Investment Guide Chile 2018
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Chile is entering a new cycle of economic optimism, confidence and dynamism boosting a solid growth. The Central Bank estimates the country will grow between 3 and 4 per cent this year 2018. Similarly, most companies expect sales and profit to grow, while the number of companies planning to increase their investment projects is nearly 6 times higher than those expecting to do exactly the opposite, according to an EY survey.

Higher expectations and confidence of both entrepreneurs and consumers will continue to drive the strength of the economy, generating more job places and opportunities in a country that already has the highest per capita GDP in the region.

This, together with the tradition of political stability and solid macroeconomic fundamentals, make Chile one of the most attractive emerging markets for foreign investors.

The historic commitment of the country to move forward with responsible institutions and growth measures have made it the first and only South American economy to become a member of the Organization for the Economic Cooperation and Development (OECD). Similarly, it has reduced the negative impact of international ups and downs and has the best credit ratings within the region.

These actions enabled Chile to tell a success story, offering more internal opportunities and improving the living standard of its people.

On the other hand, Chile has a clear intention to be part of the world, building bridges with almost all the most important global markets. Its commitment to international trade has led it to sign more free trade agreements than any other country, having access to 86.3% of the world GDP under privileged tariff conditions and positioning itself as the gateway to the region.

Investing in Chile is not only attractive for being an emerging economy that has positioned itself as an economic regional leader, but also because it offers high levels of security and support to foreign capital than other countries in the same situation are not able to offer.

Today Chile is experiencing a great moment. With a solid institutional environment and expectations of growth, investment and creation of job places that augur good years to come, Chile looks to the future with optimism and is in a good place to address the challenges that the new digital era presents to companies and the country.

This guide is intended to deepen the ties between Chile and the world, providing key information regarding the main economic, tax, legal, labor and other aspects an investor needs to do business in Chile.
Welcome to the “Investment Guide in Chile”, intended to provide the key information investors require to make an informed decision when it comes to doing business in Chile.

In these pages you will find macroeconomic figures as well as tax, legal, labor and other information relevant to invest in a country that has always been open to the world.

Chile has been consistently committed to building bridges with other markets and economic cycles aside, the Chilean authorities have sought to make it a modern country while maintaining solid and stable institutions that favor foreign investment. This reflects on the fact that Chile has always stood out in competitiveness and transparency rankings compared with the other countries in the region, as well as the 25 international conventions and 64 tax conventions signed with other countries.

In economies where entrepreneurship is the key to future development, Chile has an enterprising ecosystem that is recognized worldwide, ranked one in Latin America according to the Global Entrepreneurship Index 2017 of the Global Entrepreneurship and Development Institute (GEDI).

Chile is aware of the various challenges it faces to continue to be a regional reference. According to a recent EY survey, Chilean executives believe that productivity increase and technological disruption are two of the most important challenges their business are faced with. Similarly, they recognize that the incorporation of technologies and more digital younger generations will be the most important trends during the next decade.

With the onset of a new and more dynamic cycle, companies must not only invest their efforts to grow along with the economy, but to improve their processes and embrace the advantages entailed by this new era of technological transformation that allows us, as a country, to be even more connected to the world.

These global challenges must be faced by the private and public worlds working together, strengthening the investment incentives at domestic and international level, which is the key to the country’s development.

We hope this guide contributes to meeting those objectives and that you find it useful in your decision making. We will be pleased to answer any queries you may have with respect to the opportunities Chile offers as a destination for your investments.
EY offers customized global knowledge and experience

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EY Global

+250,000 people
+150 countries
+31,000 million USD (+7.8%)
+700 offices

EY Chile

+1,500 people
+80 years in Chile
+2,000 clients
4 offices in Chile
A partner of trust to support you at every stage or challenge of your business

Our six business areas have developed specific services to meet your needs at every stage of the life cycle.

**Business areas**

**Assurance**
- Audit to financial statements
- Fraud prevention and investigation
- Financial accounting advisory services
- Assistance in the issue of securities in foreign stock exchanges
- Support to companies going public in Chile

**Tax**
- Tax consulting
- Tax compliance
- International taxes and transfer pricing
- Litigation and controversies

**Consulting**
- Strategy
- Operations
- People
- Risk
- Sustainability
- Technology

**Transactions**
- Tax and legal advice on transactions
- Consulting services relating to mergers, acquisitions and divestitures
- Financial consulting services relating to acquisitions
- Company valuations and business modelling

**BPO**
- Bookkeeping
- Payroll
- Accounting comptrollership

**Legal**
- Corporate and commercial
- Digital
- Corporate governance
- Labor
- M&A and transactions
- Financial services
EY, a leader in Chile and the world over

The best Brand among Audit and Consulting firms in Chile, according to IPSOS\(^1\) global survey.

Number one Audit market share in IPSA\(^2\) companies.

Market share in number of companies

**EY Chile**

**IPSA\(^3\)**
- EY audit: 45%
- EY other services: 25%
- Other: 30%

**IGPA\(^4\)**
- EY audit: 52%
- EY other services: 23%
- Other: 25%

**Ranking500\(^5\)**
- EY audit: 37%
- EY other services: 38%
- Other: 25%

**EY Global**

**Fortune 500**
- EY audit: 21%
- EY other services: 22%
- Other: 57%

**Fortune 2000**
- EY audit: 25%
- EY other services: 31%
- Other: 44%

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(1) IPSOS global survey including more than 4,600 business leaders worldwide with representative samples in each market. April 2017

(2) EY has a 38% market share in number of audited companies that are part of IPSA as of June 2017 (Index of the 40 most traded companies in Chile).

(3) IPSA: Group of 40 companies showing greatest trading activity in Chile. MS was calculated on the basis of the number of designated audit firms for fiscal year 2018.

(4) IGPA: Group of capitalization companies listed at the Chilean stock exchange (currently 89 companies). MS was calculated on the basis of the number of designated audit firms for fiscal year 2018.

(5) Ranking 500: Ranking of 500 companies with the highest total revenue in 2016. MS was calculated on the basis of the accounts associated with the companies in the rank to which services were provided in FY17 or FY18.
Valued and distinguished by the market

- **DiversityInc**: First place in the world for diversity.
- **universum**: Number one in the more attractive place to work ranking, professional services category.
- **Ipsos**: Best Brand among audit and consulting firms in Chile.
- **Macarena Navarrete**: Chosen as one of the “100 Women Leaders” in Chile.
- **Greater audit market share in IPSA companies.**
- **First place in technological consulting in the financial industry.**
- **“Hall of fame”** Most admired companies in knowledge management worldwide.
- **Leader in risk consulting services. Leader in digital strategy and agency services. Leader in business consulting.**
- **Leader in digital technological financial consulting (fintech). Leader in cyber security consulting: ALM Vanguard of Cybersecurity Consulting Providers.**
- **Partner of excellence for joint collaboration experience award.**
- **First company to obtain the highest recognition in the implementation of robot process automation (RPA).**
- **Best Band 1 tax consulting firm.**
- **International Tax Review’s best Band 1 tax consulting firm.**
- **The Legal 500’ best tax firm.**
- **Best Tax Consulting Firm in Chile.**
- **First place in technological consulting in the financial industry.**
1. Introducción a la Economía Chilena

The Chilean economy
1.1 Introduction to the Chilean economy

The Chilean economy has excelled over the last decades due to its opening to the world and its economic growth (around 5% between 1990 and 2016). Chile has high levels of economic and institutional stability, low import tariffs, free trade agreements with the most important world economies, an inflation that is under control and low fiscal debt, offering an attractive business environment for global investors. Currently, Chile is one of the countries with the highest per capita income (close to US$ 23,000 measured in purchasing power standards) and lowest levels of poverty in Latin America. In addition, it is usually ranked among the first in competitiveness and economic freedom rankings in the region.

Additionally, Chile has a solid macroeconomic institutionalism. In fact, the Central Bank of Chile is in charge of the monetary policy as it is an autonomous State institution, entrusted with the mission to keep inflation under control and stable within a range between 2% and 4% so that foreign exchange rates are freely set by the market. In turn, the fiscal policy has been characterized by establishing a responsible structural balance scheme, allowing the government to save resources at times when growth has exceeded the potential of the economy, and copper price has been high (copper is the main country’s export) and facing times of lower demand as it has happened over the past years, which was useful to reduce growth volatility. As a result, Chile has the best credit ratings in Latin America, despite a slight recent decline, and the strength of the country to face the last international economic crisis.

Chile has the largest number of free trade agreements worldwide, some of which have been signed with the greatest world economies such as, the United States, European Union, China, India, Japan, Mexico, South Korea and Australia.

It is worth noting this economic performance and the democratic system in place since 1990, enabled Chile to become a member of the Organization for the Economic Cooperation and Development (OECD) in 2010, which is an important recognition for the country and its institutions.

Chile also has other attractions, such as a mild weather in the most important cities, political stability and low levels of crime and corruption.

Some of the challenges that Chile will face in the future include an educational system with insufficient quality level, low levels of investment in research and development, an export basket too concentrated on raw materials (copper, cellulose, food, amongst others) and levels of economic inequality that are still high despite the considerable reduction of poverty in the past decades. All in all, Chile is very likely to become a developed economy in the mid-term.

In terms of the recent situation, the economic slowdown caused by impaired raw material prices and increased regulatory pressures over the entrepreneurial community is coming to an end, which for the period 2014-2017 translated into an average growth rate of 1.8%. In spite of the foregoing, economic expectations for next year show important signs of confidence influenced by the copper price recovery and better domestic perspectives. Thereby, according to the Business Expectations Survey conducted by EY Chile and Diario Financiero at the end of last year, economic results for 2018 are expected to be encouraging. The diagram below shows the most important results.
Most markets expect growth to exceed 3% estimate that private consumption will have a positive impact on growth

74.4% believe the local political scenario will help the economy 60.3% of respondents expect their profits to increase in more than 5%

Just 2% expect their sales to be reduced, compared to 30.3% that expected the same last year

The number of companies expecting to increase their investment is 6 times higher than those who will reduce their projects

The number of companies that expect to increase their staff this year compared to last year has tripled

The number of companies expecting to increase the remuneration of their employees this year compared to last year has tripled

Source: Business Expectations Survey conducted by EY and Diario Financiero, December 2017
1.2 Country geography and general information

Chile is a long and narrow strip of land at the end of Latin America, bordered by Peru and Bolivia to the north, Argentina to the east and the Pacific Ocean to the west.

Population*
17.6 million
Urban: 87%
Rural: 13%

Currency
Chilean Peso
US$1 = CLP 604*

Religion
Religious freedom
Mainly catholic

Country time
GMT-3 in mainland territory
GMT-5 island territory (Easter Island and Salas and Gómez Islands)

Natural resources
Copper, gold, fishery, forestry resources, iodine, lithium, salmon, fruit, amongst others.

