CÁMARA
CHILENO BRITÁNICA
DE COMERCIO

Doing Business in Chile
Guide 2025

LEGAL ENTITIES

Executive Summary

Foreign investors looking to conduct business in Chile can do so either directly or by partnering with a Chilean legal entity. Chilean law offers several legal entity structures like those found in other parts of the world, providing familiarity and ease for investors.

A key advantage of incorporating a legal entity in Chile is that liabilities for the actions or omissions of the local entity are generally limited to the amount of capital contributed. In contrast, branches or agencies of foreign companies are considered extensions of the foreign entity itself, exposing the parent company to greater liability risks.

Historically, general commercial practice in Chile has operated through the use and formation of the following main legal entities:

- Limited Liability Company (Sociedad de Responsabilidad Limitada).
- Corporation (Sociedad Anónima - S.A.).
- By-Stock Company (Sociedad por Acciones - SpA)
- Branch Office of a Foreign Corporation (Agencia de Sociedad Anónima Extranjera)
- Association (Asociación de Cuentas en Participación) / Joint Venture

INVESTMENT STRUCTURE

Foreign nationals or legal entities can structure their investments in Chile through several options, each with its own implications for liability, taxation, and other considerations. The main options for doing business in Chile are:

1. Starting a new business through a Chilean entity formed by the investor.

This alternative involves the direct establishment of a business vehicle in Chile by incorporating a new legal entity to carry out business activities. One key advantage is that the new entity starts with a "clean slate", meaning it has no prior civil, commercial, labour, or tax liabilities.

However, starting from scratch requires navigating several startup phases, including:

- Opening bank accounts.
- Informing public authorities of the start of activities.
- Hiring an accounting firm.
- Establishing a power of attorney structure.
- Operational steps such as hiring personnel, renting office or warehouse space, and purchasing necessary assets.

These steps can be time-consuming and involve costs, and often require local market expertise. Additionally, certain business activities may require special approvals before execution, which could extend the setup time, making this alternative less attractive when a quick start is needed or when regulatory limitations apply.

Foreign investors should also consider foreign investment regulations governing the remittance of capital to and from Chile. Despite these factors, the benefit of starting from scratch is that no major pre-existing liabilities or tax issues will affect the new entity.

2. Purchasing assets of an existing Chilean business through a Chilean entity formed by the investor.

This alternative closely resembles the previous option but differs in how the necessary startup assets are acquired. Instead of buying an existing entity, the purchaser forms a new business vehicle and then selectively acquires all required assets and transferrable permits from a Chilean entity. This approach offers the advantage of avoiding any pre-existing liabilities tied to the selling entity.

However, a key consideration is that if the seller discontinues business operations after the sale, the purchaser might still be held responsible for any outstanding tax liabilities connected to the assets.

It is important to highlight that, in the case of transferring employment agreements during an asset acquisition, the transfer must be executed by the employee, and this can expose the purchaser to liabilities for certain pre-acquisition obligations related to the employees of the acquired business. To mitigate risks, the previous employer and the employee should execute a settlement agreement, fully terminating their contractual relationship. In some cases, the new employer may choose to recognize the employee's years of service with the prior employer for various employment-related matters, such as severance or seniority benefits.

Another key consideration in an asset acquisition is the tax implications, particularly regarding Value Added Tax (VAT). In Chile, the purchase of assets may be subject to VAT at a rate of 19% on the sale price. This can pose compliance challenges for a business preparing for commercial operations, but with proper planning, these issues can be effectively managed.

VAT paid by a Chilean VAT taxpayer, known as input VAT, can be credited against the VAT charged on its sales and services, referred to as output VAT. This allows the buyer to offset the VAT paid on asset purchases, minimizing the tax burden on future transactions.

3. Purchasing shares or other rights in an existing Chilean company, either directly or through a Chilean entity established by the investor.

In this scenario, the foreign investor acquires a pre-existing Chilean entity, including its workforce, assets, intangibles, market presence, and all associated liabilities and obligations, whether actual or contingent. To execute such a purchase, the foreign investor has two alternatives:

a. Purchase the entity directly: In this scenario, where there is no degree of separation between the foreign investor and its local subsidiary, the foreign investor is directly subject to certain tax obligations. The foreign investor will be taxed on dividends distributed by the purchased Chilean entity, and on gains from future share dispositions. Both taxes are collected as withholding tax (thus deducted from amounts paid to the foreign investor, who is liable for the tax only when its total amount is not withheld).

