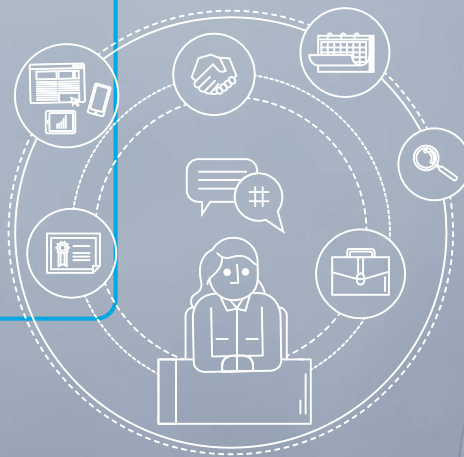


DOING BUSINESS IN CHILE



RSM CHILE SPA

August, 2020

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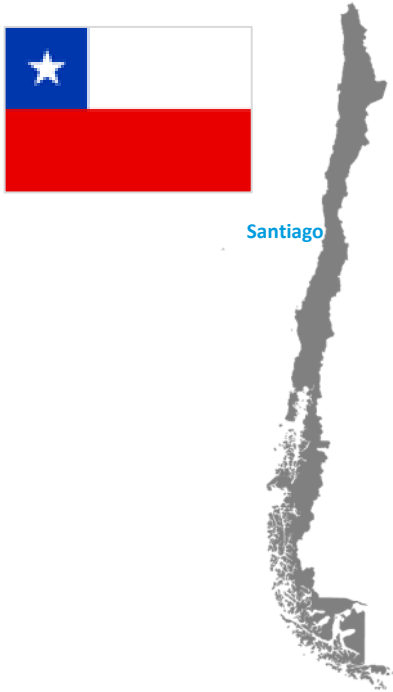


EVERY RSM FIRM,
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IN THE WORLD,
SHARES THE SAME
HIGH QUALITY
STANDARD



I. OVERVIEW OF CHILE

I. OVERVIEW OF CHILE



Chile is a long narrow ribbon of land stretching more than 4,000 kilometers along the west coast of South America with an average width of approximately 180 kilometers and has a continental area of 764,000 square kilometers excluding the Antarctic territory. Currently the Chilean population is approximately 18 million people in total.

Located between Andes mountains on the east and the Pacific Ocean on the west. Chile has Peru, Bolivia and Argentina as neighboring countries. The capital of Chile is Santiago which is the commercial center of the country.

Chile's official currency is the Chilean Peso (CLP), which, as of March 31, 2020 US\$ 1 = Chilean Pesos 852.03

I. OVERVIEW OF CHILE

CHILE: LATIN AMERICAN LEADER

Chile has a market-oriented economy characterized by a high-level foreign trade, a well known reputation for its strong financial institutions in Latino America and a solid policy that has reached AA- of sovereign bond rating. Chile has more bilateral and regional trade agreements than any other country in the region, including with the European Union, Mercosur, China, South Korea, Mexico, and Japan. In May 2010, Chile signed the OECD Convention, becoming the first South

AMERICAN COUNTRY TO JOIN OECD.

Chile has a large amount of mineral resources such as copper, lithium and iodine. In relation to copper, Chile is the world's largest copper producer and exporter. The success of mining industry is one of the reasons behind sustained growth and development of Chilean economy. The main customers for copper exports are mostly in Asia, Western Europe and China.

- Chile has a lot of attractive aspects not only in regards to mineral resources as follow;
- Chile: Latin American leader, General Attractive Aspects
- Institutional and Financial Strength and Low Country Risk
- Friendly Economy (TFA 64 countries)
- Great Business Environment and Economic Freedom
- High public security (In relation to Latam)
- Highly Skilled and Competitive Human Resources
- Suitable circumstances for the industry of fishery and forestry
- Double taxation Agreements (DTA) with a lot of jurisdictions

I. OVERVIEW OF CHILE

ATTRACTIVE INDUSTRY

Chilean products and services are highly sought after worldwide. ProChile(*) can help foreign buyers link up with Chile's top exporters.

