

SETTING UP A COMPANY IN CHILE



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INTRODUCTION

Company registration in Chile is largely acknowledged as one of the most stable and prosperous options in South America, inviting investors seeking political and financial transparency in the region.

Types of Chilean companies:

Individual Limited Liability Company (“EIRL”)

An Individual Limited Liability Company (Empresa Individual de Responsabilidad Limitada EIRL) is constituted only by a natural person and its own patrimony is different from the owner.

Limited Liability Company (“LLC”)

A Limited Liability Company is a legal entity or company formed by a minimum of two and a maximum of fifty partners, who limit their liability to the amount contributed as capital. Partners may be natural persons or legal entities.

There is no minimum capital requirement, and the partners can decide on the company’s activities and choose its management.

Public Limited Corporation (“SA”)

A public limited company (Sociedad Anónima or SA) is another option for company formation. A corporation requires a group of shareholders that establish a common fund and a board of directors that administer the company and make decisions via majority vote. Each shareholder is liable to the extent of the capital contributed by them.

Stock Company (“SPA”)

A stock company (Sociedad por Acciones or SpA) is a corporate structure which can be constituted by a single shareholder, whether is a natural or legal person. Stock companies can be formed by one or more individuals and their capital participation is represented by shares.



SETTING UP OF A LIMITED LIABILITY COMPANY



A Chile Limited Liability Company (“SRL”) provides foreigners with limited liability protection. Limited liability companies in Chile are known as a SRL which translates into “Society with Limited Responsibility”. Foreigners can own all of the shares in SRL. Company names must never be exactly alike or too similar to any other legal entity’s company name in Chile. Before registering, a company name check for the availability of proposed company names is performed with the Companies Registry.

It is necessary and obligatory that the partners make an initial contribution, the amount of which must be established in the articles of association. Each partner must initially contribute at least 50 percent of his or her total participation.

Limited Liability Companies may receive contributions from their partners in all kinds of things, whether furniture, real estate, rights, shares of other companies, including industry and labor.

The company can be operated by one manager or several managers, whether they are partners or persons outside the company.

The liability of partners to third parties is only up to the amount of their contributions to the company.

There is no income limit, but 5% of net profits must be set aside annually for the reserve fund.



STEPS FOR COMPANY FORMATION IN CHILE

It takes approximately 6 to 8 weeks to complete the process of company formation in Chile once all the required documents are submitted. These are the seven steps to follow:

Step 1 – Register the company;

Step 2 – Notarize the company statutes;

Step 3 – Obtain a RUT (Rol Único Tributario) number;

Step 4 – Print receipts/invoices;

Step 5 – Seal accounting books and other documents;

Step 6 – Acquire a patente municipal; and

Step 7 – Register for labour-related accident insurance.

Step 1 – Register the company and obtain the authentication number

Apply for the authentication number at the Chilean Chamber of Commerce or the corresponding regional office. This is a unique identifier for the company and is required for all business activities.

Step 2 – Notarize the company statutes and digitally signed by the notary

The company statutes outline the company's structure and regulations. In Chile, it is essential to have the documents notarized by a public notary, and they should be digitally signed to ensure their authenticity.

Step 3 – Obtain a RUT number by registering with the Internal Revenue Service (SII in Spanish)

The RUT (Rol Único Tributario) is the company's tax identification number. This number is necessary for all tax-related activities in Chile, including paying taxes, issuing invoices, and importing/exporting goods.

Step 4 – Print receipts/invoices at an authorized printing company

Receipts and invoices must be printed at a certified printing company in Chile. These documents are used for accounting and tax purposes, and they must comply with Chilean regulations.

Step 5 – Seal accounting books and other documents with the Chilean Tax authority

After registering the company with the Chilean Tax Authority (Servicio de Impuestos Internos), the accounting books and other financial documents must be stamped or sealed by the authority.

Step 6 – Acquire a patentee municipal working license from the municipality

The patentee municipal is a business license issued by the local municipality where the company is located. This license authorizes the company to operate effectively and efficiently.

Step 7 – Register for labour-related accident insurance

All employers in Chile are required to provide accident insurance for their employees. This insurance covers medical expenses and lost wages in the event of a work-related injury or illness.



