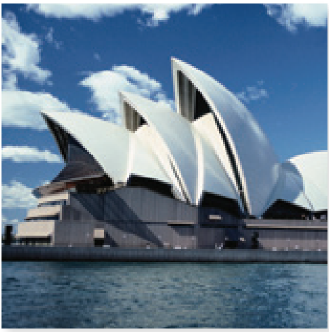

Chile Tax Guide

2013

FOREWORD

A country's tax regime is always a key factor for any business considering moving into new markets. What is the corporate tax rate? Are there any incentives for overseas businesses? Are there double tax treaties in place? How will foreign source income be taxed?

Since 1994, the PKF network of independent member firms, administered by PKF International Limited, has produced the PKF Worldwide Tax Guide (WWTG) to provide international businesses with the answers to these key tax questions. This handy reference guide provides clients and professional practitioners with comprehensive tax and business information for over 90 countries throughout the world.

As you will appreciate, the production of the WWTG is a huge team effort and I would like to thank all tax experts within PFK member firms who gave up their time to contribute the vital information on their country's taxes that forms the heart of this publication.

I hope that the combination of the WWTG and assistance from your local PKF member firm will provide you with the advice you need to make the right decisions for your international business.

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PREFACE

The PKF Worldwide Tax Guide 2013 (WWTG) is an annual publication that provides an overview of the taxation and business regulation regimes of the world's most significant trading countries. In compiling this publication, member firms of the PKF network have based their summaries on information current on 1 January 2013, while also noting imminent changes where necessary.

On a country-by-country basis, each summary addresses the major taxes applicable to business; how taxable income is determined; sundry other related taxation and business issues; and the country's personal tax regime. The final section of each country summary sets out the Double Tax Treaty and Non-Treaty rates of tax withholding relating to the payment of dividends, interest, royalties and other related payments.

While the WWTG should not to be regarded as offering a complete explanation of the taxation issues in each country, we hope readers will use the publication as their first point of reference and then use the services of their local PKF member firm to provide specific information and advice.

In addition to the printed version of the WWTG, individual country taxation guides are available in PDF format which can be downloaded from the PKF website at www.pkf.com

PKF INTERNATIONAL LIMITED
MAY 2013

Introduction

ABOUT PKF INTERNATIONAL LIMITED

PKF International Limited (PKFI) administers the PKF network of legally independent member firms. There are around 300 member firms and correspondents in 440 locations in around 125 countries providing accounting and business advisory services. PKFI member firms employ around 2,270 partners and more than 22,000 staff. PKFI is the 11th largest global accountancy network and its member firms have $2.68 billion aggregate fee income (year end June 2012). The network is a member of the Forum of Firms, an organisation dedicated to consistent and high quality standards of financial reporting and auditing practices worldwide.

Services provided by member firms include:

Assurance & Advisory
Insolvency – Corporate & Personal
Financial Planning/Wealth management
Taxation
Corporate Finance
Forensic Accounting
Management Consultancy
Hotel Consultancy
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PKF member firms are organised into five geographical regions covering Africa; Latin America; Asia Pacific; Europe, the Middle East & India (EMEI); and North America & the Caribbean. Each region elects representatives to the board of PKF International Limited which administers the network. While the member firms remain separate and independent, international tax, corporate finance, professional standards, audit, hotel consultancy and business development committees work together to improve quality standards, develop initiatives and share knowledge and best practice cross the network.

Please visit www.pkf.com for more information.

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I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

INTERNATIONAL TIME ZONES

AT 12 NOON, GREENWICH MEAN TIME, THE STANDARD TIME ELSEWHERE IS:

A

Algeria . . . 1 pm
Angola . . . 1 pm
Argentina . . . 9 am
Australia -
  Melbourne . . . 10 pm
  Sydney . . . 10 pm
  Adelaide . . . 9.30 pm
  Perth . . . 8 pm
Austria . . . 1 pm

B

Bahamas . . . 7 am
Bahrain . . . 3 pm
Belgium . . . 1 pm
Belize . . . 6 am
Bermuda . . . 8 am
Brazil . . . 7 am
British Virgin Islands . . . 8 am