(i) Dividend tax on non-residents in Chile is levied at a 35% rate on the distributed amount, which is grossed-up for the Chilean corporate tax paid on the distributed income, minus 65% of the Chilean corporate tax.

Tax treaties do not modify the statutory dividend tax rate, but if the beneficiary of the dividend is resident in a tax treaty country, 100% of the Chilean corporate tax is allowed to offset dividend tax.

(ii) Capital gains tax on disposition of shares of non-residents is 35% on the gain.

i. Tax treaties do limit the tax with varying rates.

ii. Capital markets benefits: If an entity's shares are traded in Chilean capital markets and exceed the de minimis threshold, a reduced 10% tax rate on capital gains can apply, provided both the purchase and subsequent sale are conducted in qualifying capital market transactions. The rate is further reduced to 0% if the seller is an institutional investor.

b. Establish a local holding company: Incorporating a Chilean holding company introduces an additional degree of separation between the purchased entity and the foreign investor. This structure offers several benefits and considerations:

(i) Dividends paid from the acquired entity to the local holding company are not subject to dividend taxation.

(ii) Gains derived from the subsequent sale by the Chilean holding company of the shares of the purchased entity are subject to corporate tax with a 27% rate (or the rate applicable under capital markets benefits, if requirements are met).

Note that in either case, if the seller is a non-resident taxpayer, the foreign investor or its new holding company that acquired a Chilean company will be required to perform withholding duties on the price paid to the seller.

Also note that disposition of shares issued by foreign entities that directly or indirectly hold an interest over Chilean assets (such as real estate or Chilean companies) can be considered Chilean source (and thus be subject to income tax in Chile) in certain cases involving tax-haven jurisdictions or if the Chilean assets exceed certain de minimis thresholds.

To correctly evaluate the risk associated with the purchased entity, it is advisable to carry out a full due diligence of said entity, prior to its purchase.

Note that Chilean taxpayers are subject to certain reporting duties that may require disclosing ultimate beneficial owners under certain circumstances.

4. Directly purchasing shares or other rights in a non-Chilean entity which owns an investment in Chile.

The pros and cons of this alternative depend on external factors related to the acquisition abroad. Locally, it often avoids certain information obligations and start-up procedures for the foreign acquiring entity. However, compliance with Chilean securities, trade, and anti-trust laws is essential to avoid market concentration issues. Additionally, disclosure of the ultimate beneficial owner may be required by Chilean authorities.

GENERAL CONSIDERATIONS

1. Tax Identification requirements for foreign investors.

For the acquisition of stock, shares, quotas in a Chilean company, as well as the acquisition of Chilean real estate and other formalities, non-resident individuals and foreign legal entities must obtain a tax identification number, known as "RUT", for its Spanish acronym (Rol Único Tributario), which is a requirement for investing or conducting business in Chile. Only one RUT is assigned to each person or legal entity, regardless of the types and amount of business that it carries out in Chile.

The RUT is obtained from the Chilean Tax Authority ("Servicio de Impuestos Internos" or "SII"), as follows:

a. For individuals: Foreign individuals must prove their identity either through the submission to the SII of their Chilean identification card for residents, or their passport or identification card for non-residents. Only foreigners with residence in Chile may declare the start of business activities in Chile.

Upon receipt, the SII will review the application and will normally respond within 10 business days. It may also request further verification information before granting a RUT to an individual.

b. For legal entities: A local Chilean representative holding a valid RUT, and with sufficient power of attorney, must access the SII website and request a RUT for the foreign entity. The following documents must be provided:

(i) An abstract of protocolization of the foreign company's certificate of good standing, current statutes, and the general power of attorney granted to the agent.
(ii) A public deed of incorporation for the agency, office, or branch in Chile, including proof of the agent's declaration that the foreign company will keep sufficient assets in Chile to meet local obligations, along with its registration in the Registry of Commerce.
(iii) A certificate of domicile from the foreign company's home jurisdiction.

The local representative must also present:

(i) Identity card of the representative or agent.
(ii) Power of the representative to the agent before a Notary, or an Official of the Civil Registry when there is no Notary.
(iii) Proof of domicile in Chile.

Upon receipt, the SII will review the received information and is entitled to request further verification information before granting a RUT to a legal entity, within a timeline set at its sole discretion, which generally takes place within 10 business days.

