Guide to do business in



# Chandrawat & Partners



## CHILE

Chile stretches along the west coast of South America from Peru in the north to the South Pole in the Antarctic. Its continental territory and offshore islands cover 302,500 square miles and the Antarctic territory is 500,000 square miles. It borders Peru in the north and Bolivia and Argentina in the east.

Chile has a special link between the Asia-Pacific region and the countries on the east coast of South America (Brazil, and Argentina, among others). The Chilean economy has evident advantages in the exploitation of some primary products such as those from mining. Due to Chile having the longest coastlines in the world, with over 2,400 miles of coastline, renewable marine resources are very important too. Its variety of climates throughout the country allows for diverse agricultural activity.

## ADVANTAGES

Chile is a country that offers many advantages for doing business. Here are some of the key advantages:

### **Stable Economy**

Chile has a stable and diversified economy, which has grown at an average rate of 4% over the past decade. This makes Chile a reliable and predictable country for business operations.

### **Openness to Foreign Investment**

Chile is one of the most open economies in Latin America, and foreign investment is welcome and encouraged. In fact, foreign investment has been instrumental in the development of many sectors of the economy.

## **Modern Infrastructure**

Chile has a modern and well-developed infrastructure, including excellent transportation and communication systems. This makes it easy to do business in the country.

## **Skilled Workforce**

Chile has a highly educated and skilled workforce, with a strong emphasis on technical and scientific education. This means that companies can easily find qualified employees.

## **Free Trade Agreements**

Chile has signed free trade agreements with over 60 countries, giving businesses access to a large and diverse market.

### **Pro-Business Government**

The Chilean government is generally pro-business and has implemented a number of policies and incentives to attract foreign investment and promote economic growth.

## SIMPLE TAX REGIME

#### **Corporate Tax**

The corporate tax rate is a flat rate of 27%, which is applied to all business profits. There are no separate tax slabs based on the size or type of business.

#### Value Added Tax (VAT)

Companies in Chile are subject to value-added tax (VAT) on their sales, which is currently set at a rate of 19%. This tax is collected by the government and is intended to be passed on to the final consumer. Some goods and services are exempt from VAT or subject to a reduced rate. For example, basic food items, such as bread, milk, and vegetables, are exempt from VAT. Medical services, education services, and some financial services are also exempt.

In addition to the standard VAT rate, there is a reduced VAT rate of 10% that applies to certain products and services, such as books, newspapers, and public transportation. It's worth noting that companies in Chile are required to register for VAT if their annual sales exceed a certain threshold, which is currently set at approximately CLP 48 million (about USD 63,000). Once registered, companies must collect and remit VAT on their sales.

#### **Individual Tax**

Individual income tax rates are progressive and range from 0% to 40%. The tax system is based on a bracket system, with different rates applied to different levels of income. Here are the current tax rates for 2023:

- 0% for annual income up to CLP 7,611,960 (approximately USD 9,950)
- 5% for annual income over CLP 7,611,960 and up to CLP 13,618,800 (approximately USD 17,770)
- 10% for annual income over CLP 13,618,800 and up to CLP 19,625,640 (approximately USD 25,590)
- 15% for annual income over CLP 19,625,640 and up to CLP 31,539,360 (approximately USD 41,170)
- 25% for annual income over CLP 31,539,360 and up to CLP 45,359,280 (approximately USD 59,170)
- 32% for annual income over CLP 45,359,280 and up to CLP 61,257,840 (approximately USD 80,000)
- 35% for annual income over CLP 61,257,840 and up to CLP 77,156,400 (approximately USD 100,950)
- 40% for annual income over CLP 77,156,400 (approximately USD 101,000)

## **CHILE COMPANIES**

Under Chilean corporate law, there are several types of corporate entities that can be formed depending on a business's specific needs. The most widely used include:

#### Individual Limited Liability Company (EIRL)

This is a type of company that is owned and managed by a single individual. The owner is responsible for all aspects of the company and has limited liability for the company's debts and obligations.

#### Limited Liability Company (Sociedad de Responsabilidad Limitada or "SRL")

This is a type of company that can have one or more partners. The partners have limited liability for the company's debts and obligations and can be individuals or other legal entities.

#### Stock Corporation (Sociedad Anónima or "SA")

This is a type of company that is owned by shareholders who hold stock in the company. The shareholders have limited liability for the company's debts and obligations, and the company is managed by a board of directors.

#### **General Partnership (Sociedad en Nombre Colectivo)**

This is a type of company where two or more partners come together to carry on a business with a shared goal. In this type of company, all partners have unlimited liability for the company's debts and obligations.

#### Limited Partnership (Sociedad en Comandita Simple)

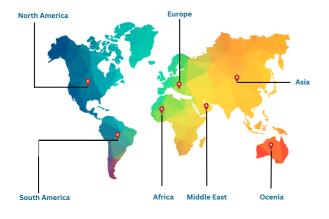
This is a type of company that has two types of partners: general partners and limited partners. The general partners manage the company and have unlimited liability for the company's debts and obligations, while the limited partners contribute capital to the company but have limited liability.

### **Branch Office**

This is not a separate legal entity, but rather an extension of a foreign company that operates in Chile. The foreign company remains responsible for all of the branch office's activities and liabilities.

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