C

Canada -
  Toronto . . . 7 am
  Winnipeg . . . 6 am
  Calgary . . . 5 am
  Vancouver . . . 4 am
Cayman Islands . . . 7 am
Chile . . . 8 am
China - Beijing . . . 10 pm
Colombia . . . 7 am
Cyprus . . . 2 pm
Czech Republic . . . 1 pm

D

Denmark . . . 1 pm
Dominican Republic . . . 7 am

E

Ecuador . . . 7 am
Egypt . . . 2 pm
El Salvador . . . 6 am
Estonia . . . 2 pm

F

Fiji . . . 12 midnight
Finland . . . 2 pm
France . . . 1 pm

G

Gambia (The) . . . 12 noon
Germany . . . 1 pm
Ghana . . . 12 noon
Greece . . . 2 pm
Grenada . . . 8 am
Guatemala . . . 6 am
Guernsey . . . 12 noon
Guyana . . . 7 am

H

Hong Kong . . . 8 pm
Hungary . . . 1 pm

I

India . . . 5.30 pm
Indonesia . . . 7 pm
Ireland . . . 12 noon
Isle of Man . . . 12 noon
Israel . . . 2 pm
Italy . . . 1 pm

J

Jamaica . . . 7 am
Japan . . . 9 pm
Jordan . . . 2 pm

K

Kenya . . . 3 pm

L

Latvia . . . 2 pm
Lebanon . . . 2 pm
Luxembourg . . . 1 pm

M

Malaysia . . . 8 pm
Malta . . . 1 pm
Mexico . . . 6 am
Morocco . . . 12 noon

N

Namibia . . . 2 pm
Netherlands (The) . . . 1 pm
New Zealand . . . 12 midnight
Nigeria . . . 1 pm
Norway . . . 1 pm

O

Oman . . . 4 pm

P

Panama . . . 7 am
Papua New Guinea . . . 10 pm
Peru . . . 7 am
Philippines . . . 8 pm
Poland . . . 1 pm
Portugal . . . 1 pm

Q

Qatar . . . 8 am

R

Romania . . . 2 pm

Russia -
- Moscow . . . . .3 pm
- St Petersburg. . . . . .3 pm

S

Singapore . . . . .7 pm
Slovak Republic . . . . .1 pm
Slovenia . . . . .1 pm
South Africa. . . . . .2 pm
Spain . . . . .1 pm
Sweden. . . . . .1 pm
Switzerland . . . . .1 pm

T

Taiwan .8 pm
Thailand . . . . .8 pm
Tunisia . . . . 12 noon
Turkey. .2 pm
Turks and Caicos Islands . . . . . . .7 am

U

Uganda .3 pm
Ukraine .2 pm
United Arab Emirates . . . . .4 pm
United Kingdom . . . .(GMT) 12 noon
United States of America -
- New York City. . . . . .7 am
- Washington, D.C. . . . . .7 am
- Chicago. . . . . .6 am
- Houston. . . . . .6 am
- Denver . . . . .5 am
- Los Angeles. . . . . .4 am
- San Francisco . . . . .4 am

Uruguay . . . . .9 am

V

Venezuela . . . . .8 am

Z

Zimbabwe . . . . .2 pm

CHILE

Currency: Peso (P)	Dial Code To: 56	Dial Code Out: 00

Member Firm:

City:	Name:	Contact Information:
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A. TAXES PAYABLE

NATIONAL TAXES AND LEVIES

COMPANY TAX

The income tax legislation provides for a scheduler system divided as follows:

FIRST CATEGORY TAX

First Category tax is due on income derived from commercial, industrial and agricultural activities; mining, fishing and other extractive activities; investment; and real estate. All income not specifically taxed under another category and not tax exempt is included. The tax rate is 20% and affects all taxpayers which carry out these activities. Capital gains are included in gross income subject to First Category tax with certain exceptions which include:

(a) gain on the sale of shares in corporations and rights in other type of companies, provided that the shares have been held at least one year, unless the sales represent customary operations of the taxpayer

(b) gains from the sale of publicly traded Chilean corporations stock acquired and sold under certain conditions such as to be carried out in the Stock Exchange

(c) sale of mining rights up to the amount represented by the variation in the cost of living index between the date of purchase and that of sale, provided that such transactions do not form part of the taxpayers' normal activities

(d) sale of real estate other than that included in the assets of a taxpayer subject to First Category tax.