*Population estimated by INE as of 2018
*Observed exchange rate as of March 30, 2018
Chile is leader in several economic indicators in Latin America, which positions it as a competitive nation with solid foundations to attract foreign investment. As a result of this privileged position within the region, in 2010 Chile became a member of the OECD and since then -along with Mexico- are the only countries of the region that are members of the organization.

Chile has made efforts to become a regional development hub, considering it has one of the best higher education systems in Latin America with 15 Chilean universities ranked among the top 50, and also successful business programs, such as Start-up Chile and VisaTech. The foregoing has won Chile the recognition of the World Economic Forum (WEF) as the best country for entrepreneurship in Latin America and the sixth worldwide.

Some of the sectors that present more competitive advantages, are: energy, that which has a high development potential for renewable energies; global services, with high IT connectivity and qualified local professionals; mining, with the world’s largest copper and lithium reserves; the food industry, with a wide range of products and counterseason for the developed world; and sustainable tourism, with some of the most renowned reserves and national parks of the world.
### 1.3 Economic situation

Due to its growth, Chile has become one of the countries with the highest per capita GDP in the region; positioning itself as the leader of the Pacific Alliance in terms of this indicator. Despite a slowdown in recent years, the International Monetary Fund expects Chile to overcome the US$ 30 thousand barrier in 2022 and reach US$ 31,188 per capita in 2023.

#### 2017 main economic indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Chile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Domestic Product (CLP, Current prices)¹</td>
<td>CLP$179,776 billion</td>
</tr>
<tr>
<td>Gross Domestic Product (USD, PPP)²</td>
<td>USD$404,887 million</td>
</tr>
<tr>
<td>Per Capita Gross Domestic Product (USD, PPP)²</td>
<td>USD$22,408</td>
</tr>
<tr>
<td>International Reserves (USD, December)³</td>
<td>USD$38,983 million</td>
</tr>
<tr>
<td>Foreign Debt (USD, December)³</td>
<td>USD$181,513 millions 62% of the GDP</td>
</tr>
<tr>
<td>Total Public Debt²</td>
<td>CLP$ 43,425 billion 24% of the GDP</td>
</tr>
<tr>
<td>Gross Fixed Investment¹</td>
<td>CLP$38,757 billion 22% of the GDP</td>
</tr>
<tr>
<td>Unemployment Rate (December)</td>
<td>6.4%</td>
</tr>
<tr>
<td>Population under the poverty line³</td>
<td>22.2% (2011)</td>
</tr>
<tr>
<td></td>
<td>14.4% (2013)</td>
</tr>
<tr>
<td></td>
<td>11.7% (2015)</td>
</tr>
<tr>
<td>Minimum Monthly Income (December)⁴</td>
<td>CLP$270,000</td>
</tr>
</tbody>
</table>

¹Central Bank of Chile  
²International Monetary Fund, World Economic Outlook October 2017  
³Ministry of Social Development  
⁴Directorate of Labor
Per capita GDP for countries of the region measured at Purchasing Power Parity (USD)

Source: International Monetary Fund, World Economic Outlook October 2017

Evolution of per capital GDP for countries of the region measured at Purchasing Power Parity (USD, Base Year = 2000)

Source: International Monetary Fund, World Economic Outlook October 2017
The Chilean economy is beginning a new economic expansion cycle. After some years of slowdown in growth with 1.5% in 2017, the expectations for the coming years have improved significantly. The Central Bank expects a 3% to 4% growth in 2018 and a figure that might go up to 4.2% in 2019.

Inflation is expected to remain close to 2% in 2018, then to go up to the 3% goal at the beginning of 2019. It is worth noting that the inflation goal range of the Central Bank is between 2% and 4% with a median of 2%.

In 2017, the Chilean peso appreciated due to a stronger copper, among other factors.

**Gross Domestic Product, levels and growth**
*(2013 price reference, billions, CLP)*

- **GDP at current prices**
- **Chain-linked volume of GDP at prior year prices**
- **Variation of GDP at current prices**
- **Variation of chain-linked volume of GDP at prior year prices**

*Source: Central Bank of Chile*
1.4 Economic series

Multilateral Exchange Rate (MER)* and foreign currencies

<table>
<thead>
<tr>
<th>F. currency</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dollar</td>
<td>523.76</td>
<td>607.38</td>
<td>707.34</td>
<td>667.29</td>
<td>615.22</td>
</tr>
<tr>
<td>Euro</td>
<td>721.04</td>
<td>739.53</td>
<td>771.95</td>
<td>698.51</td>
<td>735.21</td>
</tr>
<tr>
<td>Yen</td>
<td>4.99</td>
<td>5.04</td>
<td>5.87</td>
<td>5.73</td>
<td>5.45</td>
</tr>
<tr>
<td>Yuan</td>
<td>86.26</td>
<td>97.43</td>
<td>107.57</td>
<td>95.75</td>
<td>94.16</td>
</tr>
<tr>
<td>MER</td>
<td>101.45</td>
<td>109.07</td>
<td>115.03</td>
<td>105.7</td>
<td>101.62</td>
</tr>
</tbody>
</table>

Source: Central Bank of Chile, Daily Indicators Site, values as of the last business day of the year

*MER measures the relation between the Chilean peso and the subset of currencies of the main trade partners of Chile.

Public debt, levels and growth (billions, CLP)

Source: International Monetary Fund, World Economic Outlook October 2017
1.5

Balance of payments and International reserves

In 2017, the international reserves amounted to US$38,983 million (13.3% of the GDP). In turn, foreign debt increased by US$14,539 million compared with the prior year, totaling US$181,513 million as of 2017 closing, which, according to the Central Bank, is equivalent to 62.1% of the annual GDP.

The current account deficit amounts to US$4,146 million, that is to say 1.5% of the annual GDP; while the trade balance showed a goods surplus for the amount of US$7,922 million.

International reserves (millions, USD)

Source: Central Bank of Chile
### Foreign debt (millions, USD)

![Graph showing foreign debt](#)

- **Foreign debt**
- **Total foreign debt (GDP percentage for the last 12 months)**

Source: Central Bank of Chile

### Balance of payments and current account (millions, USD)

![Graph showing balance of payments and current account](#)

- **Exports of goods (FOB)**
- **Imports of goods (FOB)**
- **Trade Balance**
- **Current account**

Source: Central Bank of Chile

### Consolidated assets (millions, USD)

![Graph showing consolidated assets](#)

- **Sovereign Wealth Funds (FEES)**
- **Sovereign Wealth Funds (FRP)**
- **Funds for Education**
- **Other Assets (Pesos)**
- **Other Assets (Dollar)**

Source: Central Bank of Chile
Over the last decades, Chile has been characterized for being the country with the lowest risk rating in the region, according to ranking agencies. While public debt and the recent decline in growth have slightly impaired credit ratings, this should not be seen as a sign of Chile having lost its leadership. Chile is still the country that offers the best payment conditions, with solid juridical and political institutions.

### Sovereign risk ratings in Latin America

<table>
<thead>
<tr>
<th>Country</th>
<th>S&amp;P</th>
<th>Fitch</th>
<th>Moody’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chile</td>
<td>A+</td>
<td>A</td>
<td>Aa3</td>
</tr>
<tr>
<td>Peru</td>
<td>BBB+</td>
<td>BBB+</td>
<td>A3</td>
</tr>
<tr>
<td>Mexico</td>
<td>BBB+</td>
<td>BBB+</td>
<td>A3</td>
</tr>
<tr>
<td>Colombia</td>
<td>BBB-</td>
<td>BBB</td>
<td>Baa2</td>
</tr>
<tr>
<td>Uruguay</td>
<td>BBB</td>
<td>BBB-</td>
<td>Baa2</td>
</tr>
<tr>
<td>Paraguay</td>
<td>BB</td>
<td>BB</td>
<td>Ba1</td>
</tr>
<tr>
<td>Brazil</td>
<td>BB-</td>
<td>BB</td>
<td>Ba2</td>
</tr>
<tr>
<td>Bolivia</td>
<td>BB</td>
<td>BB-</td>
<td>Ba3</td>
</tr>
<tr>
<td>Ecuador</td>
<td>B-</td>
<td>B</td>
<td>B3</td>
</tr>
<tr>
<td>Argentina</td>
<td>B+</td>
<td>B</td>
<td>B2</td>
</tr>
<tr>
<td>Venezuela</td>
<td>SD</td>
<td>RD</td>
<td>Caa3</td>
</tr>
</tbody>
</table>

**Risk rating description**

<table>
<thead>
<tr>
<th>S&amp;P / Fitch</th>
<th>Moody’s</th>
<th>Characteristic</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA</td>
<td>Aaa</td>
<td>Risk free</td>
</tr>
<tr>
<td>AA+, AA, AA-</td>
<td>Aa1, Aa2, Aa3</td>
<td>Superior quality</td>
</tr>
<tr>
<td>A+, A, A-</td>
<td>A1, A2, A3</td>
<td>Great repayment capacity</td>
</tr>
<tr>
<td>BBB+, BBB, BBB-</td>
<td>Baa1, Baa2, Baa3</td>
<td>Moderate repayment capacity</td>
</tr>
<tr>
<td>BB+, BB, BB-</td>
<td>Ba1, Ba2, Ba3</td>
<td>Some repayment capacity</td>
</tr>
<tr>
<td>B+, B, B-</td>
<td>B1, B2, B3</td>
<td>High uncertainty regarding repayment capacity</td>
</tr>
<tr>
<td>CCC+, CCC, CCC-, CC</td>
<td>Caa1, Caa2, Caa3</td>
<td>Very likely to fail</td>
</tr>
<tr>
<td>RD/SD/D</td>
<td>Ca</td>
<td>Non-compliant</td>
</tr>
</tbody>
</table>

Source: Bloomberg
S&P/Fitch/Moody’s (AAA=20) Risk rating average

Source: Oxford Economics
Chile is recognized worldwide for being one of the first countries in the region to implement an economic-political system focused on economic freedom and creating a favorable environment for investment. Then, when analyzing competitiveness, economic freedom and business environment indices, Chile ranks first in the region and, in many occasions, it is also one of the best ranked countries worldwide.

In assessing the performance of Chile in the competitiveness ranking of the World Economic Forum, Chile stands out from other countries within the region in terms of basic requirements (institutions, infrastructure, quality of life, etc.) and efficiency variables (education, labor market, financial development, etc.). In these areas, Chile ranks among the top 10 worldwide in terms of rate of citizens following tertiary education programs, inexistence of commercial rates, flexible wage setting, availability of services and a solid banking system.

