

Why do business in Chile (the Good, the Bad, and the Ugly)?

There has never been a better time to consider doing business in Chile. With the recent FTA coming into effect on 6 March 2009 between Australia and Chile, exporters can take immediate advantages of the 97% elimination of tariffs. There are various other benefits, better described in:

www.dfat.gov.au/GEO/chile/fta/index.html

In short and from a practical perspective, Chile offers an attractive "platform" into the rest of the Latin American Region whilst offering benefits such as:

1. An "Open" economy – easy to set up. Your Chilean business entity can be 100% controlled and owned by Aussies;
2. Access to over 57 FTAs and some 26 Double Tax Agreements (like New Zealand). Some of these countries include China (Chile was a world first), India, and most of the Latin countries. You can leverage from these commercial treaties especially if you are already dealing in these FTA countries that have partnered up with Chile;
3. Lower Corporate Tax: 17%. However, if you repatriate profits a 35% WHT will apply; and
4. Transparency and Enforceability of Rights exist and the Rule of Law is respected thus making the negotiation and the entering into contracts easy and bona fide.

Opportunities exist for Australian companies in the areas of:

- i. mining (technology, equipment and services);
- ii. energy – coal (technologies and services), renewable energy (including hydro, wind);
- iii. agribusiness – animal genetics: cattle and sheep genetics and livestock and production technologies
- iv. specialised food and beverage
- v. technology and services – engineering and consulting, agriculture and mining sectors, wine technology and services; and
- v. Innovative Technology and Services (regardless if you are not in any of the above spaces).

Practical Tips and Understanding:

- a. Protect your IP rights – Chile and no other Latin country (except Cuba) are members of the Madrid Protocol. So you will need to register and start the process again.
- b. Structure correctly – that is get sound international tax and asset protection advice. There is no Double Tax Agreement, therefore you will need to be careful. With regards to asset protection, "quarantine" any losses or legal suits. That is; manage your RISK.
- c. Employment Contracts by Law must be in writing.

- d. No Trusts - thus making it at times difficult to satisfy investors. Having said this you can have your shares in a Chilean company held by an Australian Trustee.
- e. Power of Attorneys are the norm. Ensure that the powers you grant are no too wide and are explained to you in English.
- f. Things take a little longer and there is more red tape – for example opening up a Bank account.
- g. Most important – have FUN! This is expected and the Latinos want to get to know you first. If they can't enjoy a good glass of red with you then how the hell can they do business with you? This is their philosophy.

How we can help? At Harris Gomez Group we specialize in and have over 15 years of experience in Australia and Latin American business and legal advice and relations. In short we understand the business cultures!

Specifically we can assist with:

- Legal
- Financial & Transactions
- Mergers & Acquisitions (due diligence)
- HR
- Market Research
- Crisis Management
- Tax
- Representation & Lobbying
- Insurance

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