SECOND CATEGORY TAX

Second Category gross taxable income refers to that arising from wages, salaries, overtime payments, bonuses, fees, gratuities, profit sharing and any other form of remuneration. It is a progressive tax, the highest of which is 40%, applicable on a monthly basis to the excess of 150 monthly tax units (US$12,750).

COMPLEMENTARY TAX (IMPUESTO GLOBAL COMPLEMENTARIO)

This is a progressive tax assessed on individuals resident or domiciled in Chile with respect to income received or withdrawn in the preceding year. Its highest rate is 40%, applicable to the excess of 150 yearly tax units (US$153,000).

ADDITIONAL TAX (IMPUESTO ADICIONAL)

This tax affects, among others, the Chilean-source income withdrawn or remitted abroad to non-residents or non-domiciled individuals and of companies or juridical entities organised abroad with or without a permanent establishment in Chile in the form of branches, offices, agents or representatives. This tax also affects foreign payments such as royalties, technical assistance and others at different rates.

SPECIAL TAX OF ARTICLE 21° OF THE INCOME TAX LAW

This tax affects, among others, corporations and permanent establishments of non-resident entities. It is applied with a 35% rate on all the amounts that are disallowed as an expense, when they represent disallowed actual disbursements or withdrawals of assets, regardless of the way in which they may have been accounted for. Under some circumstances this kind of disallowed expense must be included in the income tax return of the correspondent shareholder, partner or individual owner.

SPECIFIC TAX ON OPERATIONAL MINING INCOME

Since 2006, there is a specific tax on the operational income of the mining activity obtained by a mining operator. This progressive tax rate ranges from 0.5%, if the value of the annual sales exceeds the amount equivalent of over 12,000 metric tons of fine copper, to 4.5% if the annual sales exceed the value of 40,000 metric tons up to the value of 50,000 metric tons. If the sales exceed the value of 50,000 metric tons, the tax is applied on the mining operational margin and the progressive tax rate ranges from 5% on the operational margin not exceeding 35, to 14% if the operational margin exceeds 85. The operational taxable income on which this tax is applied is determined in a special way. Certain expenses such as losses from past periods, accelerated depreciation of fixed assets, etc are not allowed for this purpose.

The mining operational margin is determined as a ratio of the operational taxable income to the mining operational turnover.

CLASSES OF TAXPAYERS

Any person or entity domiciled or resident in Chile must pay tax on income, whatever its origin, whether its source is located in Chile or abroad. Non-residents are subject to tax on income, the source of which is located within Chile. An individual is considered resident when remaining in Chile for more than six consecutive months in the calendar year or for more than a total of six months within two consecutive calendar years. Foreigners working in Chile are only subject to tax on their Chilean-source income during the first three years of domicile or residence period which may be extended. After this period, they are subject to tax on their worldwide income.

Thus the income tax system covers individuals and juridical persons, resident or non-resident, foreign or national, whose income source is located in Chile and also, in the case of resident's income, from abroad. For example, partnerships and corporations are subject to a 20% First Category tax on an accrued basis.

The amounts distributed or remitted to non-resident or non-domiciled partners or shareholders are subject to a 35% additional tax payable on distribution or remittance with a credit of a 20% First Category tax.

If partners or shareholders are domiciled or resident in Chile, the amounts distributed by the entity are subject to complementary tax, which is a progressive tax. These shareholders also have 20% credit.

VALUE ADDED TAX (VAT)

Transfers and other operations regarded as sales, as well as services other than those rendered by employees and consultants, are subject to a 19% value added tax. In addition, certain items are subject to sales tax.

For imports, the taxable basis is the customs value or CIF value, including customs duties. Certain capital goods forming part of capital contributions may be exempt from tax. Import of raw materials used in the production, processing or manufacturing of goods for export may be exempt from VAT, subject to approval by the Internal Revenue Service.

The value of services rendered plus finance charges, etc are generally subject to VAT.

Exports of all products are exempt for purposes of VAT. VAT paid on imports and on local sales and services may be deducted from VAT surcharged on sales or services rendered.

VAT paid on importation and on acquisition or services received, when accessory to operations exempt from VAT (unless they are exports) or not related directly to the activities of the seller, is not recoverable.