<table>
<thead>
<tr>
<th>Country</th>
<th>Subindices</th>
<th>Global competitiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Basic requirements</td>
<td>Efficiency variables</td>
</tr>
<tr>
<td>Chile</td>
<td>36</td>
<td>31</td>
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<tr>
<td>Peru</td>
<td>79</td>
<td>64</td>
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<td>Mexico</td>
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<tr>
<td>Colombia</td>
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<td>54</td>
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<tr>
<td>Uruguay</td>
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<tr>
<td>Paraguay</td>
<td>108</td>
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<tr>
<td>Brazil</td>
<td>104</td>
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<tr>
<td>Ecuador</td>
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<tr>
<td>Argentina</td>
<td>103</td>
<td>81</td>
</tr>
<tr>
<td>Venezuela</td>
<td>131</td>
<td>119</td>
</tr>
</tbody>
</table>

Source: World Economic Forum
The index of economic freedom prepared by The Heritage Foundation has ranked Chile as the regional leader and one of the countries with the best performance of the world. Some of the reasons why Chile has ranked so high are its solid fiscal policy, a low tax burden, and low barriers for trade and investment.

### Place in “Index of Economic Freedom 2018” world ranking

<table>
<thead>
<tr>
<th>Country</th>
<th>Economic freedom</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chile</td>
<td>20</td>
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<tr>
<td>Peru</td>
<td>43</td>
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<tr>
<td>Mexico</td>
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<td>Colombia</td>
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<td>Uruguay</td>
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<tr>
<td>Paraguay</td>
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<td>Brazil</td>
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<tr>
<td>Bolivia</td>
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<td>Ecuador</td>
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<td>Argentina</td>
<td>144</td>
</tr>
<tr>
<td>Venezuela</td>
<td>179</td>
</tr>
</tbody>
</table>

Source: The Heritage Foundation

### Place in “Best Countries for Business” world ranking

<table>
<thead>
<tr>
<th>Country</th>
<th>Business environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chile</td>
<td>33</td>
</tr>
<tr>
<td>Peru</td>
<td>60</td>
</tr>
<tr>
<td>Mexico</td>
<td>57</td>
</tr>
<tr>
<td>Colombia</td>
<td>61</td>
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<tr>
<td>Uruguay</td>
<td>54</td>
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<tr>
<td>Paraguay</td>
<td>112</td>
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<tr>
<td>Brazil</td>
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<tr>
<td>Bolivia</td>
<td>137</td>
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<tr>
<td>Ecuador</td>
<td>104</td>
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<tr>
<td>Argentina</td>
<td>81</td>
</tr>
<tr>
<td>Venezuela</td>
<td>144</td>
</tr>
</tbody>
</table>

Source: Forbes

Chile is again, as it might be expected, in the first place of Forbes ranking that assesses the overall business environment (using the World Economic Forum and The Heritage Foundation indices referred to above, as well as some other additional ones). Thus, we may conclude that Chile is one of the countries that any foreign investor should have in mind when it comes to making investments in Latin America.
In EY, we are capable of analyzing the whole value chain to ensure that an organization is fit for the digital world.

- **Ecosystem:** We have partnered with organizations that set the standards for the critical capabilities required to prosper in a digital world, such as GE for Internet of Things Industrial, IBM for Artificial Intelligence, Adobe for design.
- **Technological capacity:** We are constantly making investments; we develop and purchase companies with critical capacities and experience in areas, such as robotic process automation (RPA), blockchain and analytics, among others.
- **Our vision:** EY offers a holistic vision to its clients, while at the same time focusing on the challenges of the sectors where they operate.

**EY Wavespace:** a unique ecosystem for cutting-edge thinking

EY Wavespace is a global network of growth and innovation centers that help clients navigate in the era of transformation.

These are physical, mental and digital spaces where companies are able to imagine and develop new ways of working and business models.

For further information visit: [ey.com/wavespace](http://ey.com/wavespace)
Tools within your reach

EY has developed a series of interactive tools to work with clients and support them with growth, risk and performance improvement strategies.

**Constant Innovation:** We are now developing systems and tools that incorporate Blockchain, Robotics, Artificial Intelligence, among other advances. We are constantly developing new technologies.

- **EY Benchmark TM**  
  This application uses market metrics and parameters to help our clients identify opportunities.

- **EY Growth Navigator TM**  
  An interactive application that enables companies to compare with leading practices and define the actions to become market leaders.

- **EY Growing Beyond Borders TM**  
  Interactive tool that deploys socio-economic data on a map, allowing for a better understanding of risks and opportunities in a cross-border strategy.

- **EY Canvas TM**  
  Audit global platform that provides full connectivity and real time follow-up of all audit engagements.

- **EY Helix TM**  
  Data Analytics Suit that analyzes the whole universe of data rather than a statistical sample.

- **Smart Exporter TM**  
  This program automates data extraction in ERP systems.

- **EY Team Connect TM**  
  Digital environment that enables safe interaction with EY teams.

- **Drones**  
  They reduce errors in inventory taking and store backups in the cloud.

- **EY Process Depot TM**  
  Process, risk, control, KPI, etc. open base by industry and area.

- **EY Prime TM**  
  EY Process Depot, a mining-specific tool.

- **EY Excelerator 2 TM**  
  Real time methodology database.

- **EY DRA TM**  
  A tool to see how prepared clients are for digital transformation.

Pasion for entrepreneurship and building a better working world

**Endeavor Chile**  
EY and **Endeavor** have formed an alliance to support high-impact entrepreneurs:

- Strategic collaboration agreement as a strategic partner since 2013
- Support provided to entrepreneurs through advice and lectures of EY experts
- Knowledge Sharing Conference: annual event with 5 simultaneous discussion tables led by an EY partner and a successful entrepreneur
- Participation in Endeavor events: Endeavor Atacama and Patagonia Experiences and annual meeting.
- Advisory services to Corporación Endeavor Chile

**EY Vantage Advisors**  
Twice a year and for a period of 6 weeks, EY collaborators provide local entrepreneurs with support, advising them on how to improve their specific projects.

**EY World Entrepreneur Of The Year™ Award**  
We award remarkable entrepreneurs who have become entrepreneurial leaders.

- In Chile, **Entrepreneurial Gala:** Businessperson of the Year, Executive of the Year and Entrepreneur of the Year, who participates in the Global program. EY has been awarding leading entrepreneurs for 11 years.

- **Worldwide, Global Entrepreneur of the Year:** More than 50 countries and 140 cities take part in this program that has more than 20 thousand companies competing for this award. It is recognized as one of the most prestigious entrepreneurial awards the world over.

**EY and Nestlé Young Entrepreneur of the Year Award**  
Nestlé and EY, seeking to deepen their support to entrepreneurs and strengthening relations with young people living in the countries that belong to the Pacific Alliance, have joined forces to recognize those men and women under the age of 30 who have the vision, talent and perseverance required to transform a good idea into a project with great social value and impact on their communities, specifically regarding employability in member countries (Chile, Colombia, Mexico and Peru). In its first edition, nearly 800 young entrepreneurs took part, from which a male entrepreneur and a female entrepreneur will receive the entrepreneur of the year award.
Investment scenario in Chile
2.1 Introduction to the investment scenario in Chile

Chile is one of the most competitive, stable and open economies and with lower levels of corruption in Latin America, and an important world destination for direct foreign investment. In addition, it stands out for having solid institutions, good macroeconomic figures and being one of the countries where investors have more freedom to do business and make investments.

Foreign investors may do business in Chile as individuals or through entities governed by the Code of Commerce and the legal regulations. The basic structure contemplated in the Chilean laws is the entity. It is worth noting that there are no restrictions on the minimum or maximum capital that any type of entity may have.

In addition, Chile has a favorable legal framework to attract foreign capitals, where economic freedom, non-discrimination and non-discretion procedures are the main pillars.

Similarly, the Chilean economy is in a moment where foreign investors can take advantage of this emerging acceleration to capitalize their investments in a country with a proven juridical support, high institutional stability and excellent credit conditions.
2.1 Introduction to the investment scenario in Chile
2.2 Business opening

Foreign investors may do business in Chile as individuals or through entities governed by the Code of Commerce and other applicable legal regulations. The types of entities most commonly used to do business in Chile are described below:

Corporations (S.A.)

They are formed by shareholders that have a common capital. Decisions are made at shareholders meetings and management is charged to the board.

Characteristics:

- Shareholders: They require a minimum of 2 shareholders; however, no maximum has been established.
- Types: Corporations may be open and close.
  - Open Corporations (S.A.A.): (i) offer their shares to the public, (ii) have more than 500 shareholders, or (iii) 10% of their capital is held by a minimum of 100 shareholders (excluding individual shareholders that exceed such percentage).
  - Close Corporations: all other corporations that do not meet the characteristics of an S.A.A.
- Liability: Shareholders are liable to the amount of their shares.
- Management: They must have a board comprised of at least three members who are essentially revocable and appoint a manager and the board chairman.
- Oversight: Open Corporations must register with the Securities Issue Registry and are overseen by the Financial Market Commission (FMC) former SVS. Close Corporations are not subject to oversight.
- Transfer of shares: There are no legal limitations to the transfer of shares.
- Exclusive businesses: Some business operations may exclusively be performed by corporations under the oversight of the FMC or another sector-specific superintendency (banks, insurance companies, public work concession companies, general fund administrators, etc.).

Limited Liability Companies

Limited liability companies are one of the most common types of businesses used by individuals and legal persons doing business in Chile.

Characteristics:

- Partners: They require a minimum of 2 and a maximum of 50 partners who may be national or foreigners, resident or non-resident, individuals or legal persons.
- Liability: Partners’ liability is limited to the amount of their contributions or up to a greater amount provided that is expressly agreed, and no minimum capital is required.
- Management and supervision: The purpose, management and supervision of the company may be freely agreed by the partners, save for those operations that according to the law may be exclusively performed by Corporations (S.A.).
- Transfer of company rights: Company rights may be transferred with the unanimous consent of the partners.
Individual Limited Liability Company

A natural person may become a legal person under the figure of Individual Limited Liability Company. Equity is limited to that established in the incorporation deed and the owner is only liable to the amount of the capital contributed to the company for which he/she must use his/her personal property and the company’s liability includes its whole property.

An individual limited liability company may engage in all kinds of civil and commercial operations save for those that may be exclusively performed by Corporations.

Joint-stock Company (SpA)

This is a different type of corporation, first regulated by its articles of association that may be established by the company’s shareholders quite freely. For matters not regulated by the articles of association or the special provisions governing these companies, they are subject to the regulations applicable to close corporations.

Characteristics:

- Shareholders: They require a minimum of 1 shareholder. The company must become a corporation and register with the FMC if any of the reasons that turn a corporation into an open one should occur.
- Liability: Shareholders are liable to the amount of their shares.
- Management: Management of a joint-stock company may be freely agreed by the shareholders in the articles of association.
- Oversight: Alike close corporations, joint-stock companies are not subject to the oversight of the FMC.
- Transfer of shares: There are no legal limitations to the transfer of shares.

