CUEVAS
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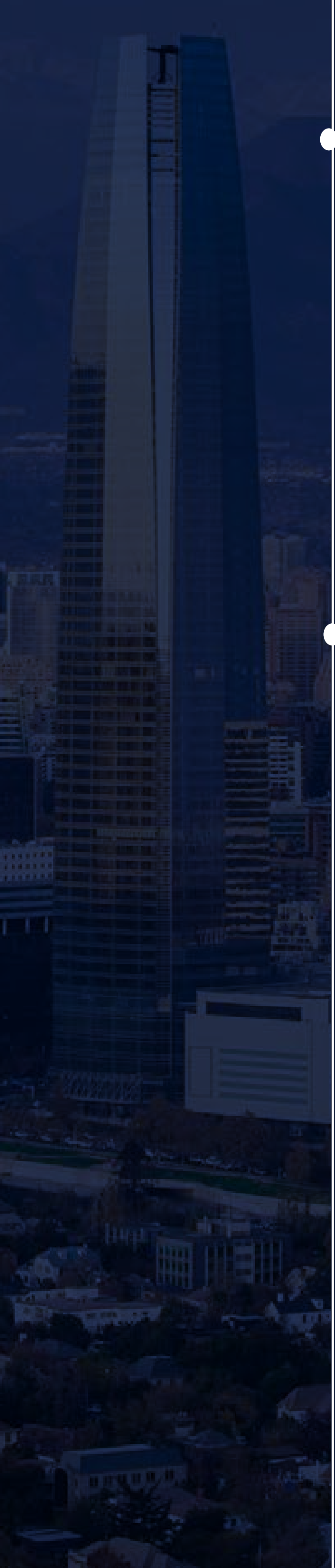


CHILE: YOUR GATEWAY TO LATIN AMERICA

Chile stands out as one of Latin America's most open and investor-friendly economies. With a stable legal framework, free trade agreements with over 65 countries, double taxation treaties with more than 30 nations, and a transparent regulatory environment, Chile offers foreign companies a fast, predictable path to establishing and growing their business. Under Law N° 20.848, foreign investors enjoy exactly the same rights and protections as local companies -including- unrestricted repatriation of profits.

KEY ELEMENTS FOR FOREIGN INVESTORS

- Equal legal treatment for national and foreign investors (Law N° 20.848)
- Free repatriation of capital and profits with no exchange controls
- 65+ Free Trade Agreements: US, EU, UK, China, Japan, Australia, Canada, and more
- 30+ Double Taxation Treaties to minimize withholding taxes on remittances
- A fully operational entity can be incorporated in as little as 1–2 business days
- InvestChile, a dedicated government agency to support foreign investors end-to-end

STEP-BY-STEP: HOW TO ESTABLISH YOUR BUSINESS IN CHILE

1. Granting Power of Attorney from Abroad
Since company directors are typically based overseas, the first step is granting a notarized Power of Attorney authorizing a trusted representative in Chile to act on your behalf. The document must be apostilled (or legalized if your country is not a Hague Convention signatory), officially translated into Spanish, and protocolized before a Chilean notary. This power should cover company formation, tax registration, banking, employment contracts, and judicial representation. Ambiguous or overly broad powers are frequently rejected by public authorities — precision in drafting is essential.

2. Obtaining a Foreign Investor Tax ID (RUT)
Before your foreign company can participate as a shareholder in a Chilean entity, it must obtain its own RUT (Rol Único Tributario - Chile's tax identification number). This is done by filing Form 4415 with the Internal Revenue Service (SII), along with apostilled corporate documents and the Power of Attorney. The process typically takes 1-3 business days and must be completed at the relevant SII office.

3. Incorporating a Chilean Company
Chile offers a range of corporate structures that can be tailored to each investor's specific business model, size, and long-term goals. The main options are:

- SpA — Sociedad por Acciones (Simplified Stock Company): The most flexible structure available, offering wide-ranging corporate and operational freedom. A single shareholder is sufficient -which can be the foreign company itself- with no minimum capital requirement. Shares can be freely transferred, governance rules can be customized in the bylaws, and it can be incorporated in less than 3 business days
- SRL — Sociedad de Responsabilidad Limitada (Limited Liability Company): A partnership-based structure with between 2 and 50 partners, where liability is limited to each partner's contribution. Because it is a company of persons rather than shares, it offers a closer, more personal governance dynamic making it particularly well-suited for joint ventures, family businesses, professional services firms, and operations where the identity and trust of the partners play a central role.
- Branch / Agency: Allows the foreign company to operate directly in Chile without creating a new legal entity. However, the foreign parent retains full and unlimited liability for all Chilean obligations - generally less advisable from an asset protection standpoint, though it may be appropriate in specific circumstances.

Choosing the right structure from the outset is one of the most consequential decisions in the setup process. A structure that does not match the business's operational reality or ownership arrangements can generate unnecessary tax burdens, governance conflicts, or costly restructuring down the line. This is precisely where experienced legal counsel makes the most tangible difference.