Once the SII issues a RUT to a foreign investor, it may be necessary, depending on the type of investment and participation in Chile, for the foreign investor to start activities in the country. This procedure is straightforward and can be completed online via the SII's website.

It is important to note that a Chilean domicile will be required for these proceedings, and general corporate practice is to use the domicile of the local representative.

2. Corporate restructuring.

There are three main alternatives to be considered when planning a corporate restructuring in Chile, all of which have different effects on the restructured entity. These options, although generally applicable, are not possible for certain entities (such as branches), or under certain specific circumstances. The three main alternatives for restructuring under Chilean law are:

a. Merger. Under Chilean law, a merger involves the combination of the equity (assets and liabilities) of two or more legal entities into one, which becomes the legal successor of all merged companies. There are two types of mergers:

- (i) Merger by absorption: One or more companies are dissolved and "absorbed" by a pre-existing entity, which becomes the surviving entity and successor of the absorbed companies.
- (ii) Merger by creation: Two or more entities form a new company, which acquires the equity of the merged entities, which are then dissolved and succeeded by the new entity.

In both cases, the legal successor assumes all liabilities and rights of the merged companies, effectively standing in their place for all legal purposes.

b. Demerger. A demerger consists of the division of a company's equity by the creation of a new entity, which receives certain assets and liabilities from the demerged entity. The partners, shareholders or stockholders of the demerged entity will maintain the same participation rights in the new entity as in the demerged entity.

Unless specifically considered in the demerger, no rights or liabilities from the demerged entity will be transferred to the new entity. Additionally, the new entity will in no way be considered as the legal successor to the demerged entity, but rather as a completely new entity which received equity from a related company.

c. Transformation. A transformation of a legal entity involves changing its legal structure into a different type through a bylaw modification, while the entity's legal personality remains intact. The entity does not cease to exist, and no new entities are created. Instead, the legal form under which the entity operates is simply replaced by another (e.g., a corporation transforms into a by-stock company). The entity continues with its rights, obligations, and identity, but under a new legal structure.

Special approvals or formalities may be required to carry out corporate restructuring.

INVESTMENT VEHICLES

Establishing an investment vehicle in Chile is straightforward and relatively inexpensive. The tax treatment afforded to the various types of corporate entities is very similar, and home country considerations will often be decisive in determining the appropriate entity. The main types of business entities are Limited Liability Company, Corporations, By-Stock Company, Branch, and Joint Venture.

Other investment vehicles also exist under Chilean legislation, such as General Partnerships and Silent Partnerships. General Partnerships (Sociedades Colectivas) are like Sociedad de Responsabilidad Limitada, except that there is no limit to the liability of the partners.

A legal form of silent partnership also exists (Sociedad en Comandita), which consist of partnerships that are managed by a general partner who has unlimited liability for the partnership. They are financed by silent partners who have little or no say in the partnership administration, but whose liability is limited to their capital contributions. Silent partners are generally anonymous, except that their identity must be informed to SII.

1. LIMITED LIABILITY COMPANY (SOCIEDAD DE RESPONSABILIDAD LIMITADA)

The Limited Liability Company (LTDA) is the classic investment vehicle under Chilean law, where the identity of its founders is crucial to its existence. Unless otherwise stated in the company's bylaws, the LTDA will automatically dissolve upon the death, consolidation, or dissolution of its quota-holders. Additionally, any modification of the company bylaws requires the unanimous consent of all partners.

The LTDA was one of the most used entities in Chile before the creation of the By-Stock Company. Like other business entities, a LTDA is a separate legal entity from that of its partners, and the liability of its partners is limited to their respective capital contributions.

a. General considerations.

(i) Nature of entity. LTDAs are considered partnerships, where the most valued aspect is the individuality of each partner, rather than the capital they contribute. As a result, the rules governing LTDAs focus primarily on the partners themselves rather than their financial contributions. This means that many operational and governance aspects are determined by the bylaws.

(ii) Partners. An LTDA requires 2 to 50 partners. It is automatically dissolved if all quotas are consolidated under one partner. Total control is typically achieved via joint ownership or a nominee partner. There are no restrictions on foreign nationals or entities being partners. Unless stated otherwise in the bylaws, the LTDA dissolves upon a partner's death or dissolution (if a legal entity).