Branch or agency of a foreign branch

In order to establish branches of foreign companies in Chile, final government approval is not required. The legal representative of the foreign company must be first established; then such representative must legalize a number of documents before a Chilean Notary Public. These documents must be written in the original language with the accompanying translation into Spanish. The referred documents are:

- Certificate evidencing the company is legally incorporated abroad.
- Certificate evidencing the existence of the company.
- Authenticated copy of the company’s articles of association currently in force.
- A general power of attorney granted by the company to the legal representative that will represent it in Chile. This power of attorney must clearly indicate the legal representative acts in Chile under the direct responsibility of the company and has broad powers to act on its behalf.

Similarly, the legal representative must subscribe, on behalf of the company, a public deed.

Subsequently, the representative must register an extract of such deed with the Registry of Commerce and publish it in the Official Gazette.
2.3 Tax regime

On January 1, 2018, the great tax reform of year 2014 came into force in its entirety (complemented in 2016) with the final increase of the corporate tax rate to 27% for companies under the distributed income regime or “semi integrated regime.”

Applicable tax system in Chile

The Chilean Internal Revenue Service (SII) is charged with the administration and collection of the main taxes. The SII main objectives are to control evasion and collect taxes efficiently.

Main corporate taxes are:

- First category (corporate) tax rate: 25% or 27% (a)
- Capital gains tax: 0/35% (b)
- Tax on subsidiaries: 0 (b)

Tax withholdings:

- Dividends (c): 35% (c)
- Interest (d): 4/35% (d)
- Patent, brand, formula and similar royalties (e): 0/15/30% (e)
- Technical services provided abroad (f): 15/20% (f)
- Other payments and compensations for services: 35%

Operational losses (years):

<table>
<thead>
<tr>
<th>Carry-back</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carry-forward</td>
<td>Ilimitado</td>
</tr>
</tbody>
</table>

Operational losses:

- Operational losses (years): Carry-back N/A Carry-forward Ilimitado

a. (a) Depending on the regime selected by the taxpayer.

b. (b) As a general rule, capital gains are subject to withholding tax (for non-residents) at a rate of 35%.

Capital gains from listed shares are not subject to income taxes.

Distributions among Chilean companies are not subject to taxes, even though in some cases they must be included in the taxable base of the receiving entity.

c. For non-residents, dividends are subject to a 35% withholding tax.

d. The general rate is 35%, however, if payments are made to international banks or foreign financial institutions, the rate is 4%. In this case, thin-capitalization rules will apply.

e. The general 30% rate may be reduced to 15% in some cases (invention, models, and computer program patents). Exceptionally, some royalties may be exempt from this withholding tax (standard software).

f. 15% is the general rate unless the beneficiary is a resident of a preferential regime in which case the rate is 20%.
Corporate tax (first category tax)

**Taxable base determination**

The first category tax rate is 25% or 27% (depending on the tax regime selected by the taxpayer) and is imposed on net profits. Resident companies in Chile are subject to this tax on their worldwide income. Subsidiaries of foreign companies in Chile are taxed on income received or accrued.

Under the “attributed income” regime or A, the annual profits of a company are subject to corporate tax (first category tax) at a 25% rate and are attributed to the company's partners or shareholders on an annual basis, regardless of effective withdrawals or distributions. At the level of shareholders, attributed income is subject to withholding tax at a 35% rate for non-residents, or proportional and progressive personal taxes (global aggregate tax) at a maximum rate of 35% for residents. In both cases, the whole corporate tax paid by the company may be used as credit; therefore, attributed income is subject to an effective 35% rate.

This regime applies only to companies formed by Chilean individuals or non-resident individuals or legal persons. In addition, this regime does not apply to corporations.

Under the “distributed income” or “semi integrated” regime or B, the annual income of a company is subject to a 27% corporate tax. Profits effectively withdrawn or distributed by the partners or shareholders are subject to a 35% withholding tax for non-residents, or proportional and progressive personal taxes at a maximum rate of 35% for residents. Unlike A regime, under this system only 65% of the tax paid by the company may be used as credit, which is the case of foreign shareholders who are subject to an effective tax rate of 44.45%.

In any case, shareholders domiciled in countries that have signed a convention for the avoidance of double taxation with Chile are entitled to 100% credit for the corporate tax paid by the company, which results in an effective rate of 35%, as under A regime. This even applies for conventions that have not yet entered into force; however, the deadline is December 31, 2019.

The taxable base includes all gains with some minor exceptions (e.g., government incentives). Revenues correspond to all those derived from transactions, sale of assets and other activities. Expenses in favor of foreign related residents are only deductible as long as they are effectively paid and the relevant withholding tax is duly filed and paid (if applicable).

Finally, taxpayers will be taxed under the chosen regime for a period of five consecutive commercial years.

After the referred period, taxpayers will have the option to change the tax regime provided they meet the requirements and will be taxed under the new regime from January 1 of the year such new regime is adopted.

Should a taxpayer fail to meet any of the requirements of the tax regime applicable to it, the company must abandon such regime. If such non-compliance results from juridical amendments, this will apply from January 1 of the year the taxpayer failed to comply with any of the requirements; on the other hand, if non-compliance results from amendments to the corporate structure, it will apply from January 1 of the following year.
Tax loss carry-forward system

Currently, tax losses of the year can only be imputed to profits derived in subsequent years (carry-forward only).

Income received from Chilean subsidiaries can be absorbed by cumulative losses. In this case, taxpayers may claim a refund of the corporate tax paid on absorbed profits from the SII.

Sub-capitalization rules

As a general rule, interest paid by Chilean entities to entities domiciled abroad is subject to withholding tax at a rate of 35% or the lower rate established in a convention for the avoidance of double taxation, if any.

Interest paid to international banks or foreign financial institutions is eligible for a 4% reduced rate as long as certain requirements are met, even for related parties, in which case though, thin-capitalization rules will apply.

These rules state basically that in an excess indebtedness scenario (debt is three times the tax equity of the company) interest, commissions or considerations paid abroad for debts to related parties are subject to an effective rate of 35%. In computing indebtedness all local and foreign debts, with related parties or not, must be included.

This applies to both interest paid using the 4% rate under the local law and interest paid using a rate below 35% under a tax convention.

CFC Rules

Passive income, either received or accrued by controlled companies abroad must be recognized on an accrual basis.

Transfer Pricing

In Chile, transfer pricing rules came into force in 2013 and follow the Guidelines of the Organization for the Economic Cooperation and Development (OECD).

Under these rules, cross-border transactions between related parties must be at arm’s length.

Price adjustments made by the administrative authorities are subject to a fine tax of 40%.

Preferential regimes

In the past, a listing of tax havens was available; however, only preferential jurisdictions or regimes are recognized by our laws today.

A country will be deemed to have a "preferential regime", if it meets at least two of the six parameters established by the law; however, OECD countries

Las operaciones realizadas con regímenes preferenciales se someten a tasas más altas de impuestos de retención para pagos de ciertos conceptos al extranjero, además de provocar la presunción de relación en determinadas circunstancias e.g. precios de transferencia, reglas de infracapitalización.

Indirect sale

Capital gains triggered by the indirect sale of underlying Chilean assets are subject to taxes in Chile as long as certain circumstances are met in relation to the value of the entity being transferred abroad and the Chilean entity transferred indirectly.

Once an indirect transfer occurs, capital gains are subject to a 35% tax rate. These transactions must be duly reported to the administrative authority.

In any case, Chilean companies or permanent establishments that are transferred in an indirect manner are severally liable to pay the taxes triggered by the foreign seller.

Tax credits

In Chile, taxpayers are entitled to use taxes paid abroad as credit against income taxes (corporate or personal). In order to determine which taxes are deductible from local taxes, the income tax law distinguishes a scenario where a convention for the avoidance of double taxation is in force and a scenario with no such convention for the avoidance of double taxation.

For income tax paid in countries that have signed no convention for the avoidance of double taxation with Chile, only taxes paid on dividends (both, the income tax to be withheld at source and the corporate income tax paid by the company making the dividend distribution), income tax paid by branches or permanent establishments and the income tax on royalties and technical assistance or similar services as well as taxes imposed on services that qualify as export may be used as credit against the Chilean income tax.

If a convention for the avoidance of double taxation is in place, all income taxes imposed on income received may be used as credit in Chile.

This credit may be used up to 32% (non-treaty countries) or 35% (treaty countries) on foreign source income, after making some adjustments.

Tax incentives

Conventions for the avoidance of double taxation:

Chile has concluded conventions with Argentina, Australia, Austria, Belgium, Brazil, Canada, Colombia, Korea, China, Croatia, Denmark, Ecuador, Spain, France, Ireland, Italy, Japan, Malaysia, Mexico, Norway, New Zealand, Paraguay, Peru, Poland, Portugal, United Kingdom, Check Republic, Russia, South Africa, Sweden, Switzerland and Thailand.

Currently, conventions with the United States and Uruguay are subscribed, but not in force.

Taxes applicable to entities not domiciled in Chile

As a general rule, Chilean source income received by a non-resident, non-domiciled person in Chile is subject to withholding tax at a 35% rate.

As explained, dividends are subject to withholding tax at a 35% rate, with 100% credit against the corporate tax paid by the Chilean company (65% for dividends from companies under B regime). This tax also applies to capital returns that are of benefit to foreign shareholders, unless the sum returned corresponds to capital contributed rather than profits that should have been taxed.
Investment and savings incentives

- Depreciation mechanism: Depreciation mechanisms include normal depreciation (throughout the good useful life) and accelerated depreciation (one third of the good useful life), in addition to other regimes that small and medium-sized companies can adopt.
- Savings incentives focused on individuals with savings in qualified financial instruments.

Personal taxes (second category tax and global aggregate tax)

The second category tax is applied on labor income, it is a proportional and progressive tax and the maximum marginal rate is 35%.

The global aggregate tax is applied on income derived from entrepreneurial activities. The maximum marginal rate is 35%.

Value Added Tax (VAT)

VAT is levied on the sale of goods, the provision and use of services and the import of goods in Chile. VAT rate is 19%.

According to the VAT debit/credit system in place, VAT paid in purchases is offset against VAT borne in sales.

Tax must be filed and paid on a monthly basis. The amount is determined based on the difference between the tax debit and the tax credit. Any sum resulting from this difference may be used in subsequent periods, according to the mechanism established to that end.

Currently, VAT mainly levies the customary sale of movable property, immovable property, either new or used, and some services.

Customs regime

As a general rule, imports are subject to ad valorem duties (6%) on the CIF value and VAT (19%) on the CIF value plus the ad valorem duty.

In some exceptional cases, the import of capital goods may be exempt from duties and VAT as long as certain requirements are met.