LOCAL SALES

The tax applies on the sale of all movable physical assets sold by a person who is a customary seller. Tax also applies on immovable physical assets, sold by the manufacturer, either totally or partially. The tax basis is the sales price, including monetary correction, interest, finance charges and penalty interest. The tax itself is excluded from the basis.

Raw materials used for the manufacturing of products for export may be exempt from VAT, subject to Internal Revenue Service approval.

LOCAL TAXES

No local income taxes are payable in addition to central government taxes. However, Chile imposes taxes on real estate and a stamp tax on documents that contain loans and credit operations (bill of exchange, promissory notes, etc).

Enterprises have to pay an annual municipal licence, calculated on the taxpayer's equity at a minimum rate of 0.25% and a maximum of 0.5%, set by each municipality. The total amount cannot exceed 8,000 monthly tax units (about US $680,000), which is allocated among the municipalities in which the taxpayer has an office, factory or other establishment.

B. DETERMINATION OF TAXABLE INCOME

Gross income is arrived at by deducting from gross receipts the direct cost of goods and services required to produce such receipts. The direct cost of locally acquired goods will be the purchase price, to which may be added the cost of freight and insurance to deliver to the taxpayers' premises. For imported goods, it will include CIF value, duties and customs charges as well as local freight and insurance costs as above. For manufactured or processed goods, direct cost will include raw materials, costs in the manner described, and labour charges.

Business income is determined on the accrual basis, whereas the dividend income on corporate shares is assessed on a cash basis. In the case of long-term projects, the tax authorities are empowered to issue rulings regarding the determination of income for tax purposes.

Business expenses are deductible from gross income provided that they have not already been deducted in arriving at such gross income and that the expenses are required for the income to be obtained. Expenses incurred in the acquisition, maintenance or exploitation of assets not used in the regular course of business are not deductible.

The accounting period in Chile coincides with the calendar year.

DEPRECIATION

Depreciation on fixed assets, except for land, is tax deductible by the straight-line method based on their useful lives in accordance with the guidelines of the Internal Revenue Service (IRS), computed on the restated value of the assets. A shorter lifespan has been set by the Internal Revenue Service to apply to fixed assets purchased since 2003.

However, the taxpayer may opt for accelerated depreciation for new assets when acquired locally, or new or used assets when imported, with useful lives of over five years. For this purpose, the assets will be assigned useful lives equivalent to one-third of the normal, eliminating fractions of months. Taxpayers may discontinue the use of the accelerated method at any time but may not return again to the accelerated method. The difference between accelerated and straight-line method will not deduct the taxable profit that can be withdrawn by partners or distributed to shareholders.

No allowance is made for amortisation of intangible assets such as goodwill, patents, trademarks, etc. Depletion is not tax deductible.

STOCK/INVENTORY

The costing of goods sold or production materials and supplies consumed is based on the first-in, first-out (FIFO) basis, although the 'average' method may be elected. The method adopted determines the basis for the valuation of the closing inventory. The valuation so determined is, however, adjusted for the manner stipulated for the annual monetary correction procedures.

DIVIDENDS

Dividends received from Chilean corporations are exempt from First Category tax. There is no distinction in Chile between dividends and inter-company dividends. A dividend in kind as such does not exist. Dividends are necessarily expressed in cash, notwithstanding the fact that the company may distribute certain assets corresponding in value to the dividend amount.

Stock dividends in the form of bonus shares or increases in the par value of existing shares are not considered income for tax purposes.

INTEREST DEDUCTIONS

Generally, interest accrued or paid in the financial year is a deductible expense, provided that it has been incurred in connection with loans related to the business.

LOSSES

Losses incurred in the fiscal year are deductible. Furthermore, there is no limit on carry forward of losses. If the enterprise has taxable retained profit, losses must be carried back first. There are no loss carry-back provisions, nor is it possible to group profitable and unprofitable affiliates for tax purposes.

FOREIGN SOURCED INCOME

Non-domiciled or non-resident corporations are only subject to income taxes on their Chilean-sourced income.

If the domestic corporation receives amounts in excess of the book value of an investment when a foreign subsidiary is liquidated, these monies are considered income subject to regular taxes.

From 2012 on the income received or accrued from derivatives such as forwards, futures, swaps and options, by persons or entities without domicile or residence in the country, will not be affected to income tax, except those arising from derivatives that are settled by physical delivery of shares or rights in companies incorporated in Chile.