(iii) Regulation & Control. LTDAs are not subject to the control of a regulatory authority or similar body and have no obligation to publish or file accounts. LTDAs cannot make public offerings.

(iv) Company Name. The name of an LTDA must include the name of one or more of its partners or a reference to its corporate line of business (which may be in Spanish or English, eg. Whatsoever Services Limitada; Jane Doe y Compañía Limitada). In either case, the name must end with the word "Limitada".

(v) Management. The company bylaws will set out the management structure of the Limited Liability Company. Management powers may be exercised by one or more partners or by a third party appointed by the partners. Recent developments have allowed for the inclusion of boards in the management of LTDAs, although these boards operate under contractual commitments rather than as a corporate body. There is no legal requirement for a board of directors to oversee LTDA administration. In practice, it is uncommon for LTDAs to be managed by a board. Instead, it is typical for one or more managers to be appointed with powers outlined in the company's bylaws.

(vi) Limitation of liability. The liability of partners for acts or omissions by the LTDA is limited to the amount of the capital they contributed to the LTDA, or a higher amount as stated in the bylaws, as appropriate.

b. Incorporation, modification and dissolution.

(i) Incorporation. Certain legal formalities are required for the incorporation of a LTDA, as follows:

I. The incorporation document must be contained in a public deed and consider the company's bylaws.
II. The company's bylaws must contain the following minimum information:

- Full name and address of the partners.
- Company name.
- Capital and how it is contributed.
- Administration structure.
- Purpose of the company (excluding banking business).
- Profit and loss distribution rules.
- Term (start and end date, or it may be indefinite).
- Liquidation process.
- Arbitration clause or judicial rules for dispute resolution.
- The domicile of the LTDA.
- Any other agreements between the partners.

Additionally, the bylaws must state that partners' personal liability is limited to their contributions, or the amount specified in the bylaws.

III. An abstract of said document must be registered in the Commercial Ledger of the Public Registrar and published in the Official Gazette within 60 days of the date of the public deed. Said abstract must state at least:

- Full name and address of the partners
- company name
- Capital and the way it is contributed
- Administration
- The company's line of business
- The start and end date of the LTDA, along with the date of the public deed and the notary public before which it was executed.

(ii) Modification. Any amendment or modification of the company bylaws, such as changes of the partners, modification of the corporate purpose, management, capital increase, etc. must be agreed by all the partners and executed by public deed. An abstract of this public deed must be duly registered and published in the same manner as in the company's incorporation.

(iii) Wind-up/Dissolution. LTDAs may be dissolved either compulsorily, as required by law, or voluntarily by agreement of the partners. In the case of voluntary dissolution, prior approval from the SII is required. Compulsory dissolution of an LTDA may occur under the following circumstances:

I. The statutory duration ends (the termination date specified in the bylaws is reached).
II. Withdrawal of one or more partners, either voluntarily or by legal/judicial order, without a survival clause.
III. Death or dissolution of a partner, without a survival clause in the bylaws.
IV. Fulfilment of a condition set out in the company bylaws.
V. Court order, typically in cases of company insolvency.

c. Capital.

An LTDA's capital is set out in the incorporation deed. Capital contributions may consist of cash, property (including technology or intangible assets, such as brands, know-how or other IP), or services provided to the LTDA. Capital may be increased or reduced by unanimous consent of all the partners, which must be reflected by a modification of the company bylaws.

d. Corporate compliance.

One particularity of LTDAs is the low degree of corporate compliance required by law. They are not required to publish their balance sheets or carry out annual meetings or declarations, other than general tax declarations.

However, if the bylaws of an LTDA specifically require partners to meet or hold board meetings, these obligations become binding for all involved. However, non-compliance with these requirements will not invalidate the LTDA or result in legal sanctions. Instead, it will be treated as a breach of contract, subject to the terms agreed upon by the partners.

e. Profit Distribution

Partners of an LTDA may freely choose, as part of the company's bylaws, the rules under which the profits or losses are distributed. Options available to the partners include remunerating a managing partner, distribution based on paid capital and not on pledged capital, giving a higher percentage to certain partners, or following the general rule (i.e. distribution based on proportion of capital contribution).

The concept of profit and loss in an LTDA is always understood in a monetary context, as reflected in the company's annual balance sheet. Profits involve the distribution of income to the partners, while losses may require additional contributions from the partners to sustain the company's operations.