The country has an extensive export lineup that includes food industry, mining supplies, biotechnology, global services (off shoring), and industrial logistics. ProChile is responsible for implementing and enhancing Chile's trade policy. It provides support to small and medium-sized Chilean enterprises, helping to encourage and diversify exports for Chilean products and services by increasing export markets and companies

ProChile Trade Commissions around the world offer no-cost expert advice to potential investors and buyers interested in Chilean products and services.

(*) ProChile is an institution aimed to promoting goods and services exports from our country. It boosts foreign

investment and tourism. Fifty offices are established worldwide and 15 within our country, offering useful information regarding the national exports.



I. OVERVIEW OF CHILE



ATTRACTIVE INDUSTRY

The food and drinks industry has become the second-largest currency earner, just below mining. Alcoholic drinks ranging from wine, pisco (a grape brandy spirit) to beer and fruit/vegetable juices are key components of the Chilean food industry.

Chilean wine is the most emblematic export product and the country is the world's fifth-largest wine producer. Beyond food and drinks, the Chilean industrial sector is a competitive global stakeholder notably in forestry, agrobusiness, fisheries, aquaculture and mining.

InvestChile(*) aims to attract high-impact investment in order to grow the Chilean economy and diversify its production and export base. InvestChile provides assistance to foreign companies interested in establish in Chile. Likewise, InvestChile promotes foreign investment in specific economic areas, including the food industry, biotechnology, mining supplies, offshoring, and manufacturing. Moreover, InvestChile offers incentives to industries in these sectors and gives specific assistance to foreign investors. InvestChile has offices in the US, Germany, and Japan to gather business opportunities of every kind. It helps companies interested in building Chile-based projects serving Latin America, the US or European markets. InvestChile has a specialized team of professionals to support foreign companies with services and incentives to national and foreign investors, to enable the evaluation, installation and materialization of investment in Chile.

I. OVERVIEW OF CHILE

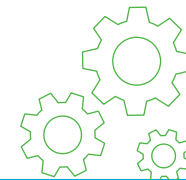


The sector with highest development potential is the food sector. Chile is acknowledged worldwide by the quality of its wine, fresh fruits and sea food products, such as salmon, being the second largest exporter of salmon around the world. InvestChile's Food Industry Investment Attraction Program supports food industry entrepreneurs in all stages production with public funding and significant investment available for technology transfers. The Mining Suppliers Investment Program is set up to attract foreign investors that have interest in establish in Chile.

(*) InvestChile was created by CORFO (Corporación de Fomento de la Producción) which was created in 1939 and played a major role in the development of domestic activities essential to development the country, including the mining, energy, agriculture, commerce and transport sectors.

Chile has taken significant steps to incorporate biotechnology into its economy including a series initiatives aimed at biotechnology companies abroad, a new regulatory framework and economic incentives. Meanwhile, manufacturing are supported with expert consultancy. InvestChile can arrange meetings with Chilean counterparts, visits to industrial parks, as well as arrange contacts with trade associations and potential supply vendors.

I. OVERVIEW OF CHILE



CHILE'S GROWTH

Chile has spectacularly transformed itself over the past decades. Despite this progress, there exist space for further positive changes.

Once a relatively poor country, Chile has become prosperous through macroeconomic policy, structural reforms, trade and investment and regulation. A rich endowment of copper and other mineral reserves has been used cautiously to foster resilience facing unexpected headwinds. Moreover, a stable democracy with an effective rule of law has been established.

Between 1986 and 2007, Chile's income per capita grew at around twice OECD rate and the income gap with richer countries was reduced substantially. For the government achieve fast growth while reducing income inequality, the main challenge will be to

maintain the delicate balance between pursuing a strong recovery and preserving price stability.

While Chile has made substantive progress in upgrading its production structure to higher value-added activities, restrictions in product and labor markets have prevented full development. Competition in some areas of product markets, especially in the services sector, remains weak by OECD standards. Reducing regulatory red tape for business start-ups and easing restrictions on entry in specific services sectors, would strengthen competitive pressure. This would also encourage entrepreneurship and innovation.

Structural reforms in labor markets would raise the participation rate of women and youth and enhance labor productivity. Despite substantive progress in childcare for working women, there remains scope further expand these programs.



