owner before the INAPI. In the case of non- residents, the power of attorney may be accompanied with the registration application, or within the following 60 days. The power of attorney has no formalities and one power of attorney is sufficient to file any number of applications, and also to act on opposition proceedings and related matters.

B. PATENTS & DESIGNS

Patents have a validity term of 20 years counted as from the filing date, while for designs it is 10 years, also counted as from the filing date.

In order to file a patent application in Chile, the applicant must submit the complete text of the patent application in Spanish. However, INAPI practice has been to accept documents in English provided that a translation into Spanish thereof is subsequently provided.

With regard to design applications, the applicant needs to file a complete set of drawings including side, front, plane, upper, rear and bottom plan views, showing the shape and configuration of the article in order to prepare the description. A description of the drawings is needed to proceed with the filing and may be prepared at our end.

Whenever claiming priority over a foreign patent or design, the applicant needs to file a certified priority document within 90 days as from the filing date. Additionally, if the applicant is not the inventor or designer himself, an assignment document is also needed. Such assignment document needs to be notarized and subsequently legalized before Chilean Consul in the country of its execution.

As far as the procedure is concerned, both patent and design applications undergo a preliminary examination, of a formal nature, which takes about four months to complete.

After this period has elapsed and provided there are no observations resulting from this examination, an abstract of the application is published in the Official Gazette. As of that time, the entire application and all documents pertaining to it are left open for public inspection and a 45 working-day period starts for possible oppositions by third parties.

Regardless of whether oppositions are filed or not, and without the need to file a special request for examination, an examiner is appointed by the INAPI to conduct a substantive analysis on the applied invention.

The whole procedure for obtaining a patent lasts roughly 3 years while the procedure for obtaining a design lasts approx. 2 years. However, if the matter is complex and/or subject to oppositions by third parties, this term may be longer.

Patent and Design applications must be filed with a Power of Attorney, duly executed before a Notary Public and subsequently legalized before a competent Chilean Consul in the country of its execution.

Chile joined the Patent Cooperation Treaty (PCT) on June 2, 2009, thus it is possible to file national phase applications for international applications filed on or after said date.

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