While partners in an LTDA have the freedom to determine the rules for distributing profits and losses, there are certain limitations:

(i) All partners must be entitled to a share in the profits and are required to contribute to covering losses.
(ii) The rights and obligations related to profit and loss distribution must be serious and reflect a genuine intention to distribute them.

Failure to comply with these obligations can result in the invalidity of the LTDA,

If the company's bylaws do not specify how the profits and losses will be distributed among the partners, they will be distributed proportionally to their participation in the company's capital.

Chilean law establishes that partners are entitled to withdraw from the company if they do not wish to contribute further funds to fulfil the corporate goals.

2. CORPORATIONS (SOCIEDAD ANÓNIMA - S.A.)

Corporations are the most highly regulated legal entities under Chilean legislation, with strict administration rules, minimum annual dividends and specific formalities. There are three different kinds of Corporations in Chile, with different requirements, regulations and formalities: Open Corporations, Closed Corporations and Special Corporations. All corporations are capital based entities, where the main consideration for the establishment and carrying out business is the capital contributed by the shareholders, and not the individual identity of the shareholders.

a. Open Corporation (Sociedad Anónima Abierta).

Open Corporations are those corporations whose shares are registered in the Chilean Financial Market Commission

("Comisión para el Mercado Financiero" or "CMF"), either voluntarily or by legal obligation, and are subject to the control and oversight of the CMF.

(i) General considerations.

I. An open corporation is legally required to register its shares in the CMF, and must comply with the specific regulations in place for open corporations when they voluntarily choose to do so, or when:

- Their securities are publicly offered on the market.
- There are more than 500 shareholders.
- At least 10% of the outstanding share capital is held by 100 or more shareholders (shareholders who individually hold more than 10% of the share capital are excluded for the purpose of this calculation).
- they are legally mandated by law to do so.

II. By law, a corporation must have at least two shareholders. A corporation is automatically dissolved if only one individual or entity holds all the corporations' shares for more than 10 consecutive days.

III. Governance of open corporations is carried out by a board of a minimum of 5 directors, appointed by the shareholders during an ordinary general shareholders meeting. There is no restriction on the nationality of the directors.

The whole board must be renovated every three years, unless a shorter period is determined in the corporation's bylaws or if the shareholders vote to do so. The directors may be re-elected indefinitely.

The board of directors is a corporate body that represents the company in all matters, exercising all powers not explicitly reserved for shareholders by law or the corporation's bylaws.

However, it is important to note that certain restrictions may apply when the board seeks to delegate its powers, as some decisions or responsibilities may legally require direct board action or approval without delegation.

IV. Pursuant to Chilean law, shares must be freely transferrable. Thus, no restrictions to share transfers may be imposed by the board of directors or the corporation's bylaws.

V. Shareholders liability for acts or omissions by the corporation is limited to the amount of the capital they contributed to the corporation, or a higher amount if stated in the bylaws. Directors and executives may be personally liable for acts or omissions of the corporation.

(i) Incorporation formalities and process.

I. Stock corporations must meet certain formalities for their incorporation. The incorporation document must be contained in a public deed and consider the company's bylaws, which must contain the following minimum information:

- Identity of the shareholders.
- Company name which must include the words "Sociedad Anónima" or "S.A.".
- Domicile.
- Company's purpose.

- Duration.
- Capital and amount and type of shares in which it is divided.
- Company administration and shareholder's oversight.
- Date in which the balance sheet must be made, and in which the general ordinary shareholders' meeting must be carried out for its approval.
- Way dividends will be distributed.
- Corporation liquidation rules.
- Arbitration rules for conflicts between shareholders.
- Designation of temporary board of directors.
- Designation of external auditors and account inspectors.

An abstract of said document must be registered in the Commercial Ledger of the Public Registrar and published in the Official Gazette within 60 days of the date of the public deed.

Said abstract must at least state (i) identity of the shareholders; (ii) corporation name, purpose, duration and domicile; and (iii) Capital and stock.

II. Modifications to the bylaws must be approved by a majority vote in a shareholder meeting. A special quorum of two thirds of the shareholders with voting rights is required for the modification of some aspects of the corporation's bylaws, such as the duration, transformation into another type of entity, capital decrease, and others.

III. Dissolution requires an extraordinary shareholders' meeting. The motion to dissolve the corporation must be approved by at least two thirds of the shareholders with voting powers. Other circumstances and approvals may be considered in the corporation's bylaws.