II. REGULATION FOR FOREIGN INVESTMENT

II. REGULATION FOR FOREIGN INVESTMENT

OVERVIEW

There are no regulations that limit the ownership percentage in a company from foreign investors regardless any industries or services. Investment rate is not limited except for certain businesses, which are transport ships with Chilean flag and ship owners of fishing boats. Investors interested in Chile could own all the company's shares/stocks when you invest in Chilean companies.

Law and regime regarding investments

When they invest in Chile from foreign countries, they must comply with either following rules a), b), or c):

a) The former Foreign Investment law (DL 600) (*)

This DL 600 functions to protect rights of investors in Chile. The rights and obligations for foreign capital invested based on the law are protected by foreign investment contracts between investors and the Chilean Government. There is no distinctions of investments between domestic and overseas based on DL 600.



II. REGULATION FOR FOREIGN INVESTMENT

b) Direct foreign investment law (Law 20848)

In accordance with the taxation reform in 2014, the former Foreign investment law (DL 600) and the Foreign Investment Committee were abolished on January 1, 2016. Ministry of Economic Affairs Ordinance DFL 1 with legal effect was published in the Official Newspaper on January 21, 2016, Law 20848, regarding the new Foreign Direct Investment Framework and New Organization Establishment came into effect on same date, and the InvestChile began activities. Foreign investors are protected by the following rights for this law.

- The right to remit their capital overseas according to the rule of central bank in Chile
- The right to remit their profits overseas after fulfilling their tax obligation in Chile according the rule of central bank in Chile
- The access rights to official exchange market for exchanging foreign currency

- Impartial treatment between foreign investors and domestic investors
- Exemption of VAT for imported capital goods if investors comply with specific procedures based on certain requirements.

According to former Foreign Investment law (DL 600) and direct foreign investment law (Law 20.848), minimum amount of investment is USD 5 million when you will invest to Chilean entity (if these investments are projects for technology or bringing in asset goods, minimum amounts of investment is 2.5 million). If you use loans for investment, ratio loan amount to total investment must be less than 75%.



II. REGULATION FOR FOREIGN INVESTMENT

c) Chapter 14. Rules to loans, credits and capital increase provided from overseas

If you apply Chapter 14, “Rules to loans, credits and capital increases provided from overseas”, the investment is different based on Law 600 and Law 20848, you will not need to conclude formal foreign capital introduction. According to this rule, the amount of investment is 10 thousand dollars. However investors must inform transactions they performed to Central Bank in Chile.

It is possible to receive loans by foreign currency both from foreign countries and in Chile. Lenders and borrowers can freely decide the repayment terms for principals and interests related to the loans and for interest rates of principal and interest.

It is not taxed on redemption of principal. Interests are normally subject to 35% withholding tax.

Based on the rule, the amount of money invested to capital or invested in Chile from a foreign country must be exchanged in the official foreign exchange market.

(*)The former Foreign Investment law (DL 600) was abolished on January 1, 2016 and the Inward direct foreign investment law (Law 20848) came into effect on 21 January 2016.



III. ESTABLISHMENT IN CHILE

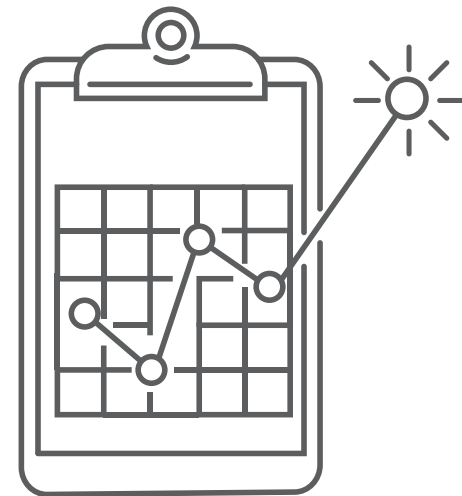
III. ESTABLISHMENT IN CHILE

Chile is likely the most business–friendly economy in South America. The country is moving forward to a way on making business simple and more affordable to foreign investors. Currently, the process of setting up a business is probably the quickest and most efficient in the region. On March 2011, the act 20.494 reduced costs and softened the requirements for publication and registration of an incorporation. Although start up a business in Chile used to be slow and complicated, since new law has come into effect, the paperwork and process has gotten a lot easier than a decade ago.