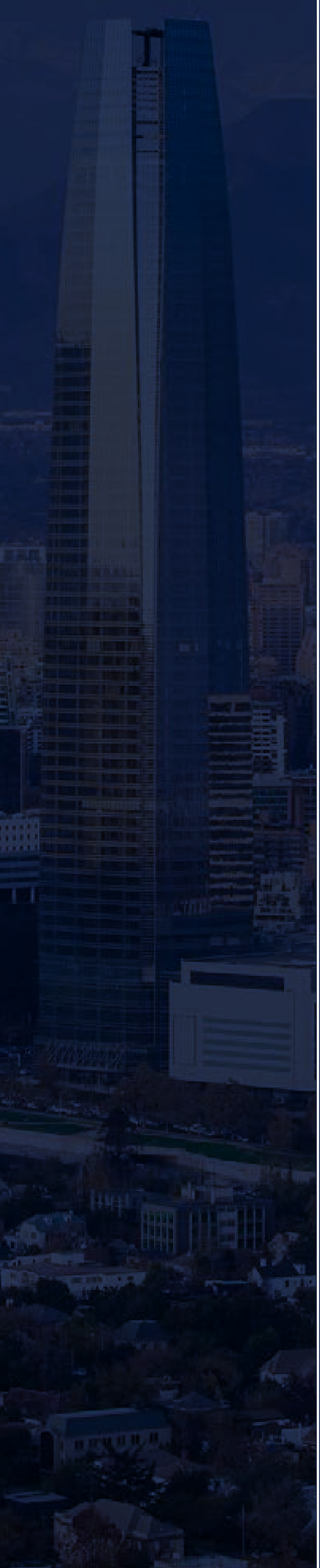
4. Tax Registration and Commencement of Activities
Once incorporated, the company must register with the SII and formally declare the start of its activities within two months of beginning operations. This step defines the tax category, the economic activity code, and activates the ability to issue electronic invoices (DTEs), which are mandatory in Chile.

5. Opening a Corporate Bank Account
A local corporate bank account is essential for day-to-day operations and for channeling capital contributions. Chilean banks require full compliance with anti-money-laundering regulations (Law N° 20.393), including disclosure of ultimate beneficial ownership and the origin of funds. Having a complete and well-prepared legal dossier substantially accelerates account opening.

6. Hiring Staff and Work Permits for Foreign Employees
Chile's Labor Code requires at least 85% of the workforce to be Chilean nationals (for companies with more than 25 employees). Foreign executives, specialists, and managers may obtain work visas. Employment contracts must comply with strict minimum standards: working hours are currently 42 hrs/week, reducing progressively to 40 hrs by 2028, with mandatory social security contributions, legal bonuses, and paid leave of 15 business days per year.

TAX PLANNING & MAXIMIZING PROFIT REMITTANCES

Chile's tax system is transparent and predictable. With proper structuring, the effective tax burden on cross-border remittances can be substantially reduced.



- Corporate Income Tax (IDPC): 27% general rate, or 12,5% under the “ProPyme” regime for companies with annual revenues below approx. USD$ 3 million. “ProPyme” also offers simplified accounting and reduced advance tax payments.
- VAT: 19% on sales and services. Exports are zero-rated, an attractive feature for businesses with international operations.
- Withholding Tax on Remittances (Impuesto Adicional): 35% general rate on dividends, but the IDPC already paid acts as a credit, reducing the effective additional tax burden. Royalties, interest, and service fees carry varying rates between 4% and 35%.
- Double Taxation Treaties (CDT): If your home country has a CDT with Chile -including Spain, Germany, the United States, France, Australia, China, Brazil, Colombia, Peru, and others- withholding tax rates can be dramatically reduced. Maximizing treaty benefits requires precise, proactive planning.

Tax optimization in cross-border structures is complex. The difference between a well-structured setup and an ill-advised one can amount to hundreds of thousands of dollars over the company’s lifetime. Specialized, competent legal and tax counsel is not a cost, it is the most important investment you will make in your Chilean expansion.

WHY CHILE? THE COMPETITIVE ADVANTAGES

- Chile has the most extensive Free Trade Agreement network in Latin America, providing access to over 4.5 billion consumers across North America, Europe, Asia-Pacific, and the region.
- Chile consistently ranks among Latin America’s top countries for rule of law, contract enforcement, and judicial independence - critical factors for foreign investors.
- A company can be fully incorporated, tax-registered, and operational in under three weeks, with key processes available entirely online.
- Capital contributions and profit remittances face no restrictions once tax obligations are met - full financial flexibility.
- Chile’s port infrastructure and Pacific coastline make it a natural hub for trade with Asia, North America, and within South America.
- Chile operates a first-to-file trademark system. Registering your brand with INAPI early is strongly recommended to secure your commercial identity.
- Law N° 20.393 requires companies to implement a Crime Prevention Model (MPD) covering bribery, money laundering, and terrorism financing. Establishing this from day one protects both the company and its directors and key executives.

WE ARE HERE TO GUIDE YOU, WHEREVER YOU ARE

Our firm brings deep international experience in cross-border corporate, tax, and labor matters. As proud members of PRAGMA INTERNATIONAL -a global network of independent law firms- we provide seamlessly coordinated legal advice across jurisdictions.

Navigating a foreign legal system -from structuring your entity to optimizing your tax position and hiring your first employee- demands more than general knowledge. It demands specialized, hands-on expertise that protects your investment and unlocks Chile’s full potential for your business.

Available across all time zones, your business does not wait, and neither do we. Contact us today for a confidential consultation.