INCENTIVES
Foreigners may remit their earnings or be paid abroad. Remittances have to be reported to the Central Bank of Chile.

Non-domiciled or non-resident individuals in Chile are subject to a sole additional income tax, at a rate of 35%. However, if the foreign activities are scientific, cultural or sports, the tax rate is only 20%, provided the period of service is less than six months. This tax is also applicable to engineering or technical jobs and professional or technical services rendered by a related party, in Chile or abroad, at a 15% rate. This rate will be 20% in the cases pointed out in the summary showed below.

ROYALTIES
Royalties are deductible expenses:
(a) provided they are necessary to produce income
(b) regarding their nature, the rates are those normally paid in similar circumstances
(c) as a result of the relationship existing between the parties.

Deduction of outbound royalties is limited to 4% of receipts from sales and services effected in the tax year. The 4% limit is not applied if in the tax year there is no capital, control or administration relationship, whether direct or indirect, between the taxpayer and the recipient of the royalties. Likewise, the 4% limit is not applied if the royalties are taxed in the recipient's country at a rate of at least 30%. In calculating the 4% limit, it is necessary to compute first the royalties not subject to the limit and then the royalties subject to the limit.

EMPLOYEE REMUNERATION
A deduction is allowed for wages, salaries and remuneration paid for personal services, including bonuses paid in accordance with law or a contract. Voluntary participations and profit sharing granted to employees and workers are deductible, provided that they are distributed in proportion to wages, salaries, seniority, number of dependants or other general rules applicable to all employees or workers of the enterprise.

A deduction is also allowed for that part of remuneration on which social security contributions have been paid for actual and permanent work to owners of sole proprietorships, partners of companies of persons and managing partners of partnerships limited by shares. Such remuneration is subject to the withholding.

With respect to other remuneration paid to persons who, due to their controlling position in the enterprise, are able to influence the fixing of their remuneration, the deduction is limited to that part which, in the opinion of the tax administration, is proportionate to the importance of the enterprise, its reported income, services rendered by the recipient and capital profitability.

A deduction is allowed for remuneration paid for services rendered abroad, provided that it is substantiated by reliable documents and provided that, in the opinion of the tax administration, the remuneration is necessary or convenient for the production of income in Chile. In practice, taxpayers tend to limit these expenses because of the tax cost involved.

Compensation for length of service and provisions to cover such compensation are deductible even before the end of services, provided that the employee has acquired a right thereto which is unconditional and is established in a collective or individual contract.

Compensation for length of service and provisions to cover such compensation are deductible even before the end of services, provided that the employee has acquired a right thereto which is unconditional and is established in a collective or individual contract.

C. FOREIGN TAX RELIEF

Foreign tax credits are allowed in Chile. A resident taxpayer who is taxed in Chile on dividends or profits received from enterprises set up abroad which has already been taxed in the source country may be entitled to have the foreign tax levied on that income credited against his liability, with a cap equivalent to 30% of the gross dividends or profits. This credit must be computed into the tax basis. Foreign taxes paid in excess of the cap, which cannot be used as a tax credit, are allowed as a deduction from taxable income. The foreign tax is credited against First Category tax (20%) and the balance against the Additional or Complementary taxes.

Foreign tax on income from agencies or permanent establishments that Chilean enterprises have set up abroad, or other income such as those produced for trademarks, patents and technical assistance, will only be able to be credited against First Category tax up to the 20% on the foreign income. In these last cases, the remainder of the credit can be used in next exercises.

The credit will be up to a 30% rate on any kind of income subject to First Category tax from countries that have a double taxation treaty with Chile in which a credit has been agreed. This means that 20% are creditable against the 20% First Category tax and the balance against the additional or complementary taxes. The part of the foreign income taxes that cannot be used as a tax credit is allowed as a deduction from taxable income.

Law 19.840, published in the Official Gazette on 23 November 2002, allows foreign investors to establish Chile as a base for their investments into third countries.

That law states special regulations (Article 41 D) to publicly traded corporations and closely held corporations ruled by the regulations of the former, constituted in Chile and in accordance with Chilean laws, incorporated with foreign capital permanently owned by partners or shareholders not domiciled nor resident in Chile, nor in countries or territories that are considered tax haven jurisdictions, or harmful preferential tax regimes. The same tax treatment will be applicable to non-domiciled or resident shareholders of said companies for remittances and distribution of profits or dividends obtained from them and from partial or total repatriations of capital, as well as for the capital gains obtained from the disposal of shares in companies ruled by the abovementioned Article 41D.