(iii) Capital Structure.

I. Capital.

- The capital of a corporation is set out in its bylaws and may consist of contributions of cash or in kind. Shares may not be issued as payment for personal services or for the incorporation of the corporation.
- Capital will be divided among shares of equal value. If different shares series exist, then the value of each stock within each series will be equal to the rest of said series.
- Capital is increased via issuance of shares. Issued shares must be subscribed and paid within 3 years, unless related to a compensation plan, in which case, the maximum period will be 5 years.
- Capital increases or reductions must be approved by an extraordinary shareholders' meeting.
- Shareholders have a "first option right" to acquire newly issued shares in a capital increase. This right is transferable to third parties.

II. Public offer. Third parties may issue a tender offer to the corporation's shareholders to acquire shares in open corporations, which must comply with certain legal requirements. Tender offers may be voluntarily or legal, when the aim in the share acquisition is to obtain certain levels of control in the open corporation.

(iv) Maintenance.

Corporations must have an annual general shareholders' meeting (AGM), within the first four months of each year, during which the shareholders must approve the following:

I. The current state of the corporation, approving the financial statements, balance sheets and the auditor's report.

II. Dividend distribution

III. Renovation of the Board.

Additionally, open corporations are obliged to inform the CMF on financial, accounting and administrative aspects that may be of interest to any shareholder.

(v) Dividend distribution.

Dividend distribution is specifically regulated by Chilean law, and may be divided in the following three categories:

I. Minimum Dividends: open corporations are legally obligated to distribute at least 30% of net profits, unless unanimously agreed otherwise by all shareholders.

II. Provisional Dividends: If there are no accumulated losses in the corporation's balance sheet, the board of directors may approve the payment of provisional dividends during the year, attributed to the company's net profits. The directors are personally liable for such distributions.

III. Additional Dividends. Consist of the amounts payable as dividends that surpass the minimum dividend. These amounts must be agreed upon by the shareholders' meeting.

(vi) Shareholder´ agreements.

Legislation allows shareholders to reach private agreements regarding the way in which the company, including establishing limitations to the shareholders' rights to transfer stock, will conduct its business. The most common stock transfer restriction agreements consist of the right of first refusal, the right of first option, as well as put and call options. The scope of these agreements is in line with international practice. These agreements may not be imposed by the board of directors or be contained in the corporation's bylaws.

(vii) Duties & Liabilities of directors.

Directors have a fiduciary duty to administer the corporation, and to generate the maximum possible profit. The director's obligation is to the corporation, and not to the shareholders that elected them.

Shareholders are entitled to seek legal remedies against directors that cause losses for the company by illegal actions or negligence.

If the director or senior executive responsible for producing the corporation's financial statements supplies or approves false information, they may be punished with jail time.

Directors can be held criminally liable if they use their majority position to approve decisions that benefit certain shareholders while harming the corporation or other shareholders. This occurs when directors act in ways that prioritize the interests of specific individuals or groups, rather than acting in the best interest of the company. If these actions cause detriment to the corporation or minority shareholders, the directors involved may face legal consequences, including criminal charges.

Finally, special considerations are indeed required when a director approves actions, such as anti-competition laws or transactions, that may conflict with the corporation's interests.

b. Closed Corporation.

Unlike open corporations, closed corporations' shares are privately traded, with minimum formalities required for their transfer. Generally, closed corporations have no information obligations to the CMF and their operational requirements are considerably simpler than in open corporations.

However, if a closed corporation meets one of the legal criteria to be considered as an open corporation, it must register its shares with the CMF and begin operating as an open corporation.

(i) General considerations.

I. Information obligations. Closed Corporations do not have information or oversight obligations to the CMF.
II. By law, a corporation must have at least two shareholders for its legal existence. A corporation is automatically dissolved if only one individual or entity holds all the corporations' shares for more than 10 consecutive days.
III. Governance of closed corporations follows the same rules as in open corporations, except that the minimum number of directors is three not five.
IV. Share transfers within closed corporations follow the same rules as in open corporations.
V. Limitation of liability rules are the same as in open corporations.

(ii) Incorporation, modification & dissolution of closed corporations follow the same rules as in open corporations.

(iii) Capital structure.

I. In general, the capital of closed corporations follows the same rules as in open corporations.

II. Unlike open corporations, closed corporations do not have public offers of shares, as shares are transferred by private instruments.