In Chile, there are several types of companies as follows:

BRANCH OFFICE (AGENCY):

It is not a legally autonomous entity, but an agency of parent company which establishes its main address in Chile. Basically, It's a business extension of parent company abroad. Thus, in order to establish a branch in Chile, it is mandatory to register the relevant certified and legalized documents with a local Notary.



III. ESTABLISHMENT IN CHILE

STOCK CORPORATION (SOCIEDAD ANÓNIMA):

The stock corporation is a corporate body that results from the formation of a single equity provided by shareholders. This kind of companies can be publicly traded or private equity and are managed by Board of Directors (Choose by the Shareholders) whose members can be replaced at any time.

A corporation is created by means of notarized deed, that must contain:

- The shareholder's names, professions and addresses that are starting the corporation.
- The name and domicile of corporation.
- The specific objects for which corporation is created.

Validity of corporation, which can be undefined; if nothing is said, the validity is presumed to be undefined.

- The capital of the corporation and number of shares, indicating any special arrangements over shares and privileges, and whether shares have a par value or not; the way shareholders must pay their contributions, the dates they must do, and valuation assigned to any contributions in kind.
- How corporation will be administrated and how the administration will be supervised by shareholders.
- The corporation's financial year-end (at which date the financial statements must be prepared) and when the Shareholders Meeting must be held.

III. ESTABLISHMENT IN CHILE

- How corporation will distribute its profit.
- How corporation will be liquidated.
- How differences among the shareholders or between the shareholders and corporation to be resolve; if nothing is said, its understood that differences will be submitted to arbitration process.
- The names of first Directors.

A summary of these statues, duly notarized, must be submitted at Register of Commerce office. Additionally, this summary must also be published once in the Official Newspaper. Both, the summary submission and the publication must be made within sixty days after the deed is signed. Moreover, the most important aspect on this type of company is the capital contribution directed to the corporate business. The identity of partners is not relevant, as participation is expressed in quotas - called shares, which are not subject to any restriction. The capital promised, must be subscribed and paid in a period of three years. The corporate administration falls on a board of directors who are selected by the shareholders. Additionally, a general manager must be designated that will hold the status of legal representative of the company.



III. ESTABLISHMENT IN CHILE

Public Companies are basically those that fulfill any of the following conditions:

- The shares are public traded (Stock Exchange)
- Have more than 500 shareholders
- At least 10% of shares belong to 100 share-holders, excluding for calculation purposes thereof those shareholders who individually exceed such percentage.
- Make a public offering of their shares (IPO)

Private equity corporations are basically those not falling within the above definition and they do not make public offering of their shares.



III. ESTABLISHMENT IN CHILE

JOINT-STOCK COMPANY (SOCIEDAD POR ACCIONES)

Named as “Sociedad por Acciones”, or “SpA”, which has a corporate structure similar to a private equity corporation. The significant differences are to reduce formalities and administrative costs generally associated to corporations. Moreover, Its administration is more flexible and can be constituted by a single shareholder, whether is a natural or legal person.

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

Like stock corporations, its a corporate body that results from formation of a single equity contributed by one or more shareholders. The administration can be carried out by an administrator or by a Board of Directors whose members can be replaced at any time.

The creation of joint-stock company is the same as a stock corporation, a summary of the previously mentioned statutes, duly notarized, must be submitted at the Register of Commerce office that corresponds to the company's domicile. The summary must also be published once in the Official Newspaper. Both the summary submission and the publication must be made within one month. It can also be constituted by public deed or private instrument. The business name must add at the end “Sociedad por Acciones” or “SpA”.

III. ESTABLISHMENT IN CHILE

LIMITED LIABILITY COMPANY (SOCIEDAD DE RESPONSABILIDAD LIMITADA):

A Limited Liability Partnership is a general association and its most important difference with another form establishment is that each partner's liability is limited either to the capital amount contributed or to a greater amount, if its specified in the partnership deed.

There are no requirements regarding capital contributions. A limited liability partnership is created by notarized deed that should contain the items required by the Commercial Law. The name of a limited liability company should contain the name of one or more partners, or a reference to partnership's object. However, the legal name should end with the word "limitada" (limited); otherwise, each partner is unlimitedly liable for all the partnership's liabilities.