According to that article, such companies are not considered as domiciled in Chile for the purposes of the Chilean Income Tax Law and, therefore, they will only pay taxes in the country on their Chilean source income.

The line of business of the aforementioned companies must be the investment in Chile and abroad and the capital contributed by the foreign investor must have a foreign source. The regulations related to the bank secrecy will not be applied to them.

Expenses incurred in approved training plans for personnel, up to 1% of the yearly payroll, is allowed as credit against the First Category income tax.

Immovable property tax will be creditable against the First Category tax only if paid by the owner or usufructuary of agricultural land or if the entire property was leased for an annual rent exceeding 11% of the cadastral value. That restriction is not applicable to corporations. Construction companies and real estate companies may credit property tax paid on immovable property they have built to be sold.

D. CORPORATE GROUPS

For tax purposes, consolidation of affiliated companies is not allowed. Losses can only be offset against profits of the same company.

E. RELATED PARTY TRANSACTIONS

Charges from foreign affiliates or head offices are only allowable for specific items related to the local company or branch. A pro-rata allocation of the foreign entity's expenses is not generally acceptable for tax purposes (see under 'Royalties' above).

F. WITHHOLDING TAXES

PROFIT REMITTANCES, WITHDRAWALS OR DISTRIBUTIONS

Profit remitted, withdrawn or distributed to investors not domiciled or resident in Chile is subject to a withholding tax. Dividends paid to the shareholders not domiciled or resident in Chile are subject to additional tax on distribution at a rate of 35%. However, if the distributed amounts had been subject to First Category tax, a 20% credit is given against the additional tax. The additional tax must be withheld by the corporation. The same tax procedure is applicable on remittances of profit to partners or profit withdrawn by individuals not domiciled or resident in Chile.

THE 42% ALTERNATIVE

Foreign investors that have a Decree Law 600 contract subscribed with the State of Chile and have chosen the 42% rate are subject to the 20% First Category tax (payable by the branch or subsidiary) and a 22% additional tax on the same tax base when profits or dividends are remitted. Thus, the total theoretical tax burden is 42% on pre-tax income instead of the 35% currently paid under normal taxation. The investor who has opted for the 42% invariable rate can elect at any time to be taxed at the normal rates. This election is irrevocable.

PAYMENTS ABROAD

Other payments to a non-resident not domiciled in Chile are subject to an additional withholding tax as follows:

Royalties	30%
Royalties paid abroad for patents of invention, industrial designs, new vegetal varieties, software and other specific cases	15% (1)
Engineering and technical jobs	15% (2)
Professional and technical services	15% (2)
Other services paid abroad	35%
Interest to foreign entities	35%
Interest to foreign banks	4%
Interest to foreign related banks, on the part of the loans that exceeds three times the equity	35%
Marine freight (exemptions on the basis of reciprocity)	5%
Insurance premiums to foreign insurers	22%
Reinsurance premiums to foreign insurers	2%
Individuals who carry out scientific, cultural or sports activities in Chile	20%

1 The rate is 30% when the creditor or beneficiary of the remuneration is incorporated, domiciled or resident in a country considered as tax havens or negative preferential fiscal regimes by the OECD and included in a list by the Chilean Government. This rate is also applicable when the beneficiary owns or participates 10% or more of the capital or profits of the debtor, or beneficiary and debtor of the remuneration are, directly or indirectly, under a common owner that owns 10% or more of the capital or profits of both.

2 The rate is 20% in the same situations described in note 1 above.

H. PERSONAL TAX

All individuals, domiciled or resident in Chile, are subject to taxes on income whatever its source. Non-domiciled or non-resident individuals in Chile are subject to taxes on their Chilean-source income. For tax purposes, a person is deemed to be non-resident when staying in Chile less than six months in two consecutive tax years.

During the first three years of residence in the country, foreigners who establish domicile or residence in Chile pay income taxes only on their Chilean-source income. This term may be extended by the tax authorities for an additional three years after which they are taxed on their worldwide income.

All remuneration for personal services as well as income derived from other services is included in gross income. All forms of remuneration are included in taxable salary. The only deduction is for social security contributions.

