



PERMANENT ESTABLISHMENT IN CHILE: BRANCH OR SUBSIDIARY?

DEFINITION OF A PERMANENT ESTABLISHMENT

A business settled in Chile with updated statutes, a legal representative and the formalities required by tax authorities where a formal activity takes place.

DEFINITION AND MAIN DIFFERENCES BETWEEN A BRANCH AND A SUBSIDIARY

Branch: Chile agency of a foreign company is the same foreign entity developing its activities in the country.

Subsidiary: Legal entities with legal personality, distinct from its owners and able to act independently.

TAX AND ACCOUNTING OBLIGATIONS

The revenue of the entities are taxed with income tax when the income is earned; and then additional tax when profits are distributed to shareholders or partners without domicile or residence in Chile. In agencies where the income is withdrawn or remitted abroad, the law provides credits against taxes paid. Full accounting is required to prove income and expenses.

REGISTRATION FORMALITIES

STEP 1

Agency in Chile should be issued in the country of origin (translated into Spanish):

- a. Certificate of Good Standing of the company
- b. A certified copy of the statutes
- c. General power granted by the Company to the Agent that will represent it in Chile. Documents must be legalized by the Ministry of Foreign Affairs and a Notary

STEP 2

Deed Agent (must be Chilean or a foreign resident with permanent residence) must state the name under which the company will operate in Chile, the object, address, capital, among other statements

STEP 3

An excerpt from the logging and status must be enrolled within 60 days on the Registry of Commerce