Goods imported from a country that has signed a trade agreement with Chile could be exempt from the ad valorem duty or subject to a percentage reduction. Chile has a broad network of Free Trade Agreements that provide for a 0% rate.

Determination of customs valuation is in line with the World Trade Organization (WTO) standards.

International Agreements/Treaties

- Free Trade Agreements: Australia, Canada, China, South Korea, Central America (a), European Free Trade Association, EFTA (b), United States, Hong Kong SAR, Malaysia, Mexico, Panama, Thailand, Turkey and Vietnam.
- Economic Complementation Agreement (ECA): Argentina, Bolivia, Cuba, Ecuador, MERCOSUR, Venezuela.
- Economic Association Agreement (EAA): P-4 (New Zealand, Singapore, Brunei), European Union (c), and Japan.

Free trade arrangements (FTA): Colombia and Peru.

Agreements for the Protection of investments: Chile has signed this type of agreement with nineteen countries in Europe, five in Asia Pacific and fourteen in America.

Pacific Alliance: Colombia, Mexico and Peru.

(a) Central America: Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua (b) EFTA: Iceland, Liechtenstein, Noruega y Suiza.

(b) EFTA: Island, Liechtenstein, Norway and Switzerland.

(c) European Union: Germany, Austria, Belgium, Bulgaria, Cyprus, Croatia, Denmark, Slovakia, Slovenia, Spain, Estonia, Finland, France, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, United Kingdom, Czech Republic, Romania, Sweden.

Green Taxes and Indirect Taxes

Green taxes are levied on the acquisition of polluting vehicles and pollutant issuing companies are subject to a specific tax.

In addition, the last reforms increase the tax rates on alcoholic beverages and cigarettes.

Anti-avoidance and anti-evasion rules

The recent reforms incorporated into the tax legislation the so called “general anti-avoidance rules” under which the fiscal administration will be entitled to challenge any agreements, structures or other activities performed by taxpayers if they are solely intended to avoid paying taxes through abuse or simulation.

Notwithstanding the fiscal administration new powers, there are some limitations such as, the taxpayer is deemed to act in good faith, the authority is under the obligation to prove any allegation (burden of proof), the jurisdiction of the tax courts to solve these conflicts, amongst others.
2.4 Labor regime

1. Chilean Employment System and special requirements applicable to Foreigners

The Chilean Labor Code regulates the labor relation between the employee and the employer, the employment contract, different types of contracts, and also the rights and obligations deriving from the labor relation for both parties.

As defined in Article 7 of the Labor Code, an individual employment contract is “an agreement between the employer and the employee whereby the later undertakes to provide services to the employer under the form of dependency and subordination, and the former undertakes to pay the employee a given remuneration for those services.”

System applicable to all workers, national or foreign

In relation to the term, there are three different types of employment contracts:

- Indefinite Contract: In this type of contract, no termination date is specified by the parties. This is the most commonly used type of contract in Chile. A specific date or term is not established in this type of contract, which may only be terminated due to the reasons established in the Labor Code. The employment system is relatively stable in Chile.

- Fixed-Term Contract: In this case, the employee and the employer execute an employment contract for a specific period of time and termination date is expressly stipulated. The maximum term of this contract is one year and exceptionally two years for managers or employees with a professional or technical degree from a Higher Education institution. A fixed-term contract may be renewed once only and become automatically an indefinite contract if renewed a second time. The same applies when the employee continues to provide services after the agreed term expires if the employer is aware of that situation or when the employee had provided services on an interrupted basis under more than two fixed-term contracts for a period of twelve months or more, over a period of fifteen months from the first contract date.

- Contract for Specific Works: In this case, the contract term will depend on the nature of services for which the employee was hired, rather than a specific term agreed by the parties. This is a short-term contract. Examples of these contracts are those where the employee undertakes to execute specific material or intellectual works and the term is dependent on or limited to the time required to complete such works.

In terms of the nature of services provided by the employee, the Chilean laws establish two types of employment contracts called “special contracts”. In addition, labor laws regulate outsourcing of work and collective employment relations (unions and collective bargaining).

For Professional Services Contracts, the labor laws do not regulate the contractual relations between the parties, but the civil or commercial laws, as the case may be, provided they are free of the basic assumptions in any labor relation: the provision of personal services under a relation involving subordination and dependency, and the payment of a remuneration.

The Code also points out other characteristics of this contract by stating it is a consensual contract where the will of the parties will suffice for its execution, and establishing the time period for the contract certification, which depends on its term. Subsequently, article 10 of the referred Code establishes the contents or essential stipulations that all employment contracts must include in Chile.
Additional considerations regarding foreign workers

Foreigners providing services in Chile are subject to the same laws and regulations applicable to local ones. There are, however, some special clauses in addition to those established in article 10 of the Labor Code that need to be included in the employment contracts for migration purposes. The most important clauses are: travel clause; the clause specifying the applicable social security regime; income tax payment clause; and contract enforcement date clause.

Other legal and labor considerations regarding foreign workers

In establishing a labor relation, consideration should be given to the following:

- Quotas: At least 85% of employees working for the same employer must be Chilean nationals. Employers with less than 25 employees are exempt from this provision.

However, foreigners may be excluded for purposes of this computation: (1) specialized technical personnel are excluded (such status to be proven by the employer in case inspections are conducted by the competent authority); (2) a foreigner whose spouse, civil partner or children are Chilean nationals or a widow or widower of a Chilean national; and (3) resident foreigners staying in Chile for over five years will also be deemed Chilean for these purposes.

- Social security: Foreign professionals and technicians providing services in Chile will be exempt from making social security contributions in Chile (only pension funds and health insurance), provided they meet the requirements established in article 1, Law No. 18,156, that is: they must be insured with a social security system that provides similar coverage as that of the Chilean system (old age, disability, disease and death) and expressly state in their employment contracts their will to continue with the system of their choice abroad. This exemption does not include occupational accident and disease payments and unemployment insurance.

It is worth noting that Chile has signed International Social Security Agreements with the following countries: Germany, Argentina, Australia, Austria, Belgium, Brazil, Canada, Colombia, Denmark, Ecuador, Spain, United States, Finland, France, Netherlands, Luxembourg, Norway, Peru, Portugal, Quebec, United Kingdom, Czech Republic, Sweden, Switzerland, Uruguay, as well as a Multilateral Ibero-American Agreement.

Immigration laws

In general terms, a foreign person needs a passport to enter the country, save for citizens of Argentina, Brazil, Bolivia, Colombia, Ecuador, Paraguay, Peru and Uruguay who are only required to have an ID card.

Foreigners entering Chile under a tourist visa are not automatically authorized to carry out remunerated activities in Chile and the status as a tourist is given on the presumption that they wish to visit or do business in Chile, rather than reside or work in our country. Notwithstanding, immigration laws allow foreigners entering the country under a tourist visa to apply for a Special Work Permit as a Tourist or SWPT, in which case the applicant will have a permit to work in Chile. Any foreign tourist may apply for the referred permit or authorization provided he/she meets the requirements. This permit or authorization is granted by the Ministry of the Interior for a term of 30 days and may be renewed for equal periods until the tourist visa expiration date (90 days).

Thus, foreigners intending to work in Chile must have the appropriate residence permit or authorization (VISA):

- Temporary Residence Visa: This visa allows foreigners to carry out any activity in Chile with no further limitations besides those established in the law. This visa is issued for a maximum one year period and may be renewed for two years at the end of which the foreigner must apply for the definite permanence to continue to be a resident of Chile. Applicants must have a reason to stay in Chile such as, labor, family or education.

- Residence Visa Subject to Employment Contract: A foreign employee may apply for this type of visa when he/she will be hired by a Chilean company. This visa allows a foreign employee to carry out labor activities exclusively for his/her employer under the employment contract executed by the parties and the term is related to such contract; therefore, the visa will expire upon termination of the labor relation, in which case the foreign employee must apply for a new permit to continue to be a resident of Chile.

This visa is issued for a maximum two-year period and may be renewed for equal and successive periods as long as the original employment contract is in full force and effect.

- Definite Permanence: This permit is granted to foreigners to reside in Chile on a permanent basis and carry out any legal activity within the territory. The period of time required for a definite permanence visa to be issued will depend on the type of visa issued before:
  - Residence Visa Subject to Employment Contract: two years of residence.
  - Temporary Residence Visa: one year.
  - Student Residence Visa: two years under this residency visa on the condition that the foreigner has completed his/her studies.

These time periods must be uninterrupted, that is to say, foreigners must not leave Chile for more than 180 days during the last year of the residence visa period.

Pursuant to the applicable immigration laws in Chile, foreigners may apply for a visa in their own countries through the Chilean Consulates therein, or in Chile through the Aliens and Migration Department of the Ministry of the Interior and Public Security of the Chilean Government.

It should be noted that the Chilean immigration system and rules are currently undergoing an adjustment, up-dating and amendment process. The government authority is preparing a new Immigration Bill that needs to be discussed and passed by the Congress of Chile.

Similarly, important adjustments have been made in relation to administrative matters, such as:

- Elimination of Temporary Labor Visa;
- Creation of new visa categories such as, Temporary Opportunities Visa, Temporary International Orientation Visa;
- Creation of new visa categories for some countries such as, Simple Tourist Consular Visa and the Family Reunification Humanitarian Visa and Democratic Responsibility Visa for Venezuela.
In addition, the Government announced it will present the Immigration Bill that might establish new criteria regarding the possibility to enter Chile or not and subsequently apply for a residence permit in Chile, as well as the changes, adjustments and new definitions in relation to visa categories that will be issued, confirmation of visas/permits foreigners may apply for in Chile and those they may apply for abroad before entering the country, and designation of authorities and their roles in these processes.

**Fundamental pillars of employment**

In Chile employees working for an employer have among others the following labor benefits:

- **Vacations or holidays**: Employees with a recognized seniority greater than one year are entitled to a fully remunerated annual vacation period of fifteen days.
- **Distribution of profits to employees or gratuities**: Companies must pay a certain amount to their employees for profit sharing. There are two legal alternatives for employers to grant this benefit: 30% of net taxable profits, with some adjustments, or 25% of annual wages up to a maximum of 4.75 minimum monthly wages per employee.
- **Social Security**: Pursuant to the Chilean social security system, all dependent employees are under the obligation to make contributions to the social security system, which includes mandatory contributions equivalent to 7% of the monthly remuneration for Health Insurance (Social Security Health Insurance Companies or National Health Fund (FONASA)) and 10% of the monthly remuneration for the Pension Fund Administrators plus a commission of approximately 0.47%. The contribution base limit in both cases is a monthly remuneration of 75.7 UF (a peso-dominated inflation-indexed monetary unit) applicable this year 2017. This base limit is set annually based on the change of the real remuneration index. Employees may also make voluntary contributions to the Pension Fund Administrators through any of the Voluntary Social Security Savings regimes available.