Such items as reimbursement of travel expenses, housing provided for the sole interest of the employer, moving expenses, and reasonable relocation allowances are considered non taxable income and are excluded from the tax calculation. Such items as cost of living allowance, area allowance, car allowance, vacation travel, and utilities are taxable.

Capital gains of individuals are treated as any normal income, subject to First Category tax and complementary tax. However, certain capital gains, when they do not represent customary operations, or, in other terms, when they are occasional, and provided that the goods or rights have been held at least one-year, are exempt from all taxes up to the restated acquisition price. As an example, if shares were acquired at 100 and, between the acquisition date and the date of selling, there has been 6% inflation up to 106, there is no tax whatsoever. Nevertheless, any excess over the restated acquisition price is taxed with the 20% First Category tax as a sole tax. No complementary tax or additional tax is applicable in this case.

Necessary business expenses incurred on behalf of others are reimbursable and exempt from taxes, provided that they are duly proven. Professionals can deduct their effective expenses or standard deduction.

The only deductible non-business expenses are social security contributions, on a voluntary basis where maximum amounts are determined in the same way as it is applicable to employees. (Employees must pay a variable percentage for pension plans of around 12% and 7% for health insurance, applicable on a maximum of up to 67,4 Development Units (US $3,235.) On a voluntary basis, employees are allowed to make additional contributions to the pension fund of up to 50 Development Units (US $2,400), also deductible from salaries for tax purposes.

Tax computation for individuals varies depending on the type of income. Basically, the following categories exist:

(1) Professionals – working as independent consultants must compute all their yearly income less the expenses necessary to produce such income or presumed expense of up to 30% of the annual gross income with a top limit equivalent to 15 yearly tax units (US $15,300). They can also deduct the social security contributions with equal caps applicable to employees.

(2) Employees – taxable income is the salary minus social security contributions either mandatory or voluntary (see 'H. Personal tax' above). No other deductions from taxable income are allowed. The tax applicable is the Sole Second Category income tax, mandatorily withheld by the employer on a monthly basis.

(3) Combined income – income received by individuals such as dividends, profits in partnerships or derived from personal business is subject to complementary tax. In the case of dividends and profits distributed by a First Category taxpayer, the individual has a 20% credit originated in the payment of the First Category tax. In the case of employment income, the individual has a credit for the payment of the Sole Second Category income tax.

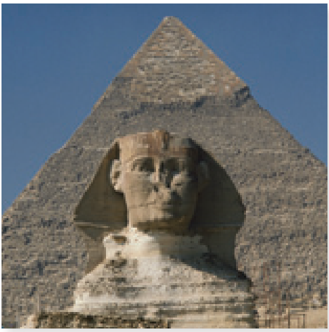
(4) Professionals and employees domiciled or resident in Chile subject to Sole Second Category tax or Complementary Tax have a credit equivalent to foreign tax levied on their income they have made from countries that have a double taxation treaty with Chile as professionals or employees. There is a cap of 30% on the gross foreign income

I. TREATY AND NON-TREATY WITHHOLDING TAX

Chile has signed treaties to avoid double taxation with Argentina (in force until December 31, 2012) Mexico, Canada, Republic of Korea, Norway, Brazil, Ecuador, Peru, Spain, Poland, United Kingdom, Denmark, Croatia, Sweden, New Zealand, France, Malaysia, Ireland, Paraguay, Portugal, Colombia, Belgium, Switzerland, Thailand, and Russia. Chile has also signed treaties with the United States of America, Australia and South Africa although they are not yet effective at the time of publication.
Chile has signed several agreements for the avoidance of double taxation of income from international shipping and/or air transport. Some of the agreements were concluded by means of an exchange of diplomatic notes. The agreements are the following:

Country	Signed	Effective
Costa Rica (air transport)	06 April 1999	Yes
France (air transport)	21 July 1978	Yes
Germany (shipping transport)	23 June 1953	Yes
Germany (air transport)	11 September 1978	Yes
Panama (air transport)	25 April 2001	Yes
Singapore (shipping)	25 November 1993	Yes
United States (air transport)	04 February 1994	Yes
Uruguay (air transport)	27 February 1997	Yes
Venezuela (air and shipping transport)	10 October 1990	Yes





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