



March 2, 2020

LEGAL ALERT

New requirement of minimum limited partners for Chilean private investment funds

On February 24th, 2020, Law No. 21,210 that modernizes tax legislation was published in the Official Gazette and amended, among others, Law No. 20,712 on the Management of Third-Party Funds and Individual Portfolios (the “**Funds Law**”). The new law increases the minimum number of limited partners (aportantes) required for private investments funds (“FIPs”), as explained below:

Starting March 1, 2020, all FIPs shall have at least **eight limited partners**, each (together with its related parties) with a **maximum of 20% of the total paid shares of the FIP** (unless one or more institutional investors own at least 50% of the paid shares of the FIP). Until this amendment, FIPs were required to have at least **four unrelated limited partners**, each with a **minimum of 10%** of the total paid shares of the fund.

In case a FIP does not fulfill such requirement (within a year since creation and during the life of the fund), it will be deemed as a corporation (sociedad anónima), and its limited partners as shareholders of a corporation, for the purposes of the Chilean Income Tax Law. Notwithstanding the foregoing, if afterwards a FIP starts complying with the minimum number of limited partners, the FIP will be subject to the tax rules applicable to FIPs (and not to corporations) as from January 1st of the year following achieving the minimum limited partners.

FIPs existing on March 1, 2020 will have one year to comply with the new requirement. The new minimum shareholders requirement will not apply to FIPs that on February 24, 2020 have received contributions from the Chilean Economic Development Agency (Corporación de Fomento de la Producción - CORFO), as long as such investment has been made under the investment policies defined by the mentioned Agency.

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