In addition, the Disability and Survivor Insurance equivalent to 1.41% is calculated on the same base limit, as well as the Occupational Accident Insurance equivalent to 0.95%, which rate may increase up to 3.4% depending on the risk involved in the company’s activities. Both contributions are to be borne by employers.

Similarly, the Unemployment Insurance is financed by the employee and the employer (who must withhold this contribution) and the government. These contributions are:

- Employee: 0.6% of gross remuneration up to UF 113.5, this year 2017.
- Employer: 2.4% of gross remuneration up to UF 113.5, this year 2017.

**Taxes on remuneration**

Law No. 20,780 or Tax Reform Law has recently passed and entered into force in Chile. The most important matters of the referred law are discussed in Section III, “Fiscal Environment.”

- **Income Tax**: the employer is responsible for withholding and paying the income tax (Second Category Sole Tax, which is the general rule, or Additional Tax, that applies to non-resident, non-domiciled employees in Chile) applicable on the employee’s remuneration. Currently, a progressive tax rate from 0% to 35% is used. Income categories are based on Monthly Tax Units (MTUs), indexed by monthly changes in the CPI.

- **Tax on non-residents**: Additional Tax is levied on Chilean source income earned by non-resident or non-domiciled individuals or legal persons in Chile. The Additional Tax general rate is 35%, however, lower rates apply to other types of income if the special requirements established in the local legislation are met.

**Labor relation extinction or termination**

There is in Chile a relatively stable system that regulates employment and contract termination matters. In other words, to terminate an employment contract there must be a legal cause for termination. There are two large groups of causes: those triggering payment of mandatory indemnity and those triggering no such payment.

- **Causes for the termination of an employment contract without mandatory indemnity rights**.

They result from the decision of the parties or natural causes such as, mutual agreement, employee’s passing away, contract expiration or employee resignation. Other termination causes that trigger no severance payment obligation include the employee misconduct, for example, lack of probity, sexual harassment, immoral behavior, incompatible negotiations, and in general, any conduct that may represent a serious intentional violation of or non-compliance with the labor obligations.

- **Employment contract termination with mandatory indemnity. Severance payment and payment in lieu of notice of termination**.

An employer may rescind the labor relation unilaterally due to the company’s needs such as, modernization of services, reduction of productivity, changes in the economy or market conditions that may result in the need to reduce the company’s personnel. As for employees with the authority to represent the employer such as, managers or agents with managerial powers, the employment contract may be terminated without invoking any cause.

Additionally, there is a severance and immunity stripping payment stated in article 163 bis of the Tax Code regulating the insolvency winding-up procedure.

As for severance payments, these are made on the condition that the employment contract has been in force for over one year and the employer terminates it due to the above-mentioned causes. The mandatory severance payment must be made in cash to the employee for an amount equivalent to the last 30-day monthly remuneration with a ceiling of 90 UF and 330 days or 11 months per each year or portion of a year over six months.

The causes, for which this severance payment is made, include the economic needs of the company, bankruptcy or the unilateral decision of the employer with respect to some employees in positions of trust or management within the organization.

In respect of redundancies due to causes that trigger severance payment, a 30-day notice of dismissal must be delivered to the employee. Otherwise, the employer will be under the obligation to pay an indemnity in lieu of such notice, according to the limits and conditions discussed above.
2. Labor Reform

Law No. 20,940 – Labor Reform enacted on August 29, 2016, and published on September 8, 2016, entered into force on April 1, 2017 and is intended to – according to the objective pursued by the Government – strengthen labor unions and simplify collective bargaining processes within organizations.

Some of the most important amendments introduced by the new law are:
- Extension of collective bargaining coverage.
- Inclusion of additional matters to bargain collectively.
- Establishment of a minimum bargaining floor.
- Bargaining of agreements on special work conditions.
- Regulation of labor unions’ right of information from companies.
- Recognition of effective strike and prohibition to replace workers on strike as a right of collective exercise.
- Women’s representation in labor union boards.
- Recognition of inter-company labor unions and bargaining.

3. New Labor Inclusion Law for disabled people

A. On April 1, 2018, Law No. 21,015 – Labor Inclusion entered into force; this law regulates the inclusion of disabled people in the labor market and the relevant content is as follows:

- Companies with 100 or more employees must hire or maintain employed, as appropriate, at least 1% of disabled people or beneficiaries of disability pensions under any social security regime in relation to the total employees. This obligation also applies to the State organs, public companies created by law and other public institutions indicated in this law, save for the exceptions contemplated in the implementing regulations to the law.
- Companies that for justified reasons are not able to comply with such obligation must do so through alternative means, either contracting services or making donations according to the law, while meeting the requirements established in the implementing regulations to the law.
- A remuneration that is not below the minimum wage must be agreed in employment contracts executed by a company and a mentally disabled person.

B. Additionally, in February of this year the implementing regulations to this law were published. They regulate mainly the following matters:

- Decree 64 implementing regulations:
  1. They provide the definition of “disabled person” and “beneficiary of disability pensions”, and establish the manner in which either status should be verified.
  2. They provide the formula to calculate the total number of employees in a company with the purpose of determining the obligation to comply with the law.
  3. They regulate the alternative means to comply with the law, as well as the justified reasons for them to be applicable.

b. Decree 65 implementing regulations:

- They regulate the preferential process for the selection of disabled people based on equality of merits.
- They establish rules to verify permanence or hiring of disabled people or beneficiaries of disability pensions under any social security regime in State organs.

C. Decree 64 – Transitory provisions

Notwithstanding the law entry into force date, i.e. April 1, 2018, the recruitment obligation established therein will be deferred by the following rules:

- Companies that have between 100 and 199 employees are subject to this obligation from the end of the first year counted from April 1, 2018, that is, from April 1, 2019. Similarly, until April 1, 2021, they are allowed to comply with the law through any of the alternative means, even in the absence of justified reasons.
- For companies with 200 employees or more, this obligation will apply from April 1, 2018, and without prejudice to the foregoing, they will be able to alternatively comply with the obligations established in the law without needing justified reasons, until April 1, 2020.
2.5 Presentation of financial reporting

In general, all companies in Chile must present their financial statements under the International Financial Reporting Standards (IFRS).

There are, however, some companies that, in spite of coming close to these standards, do not fully report under IFRS. These companies are banks, insurance companies and Pension Fund Administrators (PFAs).

IFRS conversion process began in 2009, when the Superintendency of Securities and Insurance (SVS), currently the Commission of the Financial Market (CFM) established 2009 as year one for the implementation of these standards in a progressive manner to the registry of entities for companies regulated by this organ and voluntary for non-regulated entities.

Since then, a schedule for the gradual adoption of IFRS by groups of companies was established, which ended in 2013.

The Chilean Association of Accountants has given Small and Medium-sized entities the option to apply IFRS (IFRS for SMSEs) via a simplified compendium of traditional IFRS.

It should be noted that for these purposes the definition of “Small and Medium-sized Entities” does not relate to the size, but to all those private companies of no public interest.
EY Training Services

We develop programs and courses according to our clients’ needs.

EY Training Services is a technical training organism (TTO) created with the object to promote and deliver a high development of competencies to our clients, providing tools and knowledge to improve productivity in the business world.

Our training areas include:

- Administration
- Commerce and financial services
- Languages and communication
- Services to people
- Safety and risk prevention
Appendices
3.1 Regulatory and investment promotion agencies

Central Bank of Chile
+56 22 6702000 | www.bcentral.cl

The Central Bank of Chile is responsible for guaranteeing currency value stability and normal operation of internal and external payments. The current Political Constitution of Chile grants it constitutional rank. This entity may engage in operations with financial entities, public or private, however, it may not give guarantees or acquire documents issued by the State, its organs or companies; or finance, directly or indirectly, public expenditure or loans, save for some exceptions to be qualified by the National Security Council.

Ministry of Economy, Development and Tourism
+56 22 4733400 | www.economia.gob.cl

The Ministry of Economy, Development and Tourism is an organ of the Executive in charge of promoting modernization and competitiveness of the productive structure of Chile, private initiative and the efficient functioning of markets, innovation development and consolidation of the international insertion of the country’s economy to achieve a steady, sustainable and equitable growth by designing policies, programs and instruments that facilitate the activities of the country’s productive units and corporate organizations and institutions boosting the productive and technological development of the country, both public and private, national and foreign.

Ministry of Labor and Social Security
+56 22 7530400 | www.mintrab.gob.cl

The Ministry of Labor and Social Security is the highest body collaborating with the President of the Republic in labor and social security matters. It proposes and evaluates the relevant policies and plans, studies and proposes the regulations applicable to the sectors it is in charge of, ensures compliance with applicable regulations, allocates resources and oversees the sector activities.

National Consumers Agency (Sernac)
+56 2 800 700 100 | www.sernac.cl

The National Consumers Agency (Sernac) is the Chilean State agency in charge of protecting consumers rights established in Law No. 19,496.

Superintendency of Electricity and Fuels (SEC)
+ 56 2 600 6000 732 | www.sec.cl

The Superintendency of Electricity and Fuels (SEC) is the body in charge of overseeing compliance with the legal and statutory provisions and technical standards regulating the generation, production, storage, transport and distribution of liquid fuels and gas and electricity to ensure the quality of services provided to users meets the quality standards established in such provisions and technical standards and the above mentioned operations and use of energy resources do not constitute a hazard to people or property.
National Geology and Mining Service (SERNAGEOMIN)
+56 22 4825500 | www.sernageomin.cl

The National Geology and Mining Service (SERNAGEOMIN) is a decentralized body with legal personality and its own budget whose objective is to advise the Ministry of Mining and collaborate with the government programs for the development of geological and mining policies. Similarly, it assists the State through the Ministry of Mining with oversight and training activities regarding mining safety, technical assistance and geological and mining publications, contributing to the sustainable development of Chile through a highly specialized team of professionals, meeting the needs of the authorities, clients and beneficiaries.

Undersecretary of Telecommunications
+56 22 5888000 | www.subtel.gob.cl

The Undersecretary of Telecommunications is a body dependent on the Ministry of Transport and Telecommunications. Its work is oriented to coordinating, promoting and developing telecommunications in Chile, converting this sector into a driving force for the economic and social development of Chile.

Undersecretary of Transport
+56 22 4213000 | www.subtrans.gob.cl

The Undersecretary of Transport is the state body in charge of promoting the development of efficient, safe and sustainable transport systems by establishing policies and standards and controlling compliance with the purpose of contributing to the country's territorial integration, favoring the economic development and ensuring high quality services to users.

Undersecretary of Labor
+56 22 7530400 | www.subtrab.trabajo.gob.cl

The Undersecretary of Labor is a body dependent on the Ministry of Labor and Social Security in charge of promoting employment and employability through the design, articulation and oversight of employment policies and programs with the purposes of facilitating labor market insertion of male and female workers.