The summary submission and publication must be made within sixty days after the deed is signed. Participants can alienate their social rights in the company, with consent of the other partners, through amendment of by-laws. The management is responsibility of any or all partners, or to whomever is designated. This could also be a third party. This type of company is not subject to the control of supervising agencies. They are governed by Law Nr. 3.918 and the Commercial Code.

INDIVIDUAL LIMITED LIABILITY COMPANY (EMPRESA INDIVIDUAL DE RESPONSABILIDAD LIMITADA):

It is constituted only by a natural person, it's a commercial company with its own patrimony different from the owner and is subject to the Commercial Code. It is governed by the Law N°19.857.



IV. CHILEAN TAX SYSTEM

IV. CHILEAN TAX SYSTEM

Under the Constitution of the Republic of Chile, taxes, customs duties and all kinds of public duties must be implemented through the enactment an Act approved by the Congress.

The initiative to legislate in tax matters rests only with the Chilean President. Consequently, taxes may not be changed unless the president acts and Congress approves said initiative.

The main taxes established by Chilean law are:

- I. Corporate Income Taxes.
- II. Value Added Tax (VAT).
- III. Stamps Tax.
- IV. Real Estate Tax.

Taxpayers domiciled or residing in Chile are subject to taxation on any source income. Non domiciled and non-

resident taxpayers are taxed only over income from Chilean sources. As an exception to the above, foreigners who establish their domicile or residence in Chile will only be subject to taxes on income from Chilean sources for the first three years (this term may be extended by the IRS National Commissioner).

I. Corporate Income Tax:

Taxpayers can be organized into entities as discussed above. The law provides for two options, namely "Attributed Income" or "Semi Integrated Income".



IV. CHILEAN TAX SYSTEM

a) First Category Tax:

This tax is paid by company that obtains the benefit. It is payable at a rate of 25% for the taxpayer who has opted for the Assigned Income (Renta Atribuida). To select an Assigned Income regime, the partners or shareholders of the company must correspond exclusively to natural persons with domicile or residence in Chile or by persons without domicile or residence in Chile (the latter may be natural persons or legal persons).

In the case of Semi Integrated Income (Renta Semi Integrada) the rate is 27%.

The taxation of the Attributed Income, the entity must pay a tax of 25% and the owners or investors will pay the maximum rate of 35% by reducing the 25% rate paid by the company as a credit, leaving the tax obligation fully fulfilled in the year of obtaining the benefits.

On the other hand, taxation of "Semi Integrated Income", the company will pay the income tax on the profits with a

rate of 27% in the year of obtaining, and non-resident owners will be affected with taxes on opportunity and year in which all or part of the profits are remitted, with a rate of 35%, using a credit of 17.55% (65% on the corporate rate of 27%).

This partial credit of 65% operates for all investors residing in countries with which Chile does not have a current double taxation agreement, but when the investor is domiciled in a country with a double taxation treaty, Tax on remittance of profits will be equal to 35% but with the credit of 100% of the corporate rate.



IV. CHILEAN TAX SYSTEM

A particular case is the United States, even when the agreement to avoid double taxation is not in force, the remittance of profits to a resident of that country, 100% of the corporate rate may be used as credit. In effect, the refund obligation will not apply to taxpayers of additional tax, residents in countries with which Chile has subscribed, prior to January 1, 2019 a CDT, even if it is not in force, in which has agreed to apply additional tax, provided that the First Category Tax is deductible from said tax or another clause that produces the same effect is contemplated. This will operate until December 31, 2021 (Law Nr. 21.047 / 2017).

b) Secondary Tax:

This tax is a progressive tax applied on the aggregate amount received by an employee on account of wages, salaries, profit-sharing or others. The taxation rate range from 0% to 35%.

II. Value Added Tax (VAT):

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

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

Sales and other contracts whereby the title to movable goods is transferred, provided they are executed on a recurrent basis

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

Rental of movable goods, as well as rental of real estate furnished or equipped to carry out industrial or commercial activities; Leasing said goods; Insurance premiums with some exceptions; and, in certain cases, construction activities.

