

August, 2016

NEW TAX REGIMES

Taxpayer	Regime A	Regime B	Method for exercising the option
Public Corporations, Closed Corporations and "Sociedad en Comandita por Acciones"	N/A	Mandatory regime	N/A
Individual Companies and Individual Limited Liability Companies	Applicable provided the owner of the company is: (i) an individual domiciled or resident in Chile; and/or (ii) an individual or entity domiciled or resident abroad (together as "Final Taxpayers"). In absence of an election, this regime is applicable by default as long as the owner is an individual domiciled or resident in Chile. Otherwise, Regime B is applicable by default.	Applicable	By submitting a written statement to the Chilean Tax Authority ("SII"); or online through the website of the SII.
Branches and Permanent Establishments	Applicable	Applicable In absence of an election, this regime is applicable by default.	
Co-ownership	Applicable provided all of the co-owners are Final Taxpayers. In absence of an election, this regime is applicable by default as long as all of the co-owners are individuals domiciled or resident in Chile. Otherwise, Regime B is applicable by default.	Applicable. If any of the co-owners is not a Final Taxpayer, Regime B is mandatory.	



If you have any questions regarding the matters discussed in this memorandum, please contact the following attorneys or call your regular Carey contact.

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Taxpayer	Regime A	Regime B	Method for exercising the option
Limited Liability Companies (eg. "Sociedad de Responsabilidad Limitada")	<p>Applicable provided all the partners are Final Taxpayers.</p> <p>In absence of an election, this regime is applicable by default as long as all the partners are individuals domiciled or resident in Chile. Otherwise, Regime B is applicable by default.</p>	<p>Applicable.</p> <p>If any of the partners is not a Final Taxpayer, Regime B is mandatory.</p>	<p>By submitting a written statement to the SII signed by the legal representative of the company with a public deed granted with the unanimous approval of the partners/shareholders attached therein; or online through the website of the SII (in which case the public deed granted by the partners/shareholders should be available in case that deed is requested by the SII).</p>
Stock Companies ("Sociedad por Acciones")	<p>Applicable provided the owner of the company is: (i) an individual domiciled or resident in Chile; and/or (ii) an individual or entity domiciled or resident abroad (together as "Final Taxpayers").</p> <p>In absence of an election, this regime is applicable by default as long as the owner is an individual domiciled or resident in Chile. Otherwise, Regime B is applicable by default.</p>	<p>Applicable.</p> <p>In absence of an election, this regime is applicable by default.</p>	

Important Considerations:

Regime A: Under Regime A, income of each tax year shall be subject to an income tax ("Corporate Tax") at a rate of 25%. Such income will be immediately allocated to the partners or shareholders regardless of their actual distributions. In addition, all Corporate Tax paid by the company shall be creditable against taxes imposed on the Final Taxpayers of the company (Global Complementary Tax in case of individuals domiciled or resident in Chile or Withholding Tax in case of individuals or entities domiciled abroad).

Total tax burden: 35%.

Régime B: Under Regime B, a Corporate Tax at a rate of 27% shall be imposed on income earned by companies. The payment of final taxes (Global Complementary Tax or Withholding Tax) by the Final Taxpayers shall be deferred until the actual distribution of profits. Nevertheless, only 65% of the Corporate Tax paid by the company may be used as a credit against final taxes, unless the Final Taxpayer is a resident of a country which has a Tax Treaty with Chile.

Total tax burden: 44.45% (or 35% for residents of countries with Tax Treaty).

Duration of the regimes: The taxpayers shall stay in the elected regime for at least 5 consecutive business years. After such period, taxpayers may change to another regime provided they comply with the relevant requirements, staying in the new regime for at least 5 consecutive business years. Taxpayers must exercise their option from January 1 to April 30 of the year in which they will enter the new regime.

Term to elect Regime A or B:

- **a. Taxpayers who have started activities prior to June 1, 2016:** These taxpayers must exercise their option between June to December of 2016, both months included.
- **b. Taxpayers who start activities between June 1, 2016 and December 31, 2016:** These taxpayers must exercise their option within the two following months after they have started their activities. If the activities were started less than two months prior to December 31, 2016, then the two-month period would be concluded in 2017. Therefore, the maximum deadline to exercise the option would be the last day of February, 2017 if the activities were started in December 31, 2016.
- **c. Taxpayers who start activities from January 1, 2017 onwards:** These taxpayers must exercise the option within the two following months after they started their activities.

Procedure before the Chilean Tax Authority:

- **a. Taxpayers who have started activities prior to June 1, 2016:** The process for entering one of these regimes can be performed by the following ways: **(i)** by filing Form N°3264 in the relevant SII office; or **(ii)** through the SII website, in the “*Registro de Contribuyentes*” option (going to “*Regímenes Tributarios*” and then to “*Inscripción Regímenes Tributarios*”).
- **b. Taxpayers who start activities after June 1, 2016:** The process for entering one of these regimes can be performed by the following ways: **(i)** by filing Form N°4415 for starting activities in the relevant SII office; or **(ii)** through the SII website, in the “*Registro de Contribuyentes*” option (going to “*Regímenes Tributarios*” and then to “*Inscripción Regímenes Tributarios*”).