Superintendency of Banks and Financial Institutions
+56 22 8879200 | www.sbif.cl

The Superintendency of Banks and Financial Institutions (SBIF) is a public, autonomous institution responsible for overseeing banks and other financial institutions and protecting depositors or other creditors and the public interest.

Superintendency of Pensions
+56 22 7318153 | www.safp.cl

The Superintendency of Pensions (SP) is the controlling body that represents the State within the Chilean pension system. It is an autonomous entity whose highest authority is the Superintendent. It collaborates with the Government through the Undersecretary of Social Security of the Ministry of Labor and Social Security.

Commission of the Financial Market
+56 22 6174000 | www.cmfc.cl

The Commission of the Financial Market (former SVS) is a public, collegial, decentralized body of a technical nature with legal personality and its own budget whose main objectives are to protect the correct functioning, development and stability of the financial market and ensure that audited entities comply with the laws, regulations, statutes and other provisions applicable to them.

Superintendency of Internal Revenue
+56 22 3951115 | www.sii.cl

The Internal Revenue Service (SII) is a body dependent on the Ministry of Finance (MF) in charge of assessing and overseeing the Central Government taxes, save for customs duties (for example, Import Duties, Sales and Services Tax on imports, among others) that are assessed and overseen by the National Customs Agency (SNA).

Undersecretary of Public Health
+56 22 5740100 | web.minsal.cl

The object of the Undersecretary of Public Health (SSP) is to ensure the rights of people to health protection, exercising the regulatory, supervisory and auditing function of the State to contribute to the quality of public properties and access to health and environmental policies in a participatory manner that enable to sustainably improve the health of the population, especially in more vulnerable sectors, with the purposes of meeting the Health Objectives of the decade.

Ministry of Foreign Affairs: General Directorate of International Economic Relations - DIRECON
Teatinos 180, Santiago, Chile
+56 2 282 75100 | www.direcon.gob.cl

The General Directorate of International Economic Relations (DIRECON) is a public entity dependent on the Ministry of Foreign Affairs whose object is to coordinate the International Economic Relations policy of the Government.

DIRECON was created on January 10, 1979 by Decree Law 53 and since then it has been its mission to implement the international policy of economic relations designed by the President of the Republic and those entrusted to it by the Decree that created it, for example:

- Collaborate with the development of the country's exports in accordance with the economic policy established by the Government.
- Promote and negotiate treaties and other international agreements of an economic nature.
- Intervene in any matter relating to work groups, Bilateral and Multilateral negotiations and other mixed commissions where Chile participates.
- Study, in all aspects, the involvement of Chile in international trade and propose relevant measures.
- Organize public and private missions abroad. Similarly, promote the visit of public and private foreign missions; assist them in scheduling their activities and support them during their stay in Chile.
- Disseminate the economic policy of the Government abroad and propose the course of actions to be followed by Chilean missions abroad.
- Organize trade fairs abroad and organize or assist with the organization of international events.
- Provide technical information in matters within its competence.
- Formulate proposals to the public and private sectors for the optimal utilization of international markets.
- Permanently disseminate information of national products in the international markets to create, extend or strengthen demand under the best conditions.
- Ensure compliance with the laws, regulations and standards and the execution thereof, as well as the international agreements signed by Chile and other countries in relation to the matters referred to above.
- Carry out any other function entrusted to the General Directorate by the Ministry of Foreign Affairs.

**Ministry of Economy, Development and Tourism**

Av. Libertador Bernardo O’Higgins Nº 1449, Santiago Downtown
+56 2 473 3400 | Fax: +56 2 473 3401 | www.economia.gob.cl

The Ministry of Economy, Development and Tourism is the body in charge of designing and monitoring the implementation of public policies that boost the country’s competitiveness. Its main lines of action relate to the design and development of Innovation and Entrepreneurship Policies. It is also involved in Digital Strategy, Tourism, Regulation and Fishing.

Its mission is to promote the modernization and competitiveness of the productive structure of Chile, private initiative and the efficient action of markets, innovation development and consolidation of the international insertion of the country’s economy to achieve a steady, sustainable and equitable growth by designing policies, programs and instruments that facilitate the activities of the country’s productive units and their corporate organizations and institutions boosting the productive and technological development of the country, both public and private, national and foreign.

**PROCHILE**

+56 2 2827 5100 | www.prochile.gob.cl

PROCHILE is an institution of the Chilean Ministry of Foreign Affairs in charge of promoting the export of products and services and contributing to the dissemination of foreign investment information and fostering tourism.

**Santiago Chamber of Commerce (CCS)**

Monjitas #392, Santiago de Chile
+56 2 2360 7000 | www.ccs.cl

The Santiago Chamber of Commerce (CCS) has an important role as it represents the concerns of the members of trade associations before the Authority, actively participating in legislative matters of interest to its members and companies at national level.

The activities of the CCS are oriented towards the country’s entrepreneurial development, for which purpose it has a series of products and services mainly intended to provide its members -entrepreneurs in general- with adequate tools to improve their business management.

The CCS has five large areas of work:
- Information Services
- Application of Information Technology
- Promotion of International Business
- Formation of Human Resources
- Settlement of Commercial Disputes

**National Statistics Institute (INE)**

Av. Presidente Bulnes 418, Santiago de Chile
+56 2 2892 4000 | Fax: +56 2 2671 2169 | www.ine.cl

The National Statistics Institute (INE), an independent technical body, is a functionally decentralized legal person of public law with its own budget in charge of the official statistics and census of the Republic of Chile.

Some of its functions are:
- Perform the process of collection, technical elaboration, analysis and publication of official statistics.
- Study the coordination of tasks for the collection, classification and publication of statistics, performed by fiscal and semi-fiscal organs and State Companies.
- Take official censuses in accordance with international standards.
- Carry out periodic surveys intended to update the bases of different indices, particularly the cost of living index.
- Approve, in an official manner, the statistical data collected by the fiscal, semi-fiscal organs and State Companies.
- Answer the queries made with regard to statistical matters.
- Study, report and propose any amendments that should be made to the political, administrative and judicial divisions of the Republic and to city limits in the country.
- Provide information relative to the creation of districts of the Civil Registry, Public Schools and Police Stations in accordance with the census results or population estimates.
- Obtain relevant information and create the inventory of the Economic Potential of the Nation.
3.1 Regulatory and investment promotion agencies
EY is the leading business advisory firm in Chile, providing companies with Consulting, Audit, Tax, Transactions & Corporate Finance Services as well as Advisory Services to the Financial Industry.

We are focused on helping our clients reach their full potential in business related matters, assisting them in improving their business management. Our global network of professionals will help you find financial, strategic and operating alternatives to improve liquidity, financial flexibility and performance. We help you grow a sustainable business, both in the short and long term.

Our approach is based on a combination of leading practices, methodologies and innovative thinking, tailoring and renewing our services to the needs of our clients. Not all organizations are equal and changes impact them in different ways. High-performing organizations know that trust attracts success and that is the reason why more and more companies in Chile are choosing to work with EY.

Audit Services

a. Audit to financial statements and special reviews
   - Audit to financial statements
   - Audit to internal control
   - Special reviews for companies to be audited for the first time or that are planning to issue shares or bonds
   - Special reviews to improve processes and controls
   - Advisory services for control implementation and/or review according to international criteria
   - Special reports: asset laundering, market consistent embedded value, actuarial calculations

b. Advisory services regarding the International Reporting Financial Standards (IFRS)
   - Assessment prior implementing IFRS and conversion process support
   - Review of processes and controls required in order to apply IFRS
   - Review of criteria and results from the application of IFRS
   - IFRS training and updates
   - Technical reports on the application of IFRS
   - Technical assistance in regulatory audits with regard to accounting and financial aspects
3.2 EY Services

Consulting
We help our clients solve the most complex industry issues and hence improve their business environment. Our risk mitigation and performance improvement approach allows us to deeply understand your challenges and opportunities and guide you towards obtaining tangible results that boost, optimize and protect your company.

Strategy Services
a. Strategic planning and management indicators
   ▶ Strategic planning
   ▶ Mission/vision definition
   ▶ Project pipeline definition
   ▶ Balanced Scorecard (BSC)
   ▶ Establishment of goals and organizational indicators
   ▶ Disclosure of KPI’S goals and priorities
b. Corporate governance and sustainability
   ▶ Diagnosis
   ▶ Best practices implementation and improvement
   ▶ Corporate social responsibility
   ▶ Climate change and sustainability
   ▶ Adoption of governance pillars: strategy, control, shareholders, information and sustainability

Technology Services
a. Information technology real benefits
   ▶ ERP implementation and support (CRM, SCM, BI, SOD)
   ▶ Definition of IT governance model
   ▶ Optimization of IT costs/performance evaluation
   ▶ Design of IT area
   ▶ Data quality diagnosis
   ▶ Selection of software
   ▶ Data analytics / data quality
   ▶ Cloud solutions
   ▶ Assistance in project execution and control
b. Information security
   ▶ Analysis and implementation of access roles to information systems
   ▶ Evaluation, design and implementation of information systems security (ERP security) and computing infrastructure
   ▶ Diagnosis and design of segregation of duties (SoD)
   ▶ Vulnerability analysis of applications

Talent Advisory Services
a. Leadership strengthening and talent management
   ▶ HR analytics
   ▶ hire2retire cycle management
   ▶ Adhoc induction programs
   ▶ Career plans by positions and key personnel
   ▶ Learning maps for the development of competencies
   ▶ Succession plans
   ▶ Establishment and measurement of area goals
   ▶ Applications that support the human resources management
Process Advisory Services

a. Operational performance improvement
   - Cost reduction
   - Cost/benefit design
   - Management control (KPIs)
   - Finance analytics
   - Cost model design (cost center and ABC costs)
   - Process redesign
   - Business model redesign

b. Revenue improvement
   - Revenue assurance and improvement
   - Customer segmentation
   - Customer analytics
   - Business intelligence
   - Pricing models
   - Customer experience improvement
   - Customer relation model design (CRM)

c. Supply chain management
   - Demand planning
   - Network, distribution center and warehouse design
   - Sales and operation planning
   - Strategic sourcing
   - Stock, raw material and finished product optimization
   - Productive chain optimization
   - Supply chain management improvement (SCM improvement)

Risk Management

a. Internal audit
   - Internal audit co-sourcing
   - Internal audit outsourcing
   - Internal audit quality assessment according to international standards of the Internal Auditors Institute
   - Internal audit function strengthening

b. Risk management
   - Risk management and IT process efficiency
   - COSO-based internal control
   - Comprehensive risk management (enterprise risk management, contract risk services, etc.)
   - Process and project risk management
   - Credit, liquidity, market and operating risk assessment
   - Management control and tool assessment
   - Asset management and control efficiency in componentization of fixed assets

c. Regulations
   - Regulatory compliance audit
   - Data protection law adaptation
   - Sarbanes-Oxley (SOX) compliance and adaptation
   - Adaptation to FATCA advice
   - Advice on the issue of electronic invoices
   - Advice on adaptation to the regulations applicable to tradable invoices
   - Systems audit (COBIT-ISO27000-ITIL)
   - SSAE16 (third party services report) review

Consulting Services for the Financial Industry

Our approach ensures the most comprehensive value proposal in the business transformation area for the Financial Industry. We assist you in aligning your strategy, organization, process and technology to achieve results beyond your expectations.