(iv) Maintenance. Corporations must have an annual general shareholders' meeting (AGM), within the first four months of each year, during which the shareholders must approve the following:

I. The current state of the corporation, approving the financial statements, balance sheets and the auditor's report.

II. Dividend distribution.

III. Renovation of the Board.

(v) Dividend distribution is regulated by law, and falls within the following three categories:

I. Closed corporations may freely determine the minimum dividend to be distributed in their bylaws. However, if no provisions are specified, the rules governing minimum dividends for open corporations will apply.
II. If there are no accumulated losses on the corporation's balance sheet, the board of directors may approve the payment of interim dividends during the year, based on the company's net profits. The directors are personally liable for these distributions.
III. Additional Dividends (dividend amounts that exceed the minimum requirement) must be approved by a shareholders meeting.

(vi) Shareholders´ agreements. Legislation allows shareholders to reach agreements on how the company will conduct its business, including imposing restrictions on shareholders' rights to transfer stock. The most common stock transfer restriction agreements include the right of first refusal, the right of first option, and put and call options. The scope of these agreements aligns with international practices.
(vii) Duties & Liabilities of directors and officers. Of closed corporations follow the same rules as in open corporations.

c. Special Corporations.

Certain business activities, such as banking, insurance, and pension funds, are governed by specific legal requirements that dictate how they must operate, including the permissible legal entity structures. Concessionaires are similarly regulated, often under rules akin to those for open corporations. Legislation defines the key formalities, authorizations, requirements, and reporting obligations for these entities, which must be evaluated on a case-by-case basis. Special corporations are consistently subject to oversight by the CMF

3. BY-STOCK COMPANIES (SOCIEDAD POR ACCIONES - SPA)

By-Stock Companies are the newest form of legal entity in Chile. The liability of shareholders is limited to their capital contributions, and the company is regarded as a separate legal entity from its shareholders. The key feature of these companies is that the capital is divided into shares.

The main advantage of SpAs is the flexibility to define key aspects, such as company administration, dividend distribution, and other important matters, directly in the company's bylaws.

a. General considerations.

- **(i)** SpAs are not subject to the control of a regulatory authority and have no obligation to publish or file accounts.
- **(ii)** The bylaws establish the management structure of the SpA, granting flexibility for management powers to be exercised by one or more shareholders, a board of directors, or a designated third party.
- **(iii)** The liability of shareholders is limited to the amount of their capital contributions to the SpA.

b. Incorporation. SpAs must meet certain formalities for their incorporation:

- **(i)** The incorporation document must be contained in a public deed and consider the company's bylaws, which must contain the following minimum information:
  - I. Company name, which must end in "SpA".
  - II. Company's purpose.
  - III. Capital and amount and type of shares in which it is divided.
  - IV. Company administration; and
  - V. Duration of the company (may be indefinite).
- **(ii)** An abstract of said document must be registered in the Commercial Ledger of the Public Registrar and published in the Official Gazette within 60 days of the date of the public deed.
- **(iii)** Said abstract must at least state (i) identity of the shareholders; (ii) company name, purpose, duration, capital and domicile; and (iii) date of public deed and notary public that authorized the signatures.

c. Modification. Modifications to a corporation's bylaws must be approved either by a majority vote at a shareholders' meeting or by a public deed with unanimous approval from all shareholders.

d. Dissolution. To dissolve an SpA, an extraordinary shareholders' meeting must be convened, and the motion to dissolve must be approved by the voting threshold specified in the bylaws, or by a majority if no such provision is outlined.

e. Capital structure.

- **(iv)** Capital. The capital of a SpA is set out in its bylaws and may consist of contributions of cash or kind.
- **(v)** Shares may not be issued as payment for personal services or for the incorporation of the company. Capital increases must be agreed by the majority vote of the shareholders.
- **(vi)** SpAs are entitled to acquire and hold their own stock, unless expressly prohibited in the company's bylaws.

These shares will not be considered for voting purposes and must be sold within a year of their acquisition by the SpA. If not sold within this period, they will be eliminated, and the capital will be reduced accordingly.

(vii) Capital is increased through the issuance of shares. Shareholders must fully pay for the subscribed shares within five years of issuance; otherwise, the unsubscribed shares will be cancelled, and the capital will be reduced accordingly

Capital reductions must be approved by the unanimous vote of the SpA's shareholders, unless determined otherwise in the company's bylaws.