IV. CHILEAN TAX SYSTEM

III. Stamp Tax:

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

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

Real Estate Tax:

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

Fiscal declaration and general obligations

Chilean companies must keep accounting records in Spanish and in Chilean Pesos. However, when certain requirements are reached, companies may request the Chilean IRS authorization in order to carry their

accounting books in a foreign currency (US Dollar, Euro and Canadian Dollar). In case, IRS authorized the accounting records in a different currency, companies may also request to declare and pay their taxes in the same foreign currency.

Accounting records must be those used in order to elaborate the company's financial statements or tax reports.

Fiscal year

The fiscal year is on twelve months period of calendar year, for legal entities and individuals. However, this presents variations in some companies which initiated or ended their activities afterwards and prior to the end of the year calendar. Therefore, the start and closing dates must – initially – be always January 1st and December 31st, respectively.

IV. CHILEAN TAX SYSTEM

Taxable loss

Taxpayers may deduct from the taxable income, the corresponding direct costs and expenses. Please note that, for expenses to be deducted, they must fulfill all of the following requirements:

Taxable loss

Taxpayers may deduct from the taxable income, the corresponding direct costs and expenses. Please note that, for expenses to be deducted, they must fulfill all of the following must be related to the entity's business ("ordinary" expense);

- They must be necessary to produce taxable income by entity, taking into consideration their nature and amount;
- Such expenses could not have been previously deducted as part of the company's direct cost of goods or services rendered;

- Expenses must be incurred in relevant taxable period, whether paid or accrued; and
- Expenses must be adequately supported with the appropriate documentation.

Among others, Chilean Income Tax Law allows to deduct as a tax expense the following disbursements:

- Interests
- Certain taxes
- Salaries
- Depreciation
- Losses
- Donations



IV. CHILEAN TAX SYSTEM

Carry loss forward

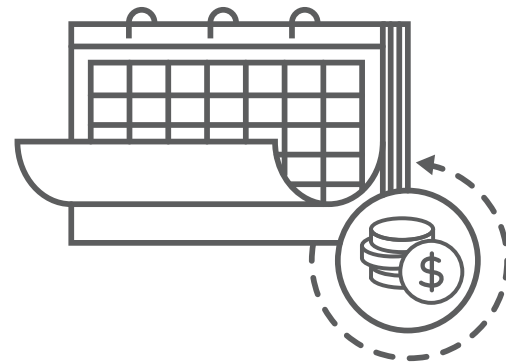
Losses may be carry forward and be deducted from future tax results without any time limit, as long as the disbursements which originated losses reach the previously mentioned requirements.

Transfer pricing regime

Chilean transfer pricing rules grants to Chilean IRS the authority to challenge prices agreed upon between related parties when such prices are not on arm's length basis (i.e. process which would have agreed independent entities in similar transactions).

Accordingly, prices agreed on intercompany transactions should reflect functions performed, assets used, and risks assumed by the entity rendering the services, as well as the specialization on rendering the services.

Broadly, Chilean transfer pricing rules follow OECD Guidelines. Even though a transfer pricing study is not a formal requirement, taxpayers are required to keep all documentation to support that their intra-group transactions have been agreed on arm's length basis. Chilean taxpayers must report to tax authorities intragroup transaction through annual affidavits N° 1907 and 1937.



IV. CHILEAN TAX SYSTEM

Double taxation treaty

Chile has contracted Double tax treaties with various countries in order to avoid Double taxation and tax evasion. As Chile has a policy of free trade, Chile is a top country which has Double tax treaty in South America. In general, the tax treaties include definition of residents, allocation of taxation right of various income, restricted tax rate, elimination of double taxation, limitation of benefit, exchange of information and mutual consultation.

Chile has now concluded bilateral tax treaties with the following countries to avoid double taxation:

- Argentina
- Australia
- Austria
- Belgium
- Brazil
- Canada
- Colombia
- China
- Croatia
- Czech Republic
- Denmark
- Ecuador
- France
- Ireland
- Italy
- Japan
- Korea
- Malaysia
- Mexico
- Norway
- New Zealand
- Paraguay
- Peru
- Poland
- Portugal
- Russia
- South Africa
- Spain
- Sweden
- Switzerland
- Thailand
- United Kingdom





V. CHILEAN LABOR SYSTEM

V. CHILEAN LABOR SYSTEM

Overview

Labor legislation is mainly provided by Chilean Labor Code and supplementary laws such as Decree Law 3,500 and Laws No. 18,933 / 16,744 and 18,469 among others. Also, rulings issued by Chilean Labor Authority are crucial to understand the rights interpretation labor rules

Employment regulation

Generally, there are no employment regulations for foreigners who work for Chilean companies except for some public occupations such the president in Chile, members of Congress in Chile, judges and soldiers. There is type of occupations (e.g. a lawyer) that the Chilean government has a regulation permitted by treaties between those countries.