Consulting Services for the Financial Industry

a. Business transformation
   - Digital transformation
   - Innovation and growth strategy diagnosis and design
   - Experience and customer relation innovation
   - Optimization of distribution, products and channels
   - Customer experience improvement
   - Distribution management

b. Value for customers
   - Revenue assurance and improvement
   - Cost reduction and performance improvement
   - Structural and business operating model and support areas reform
   - Customer acquisition process improvement
   - Claim advisory services
   - Business link to technology
   - Core business redesign
   - Transformation of consumer, wholesale bank and capital markets
   - Efficient integration of processes and Technology
   - Supply chain and vendor management improvement
   - Advice and transformation of policies and products
b. Tax compliance
- Review of Sworn Statements associated with IT, GTS, TNA and other applicable taxes
- Advice on tax process evaluation, improvement and monitoring
- Fiscal information report
- Analysis of tax implications related to the implementation of IFRS
- Assistance in audit processes conducted by the fiscal administration

c. Transfer pricing
- Compliance
- Strategic consulting and planning
- Controversy

d. Individual labor and tax advice
- Labor, tax legislation – labor and social security laws
- Labor and tax compliance – labor compliance
- Taxation on individuals
- Immigration analysis and procedures from abroad to Chile and vice versa
- Labor inspections and labor judicial proceedings

e. Legal services
- Design and planning of contractual and corporate structures, as well as company reorganizations
- Business acquisition contract negotiation and drafting
- Advice on compliance with regulatory obligations and personal data protection law
- Advice on participation in private investment in infrastructure processes

f. Customs and indirect taxes
- Customs and customs tax consulting
- Customs audit process consulting and management, preventive diagnosis and reviews, litigious and non-litigious proceedings advisory services
- Implementation of customs advantages, planning, use of trade agreements, compliance with rules of origin, customs valuation studies
- Advice on the implementation of balance in favor of exporter mechanism, return and advanced and final refund of GTS, recovery of withholdings and GTS collection
- Analysis of the nature of services, such as technical assistance and processes related to certification for purposes of the IT applicable to non-domiciled persons

3.2 EY Services

Taxes

Tax services help companies to duly comply with their fiscal, customs and labor obligations, minimizing tax risks in a context of constant regulatory changes that are difficult to implement.

We assist companies at all stages of the “Fiscal Life Cycle” from the operations understanding and planning through control over compliance with their obligations. Similarly, we assist them in audit processes conducted by the administrative authorities, providing support in eventual litigations.

Tax Services

a. Tax consulting
- Permanent tax consulting
- Tax planning
- Assistance in audit processes
- Sector taxation
- Reorganization, mergers, etc. consulting services
g. International taxes
   - Advisory services for the creation of the most efficient legal vehicle from a tax perspective; capitalization or financing of operations; repatriation of foreign exchange; and an efficient final management of supply chains
   - Advisory services relating to the efficient structuring of international business operations of economic groups
   - Identification of most convenient jurisdictions to establish holding or financial companies
   - Application of conventions for the avoidance of double taxation

h. Tax litigation
   - Litigious proceedings before SUNAT, regulatory agencies, municipalities and the Tax Court (claims, appeals, complaints and oral reports)
   - Judicial proceedings involving tax matters before the Judiciary (administrative litigious proceedings, legality control processes) and the Constitutional Court (legal protection process, compliance process and unconstitutionality processes)
   - Refund and compensation proceedings
   - Issue of expert's reports and agreed procedure reports to include in and support the defense
   - Issue of contingency diagnosis report
   - Specific design of defense strategies
   - Provision of support to oral reports presented to the Tax Court, the Judiciary and the Constitutional Court
   - Validation of the correct disclosure in the financial statements of tax contingencies related to tax procedures and processes

i. Taxes involved in transactions
   - Advice on pre-transaction structure
   - Advice on optimization of tax benefits for transaction financing
   - Evaluation of the tax modelling in the transaction projected cash flows
   - Tax, customs, labor and transfer pricing due diligence

j. Accounting, tax, administrative and payroll outsourcing
   - Accounting processing
   - Statutory reports
   - Tax compliance
   - Payroll processing
   - Personnel management

k. Executive training program
   - Customized training on tax, customs, legal, labor and financial-accounting matters

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**Corporate Transactions & Finance**

Corporate Transactions & Finance handling requires making the correct decision on how capital should be strategically managed, taking into account the changing world with limited resources and time. In EY, we have a team of specialists who help organizations evaluate investment opportunities according to the Capital Schedule in order to make efficient transactions and achieve your strategic goals.

We may assist you in searching the most suitable strategy for your company in a variety of processes such as, mergers and acquisitions, identification of synergies, financial modeling support, and measurement of transaction-derived implications to make your business more competitive, profitable and faster growing.

**Corporate Transactions & Finance Services**

a. Mergers and Acquisitions
   - Target company valuation (buy side or sell side)
   - Advice on target and buyer identification with special emphasis on the identification of synergies that allow for adding even more added value to the transaction
   - Preparation of Teasers and Information Memorandum
   - Management of indicative proposals and binding proposals
   - Participation in negotiations with potential buyers and/or sellers
   - Advice on purchase-sales contracts and negotiation of terms and conditions for transaction closing

b. Financial Valuation and Modeling
   - Valuation of companies and businesses, tangible and intangible assets, derivatives and complex assets
   - Fairness Opinion: independent opinion on the market value of companies and assets
   - Business Modeling: design, structuring and review of valuation models
   - Purchase Price Allocation: valuation of net individual assets and allocation of purchase prices in business combination transactions

c. Debt and equity instrument structuring
   - Advice on fixed and variable income issue programs
   - Financial modelling of the instrument optimal structure
   - Advice on capital raising processes
   - Design of structured financing alternatives (securitization of product flows)
   - Review of transaction legal aspects
   - IPO capital market entry readiness
d. Project Financing and Public-Private Associations (PPA)
   - Preparation of feasibility studies
   - Preparation of financial modeling
   - Risk analysis and mitigation
   - Advice on the definition of an optimal financing structure
   - Assistance in negotiations with potential financiers
   - Optimal structuring model (tax and financial) design
   - Review and analysis of public and private projects

e. Working Capital Management
   - Diagnosis, design and implementation of a comprehensive strategy
   - Quantification of the improvement opportunity in the three main components of working capital
   - Quantification of cash release and increased business profitability
   - Determination of vendor policies and implementation of best practices for working capital management

f. Operational Transaction Services - OTS
   - Preparation and assistance in carve-out and integration processes
   - Identification and materialization of identified synergies
   - “Day one” diagnosis and “first 100 day” plan in integration processes
   - Assistance in business continuity management

g. Financial, accounting, tax and legal due diligence
   - Performance of integral due diligence: financial, accounting, tax, labor and legal
   - Evaluation of financial statements and application of financial, accounting, tax, labor and legal good practices
   - EBITDA normalization analysis
   - Identification of key financial factors that might have an impact on the transaction price determination
   - Quantification of identified contingencies
   - Analysis of price adjustment calculation for transaction closing
   - Financial model review

h. Commercial due diligence
   - Pre-sales diagnosis for competitive sustainability of the target’s products and services
   - Evaluation of the client base stability and growth
   - Assistance in evaluating the competitive environment, supply and demand of the company’s products and services

i. Operating due diligence
   - Determination of target’s operating and IT deficiencies
   - Understanding of risks and costs of integration
   - Identification of priority areas for an adequate integration planning
   - Identification of synergies
   - Understanding of systems in operations, including base software and hardware as applications developed by internal staff
   - Understanding of risk management and information security management

j. Tax structure
   - Advice on pre-transaction structure to identify options that increase the operation value: reduction of tax costs and design of exit strategies
   - Advice on the optimization of tax benefits related to transaction financing
   - Transaction structuring aimed at optimizing tax benefits
   - Evaluation of tax modeling in the transaction projected cash flows
Contributing knowledge and cutting-edge trends

Thanks to its global network, EY is a privileged witness to the new world trends. We gather this knowledge and pass it to our clients in the form of studies relevant to their sectors and needs.

Continuous knowledge: We are constantly developing new national and global contents by sector, matters and trends. For further information, visit our website at ey.com.

The Voice of the Market
This annual review is based on a customer survey to know their insight with respect to the quality and operation of corporate governance in IPSA companies. This survey is carried out with the Santiago Stock Exchange.

Information Security Global Survey
Annual survey among over 1,700 senior executives of the largest and most globalized companies of the world, that addressed the challenges faced by organizations in terms of cyber security.

Bio Bio Regional Perception Index (IPER)
Biannual indicator in use since 2011 based on the collaboration efforts of EY and Universidad Andrés Bello (UNAB) Business School. It measures the business environment perception of executives in the region.

Board matters
Quarterly publication “Board Matters”, prepared by the EY Center for Board Matters, seeks to provide a vision of key matters related to company directors’ duties and illustrate the relevant international trends.

The next great disruptor: Generation Z
Today’s teenagers and pre-teens are taking over from Millennials. In order to connect with the purchasing power of Generation Z, we need to understand who they are, what they want and how they want it.

Vision of the community about social investment in mining
This report is based on a survey among the inhabitants of Sierra Gorda, an area with several mining sites. People were asked to explain their perception with respect to social investments made by mining companies in that area.

Tax Guides
EY has tax guides that summarize the main aspects of an important number of countries. These guides are periodically updated and cover matters such as, corporate, personal taxes, transfer pricing, estate taxes, amongst others.

Pacific Alliance business and investment guide
This biannual guide summarizes the most important business and fiscal aspects for investors wishing to do business in the country members of the Pacific Alliance: Mexico, Colombia, Chile and Peru.

Capital Confidence Barometer
A half-yearly study that addresses the perception of top executives with respect to matters such as, local economy, most important trends in corporate strategies, investment plans, mergers and acquisitions, amongst others.
EY Chile

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About EY

EY is a global leader in audit, tax, transactions and consulting services. The quality of our services and the knowledge we contribute help foster confidence within capital markets and the world economies. We develop exceptional leaders teaming up to fulfil our commitment to our stakeholders. Thus, we play a fundamental role in building a better world for our people, our clients and our communities.

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