(viii) A minimum of one shareholder is required for the incorporation of a SpA. Thus, an SpA is not automatically dissolved if all of its shares are held by only one individual or entity, unless determined otherwise in the company's bylaws.

f. Dividend distribution. SpAs offer significant flexibility in dividend payments from profits. The bylaws can specify that certain classes of shares receive preferential dividends, fixed dividends, or dividends tied to specific business lines operated by the SpA, which would require separate accounting for these purposes.

g. Shareholders' agreements. Like corporations, legislation allows SpA shareholders to agree on how the company will operate, including imposing restrictions on shareholders' rights to transfer stock. Common stock transfer restriction agreements include the right of first refusal, the right of first option, as well as put and call options, all of which align with international practices.

h. Maintenance. SpAs are not legally required to perform annual or periodic corporate secretarial acts to maintain the company. However, shareholders may agree to establish specific administrative or shareholder obligations to be fulfilled periodically, as outlined in the company's bylaws.

4. BRANCH OFFICE OF A FOREIGN COMPANY (AGENCIA EN CHILE)

An alternative for a foreign entity to operate in Chile without establishing a separate entity is through a local branch, with dedicated capital allocated to finance its Chilean operations. Under this arrangement, the foreign entity is deemed to participate directly in Chile and is therefore fully liable for all activities carried out by its agent in the country. While the local capital is used to cover liabilities incurred in Chile, injured parties can seek legal recourse directly against the foreign entity, as it is directly involved in the operations.

a. General Considerations.

(i) Nature of entity. Local agencies are not separate entities per se, but rather a foreign entity operating directly in Chile, with specific capital allowing compliance with its local obligations.

(ii) Ownership. Chilean branches of foreign entities are legally considered extensions of the foreign entity, operating in Chile through an authorized agent. Consequently, ownership of the branch is attributed to the owners of the foreign entity.

(iii) Regulation & Control. Agencies in Chile are legally obligated to publish their annual balance sheets, within the first four months of the year following the financial period of the balance sheet.

(iv) Company Name. The name of an Agency in Chile is, in general, the name of the foreign entity, followed by the expression "Agencia en Chile".

(v) Management. The agent appointed in Chile by the foreign entity will manage the agency in Chile.

(vi) Limitation of liability. Foreign entities are fully liable for the activities of their Chilean branches.

b. Formation process. For a foreign entity to establish a branch in Chile, it must comply with certain requirements:

(i) Required Documentation: The foreign entity must notarize in Chile the following documents (in original language and with official translation to Spanish, if appropriate); (i) sufficient documentation to prove that the foreign entity is established and in existence, according to its legislation; (ii) a legalized copy of the foreign entity's bylaws; and (iii) Power of attorney for the local agent, providing them with full powers of representation for the operations in Chile.

(i) Bylaws minimum requirements: Additionally, on the same date the required documentation is presented, the agent must execute a public deed on behalf of the foreign entity, declaring: (i) the name under which the agency will operate; (ii) acknowledgment of the local legislation applicable to its operations in Chile; (iii) that assets located in Chile will be used to cover any local liabilities; (iv) that the entity will maintain sufficient assets in Chile to meet its local obligations, along with the amount to be contributed as capital; and (v) the agency's official domicile. An abstract of this public deed must be registered in the commercial ledger and published in the Official Gazette within 60 days of notarization.

5. ASSOCIATION (ASOCIACIÓN DE CUENTAS EN PARTICIPACIÓN) / JOINT VENTURE

An Asociación de Cuentas en Participación is the equivalent to a joint venture agreement under Chilean law. This arrangement involves an agreement between two or more merchants with a shared interest in one or more commercial activities, conducted under the name and responsibility of one of the contracting parties. That party is accountable to the others and must distribute profits and losses according to the agreed-upon proportions

The manager is responsible for all dealings with third parties in relation to the association and relevant business ventures and is considered as the only owner of the business.

There is no set formality in which these agreements must be carried out as they are private agreements. However, for practical purposes, it is recommended that the terms of the agreement are contained in a public deed.

No separate legal entity is created by this agreement, and non-managing parties are entitled to seek responsibility for negligible administration by the manager.

In commercial practice, foreign entities participating in an associación de cuentas en participación usually establish a legal entity in Chile for this purpose.