If the companies in Chile have over 25 employees, at least, they must employ 85% Chilean employees. There is no limitations to hire foreign engineers in areas where substitution is impossible. There is no limitations to hire foreign engineers or specialized professionals in areas where substitution is impossible.



V. CHILEAN LABOR SYSTEM

The following points are considered for calculating the ratio

- Based on total number of workers hired by the same employer throughout Chile, they are not based on workers by each branch.
- Experts who can't substitute by the Chilean are excluded.
- Spouses and foreigners whose children are Chilean can be considered Chileans. Foreigners whose Chilean spouse died are also considered Chileans.
- Foreigners who live in Chile for more than 5 years are also considered Chileans. In this case, temporary embarkation is not considered.

Employment contract in writing / Link of Dependency and Subordination.

In Chile all employees must have a single employment contract drafted under Chilean rules and formalities. This contract is signed between the Company and employee in three hard copies. At least one of them must be placed on the site where the employer performs the services for use of regulator.



V. CHILEAN LABOR SYSTEM

The general rule is that employment contract must be written in Spanish and shall be prepared no later than fifteen days since employee starts providing services for Company. Fines for not fulfilling the requirements aforementioned could amount up to 5 UTM. Also note as general rule, all work-relationship that implies a link of dependency and subordination from the party who leads the worker, may qualify as a dependent work-relationship, thus must count with an employment contract in writing. As well, the Chilean Labor Code and its supplementary regulation.

The Chilean Labor Code states the minimum contents that all employment contract should contain in order to be in full compliance with labor provisions.

Main contents of a labor contract are as follows:

- Contract location, date
- Party's name, worker's nationality, birthday, employment starting date
- Duties and location where duties should be provided
- Amount, payment method and timing for remuneration
- Working hours and their allocation. (In the case of shift work system, follow the place stipulated by employment regulations)
- Contract period

V. CHILEAN LABOR SYSTEM

Remuneration Topics

Labor legislation is mainly provided by the Chilean Labor Code and supplementary laws such as Decree Law 3,500 and Laws No. 18,933 / 16,744 and 18,469 among others. Also, rulings issued by the Chilean Labor Authority are crucial to understand the right interpretation of labor rules

The method of payment can be monthly, weekly or daily salary, but you must pay for it on a regular basis. Payment methods in units exceeding one month cannot be selected. There is statutory requirements for remunerations which main features are as follows:

Monthly Minimum Wage (MMW):

There exist a minimum salary which is compulsory under the Chilean labor rules. Its usually updated in July each year where the Congress issues a new law, fixing the new Monthly Minimum Wage applicable from July 1st onwards. Also note that such minimum payment must be equal to base salary. In other words, its forbidden for employers to include in the MMW other remuneration items (such as Bonuses and Profit Sharing together with the salary). This implies that employer should pay these additional items in excess of minimum salary.



V. CHILEAN LABOR SYSTEM

Different types of remuneration:

Several kinds of remunerations may take place in a remunerative pack offered to an employee.

Base salary: The base salary always must be paid in cash, in periods no larger than a month.

Legal profit Sharing: In addition to the Base Salary, the other relevant component are the Legal Profit-Sharing Payment. This is compulsory for all employers that obtain net tax profits at the end of their annual periods.

Compulsory social security contributions (SSC) payable on a monthly basis.

In Chile all employees must pay compulsory on a monthly basis. SSC are deducted from the employee's gross remuneration.

The latter is performed by the employer who must declare and pay the deducted amounts to the Social Security Entities on a monthly basis within 10 days of the month following the remuneration payment.