FOREIGN COMPANIES REPRESENTATIVE UNDER

To establish a foreign company's agency in Chile, specific legal requirements must be met according to Article 447 of the Commercial Code. The process involves notarizing and legalizing documents at a notary's office in Chile. The required documents include:

Document proving that the company is legally constituted in its home country, along with a certificate of its current legal status.

A certified copy of the company's statutes.

A general power of attorney for the agent representing the company in Chile, granting broad powers to act on the company's behalf.

These steps ensure the legitimacy of the foreign company and give the agent legal authority to manage its affairs in Chile.

TAX REGIMES

- Branches and Permanent establishments of Foreign Entities or persons are subject to First Category Tax is 15% on an incurred income.
- If the debt is registered with the Central Bank, the standard rate is 35%, reduced to 4%.
- Foreign Branches & Permanent Establishments subject to a 15% tax on accrued income, similar to Chilean entities.
- Employment Income is taxed at 35% on gross earnings, except for engineering services or technical assistance, which are taxed at 20%.
- Services rendered abroad tax rate is 35%, but some exemptions apply (e.g., transport services completed entirely abroad).
- Maritime transport services is 5% withholding tax, often exempt due to reciprocal agreements.
- Lease payments For assets qualifying for accelerated depreciation, the tax rate is 1.75%.
- Insurance payments is 22% for non-Chilean insurers; 2% for reinsurance.
- Remittances of profits & dividends is subject to a 35% tax.
- Royalty payments is 30% standard rate, reduced to 20% for films and 15% for literary copyrights.



CONCLUSION

To conduct business in Chile, foreign Companies must select a company structures: EIRL, LLC, SA, or SpA. They must also comply with legal regulations to establish an agency in the country. Chile's tax system includes different rates for employment, services, and profit and dividend remittances.

The standard tax rate is 35%, with lower rates for specific activities. Understanding these requirements is essential for successful business operations in Chile. Foreign companies can set up agencies by fulfilling the legal requirements outlined in Article 447.

Chile's tax system covers various payments, including employment income, royalties, dividends, and services rendered abroad. The rates range from 1.75% to 35%, depending on the payment type and applicable exemptions.

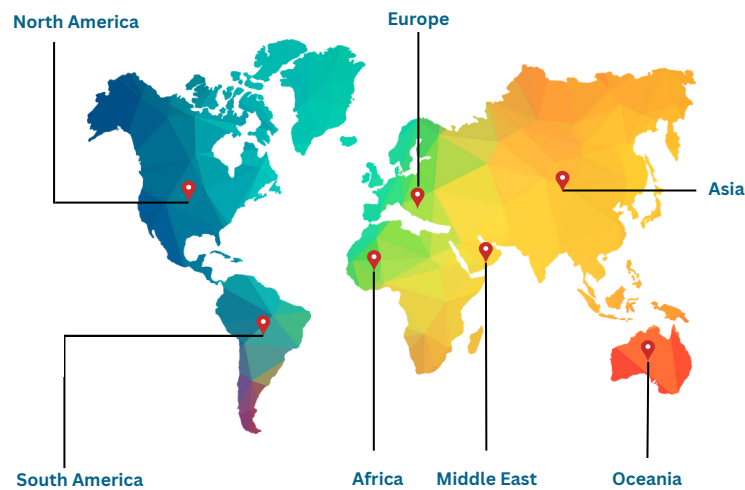




HOW WE MAY HELP?

- Our experts can provide valuable assistance in incorporating, establishing or expanding entities in Chile. We provide comprehensive support throughout the incorporation and registration process, ensuring to meet all the compliances along with the regulations.
- We assist in preparing essential documents, ensuring they meet all requirements for incorporation submission for the respective obligations.
- We offer services to help you open a corporate bank account, obtain necessary business licenses, and register for taxes, ensuring the company is fully operational.

SERVING CLIENTS WORLDWIDE



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Key Contact



Surendra Singh Chandrawat

Managing Partner

✉ surendra@chandrawatpartners.com

Connect Surendra on

[LinkedIn](#)

[WhatsApp](#)

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