V. CHILEAN LABOR SYSTEM

Main social contributions are as follows:

- Pension fund: 10% calculated over a monthly remuneration up to USD3,000 app. (employee's cost).
- Pension Fund Administrator Fee: 0.41% (the cheapest one in the market) (employee's cost)
- Disability & Death insurance: 1.41% calculated over a monthly remuneration up to USD 3,000 app. It is company cost for all companies since July 2011. (Employer's cost).
- Unemployment Insurance: 0.6% as employee's cost (calculated over a maximum remuneration of USD4,500 approx.). 2.4% as employer's cost (also calculated over a maximum remuneration of USD4,500 approx.)
- Work accidents and Professional, Insurance: 0.95% calculated over a monthly remuneration up to USD 3,000 (*) plus an eventual extra contribution up to 3.4% if the activities of the company are risky and have occurred work accidents and / or labor diseases affecting one or more employees in a determined period of time which is appraised by the social security administrator in charge of this type of coverage (employer's cost).



V. CHILEAN LABOR SYSTEM

Monthly pay slips in writing and Payroll Ledger Book

Under the Chilean Labor Provisions, employer is obliged to deliver to all employee a pay slip with a detailed description of remuneration paid on a monthly basis. Also, employers with five or more employees must manage a Payroll Ledger Book with details of remunerations paid, social contributions and taxes deducted. It must be stamped by the Chilean IRS on a correlative basis.

Minimum Statutory vacations

All employee in Chile with more than one year of services for the employer, is entitled to fifteen working days of vacation per year. For these purposes, Saturday is not considered a business day. For the employees working certain area are given 20 working days as a vacation per year.

Such vacations are cumulative. Thus, in case of employment termination they must be converted to money and be paid as another severance. Also, employees with less than one year of service must be paid of the vacation days accrued. This is a minimum statutory requirement, thus it cannot be negotiated by the parties nor renounced by the employee.



V. CHILEAN LABOR SYSTEM

Unions

The right to constitute labor organizations – such as unions, federations or confederations – without prior authorization, is acknowledged. Unions are regulated in the Labor Code.

Membership to a Union is personal and voluntary. Worker can join or withdraw from the Union freely. Workers may belong to only one union for each employment they hold. The purpose of unions, as stated by law, is to represent the workers in collective bargaining, in the exercise of their rights arising from labor contracts, integrate the employer and workers, monitor compliance with social security and labor legislation, help their associates, promote education and the improvement of security in the workplace, and provide nonprofit services for its members.

Since April 1st. 2017, the union is the only allowed by law to represent employees in a collective bargaining process.



The directors of the union must be Chileans over 18 years of age who have been members of the union at least 6 months before the election.



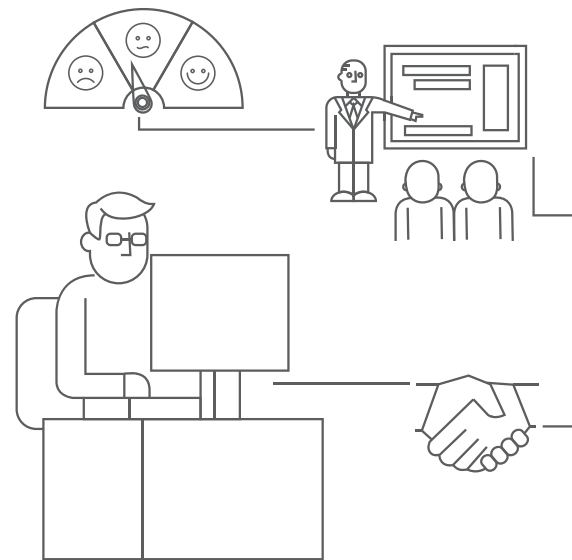
V. CHILEAN LABOR SYSTEM

While the workers are serving as directors, they cannot be removed from their work unless specific causes arise, cause the get a legal protection or privilege (the only way to these individuals being dismissed is by means of a Labor Court authorization based on misbehavior of worker).

Strikes are not allowed in utilities, such as those supplying electricity or water, or in activities where serious damage may be caused to the security or economy of the country. In these cases, mandatory arbitration applies.

Collective Agreements Keys

The contents of a collective agreement are mainly all the matters referred to remuneration and other benefits, and to common conditions of work. The recent Law N° 20.940 (in force since April 1st. 2017) made significant changes to the governing rules of Unions and Collective Bargaining Procedures.



THE POWER OF BEING UNDERSTOOD