

Regional Incentives and Free Zones

There are various special tax regimes associated to isolated geographical areas. They establish tax exemptions (to income tax, customs duties, VAT, etc.), fiscal bonuses and subsidies, all of which seek to promote activities in those areas.

In addition, since 1975, Free Zones have been established and are operating both in the north and south of the country, respectively in the towns of Iquique and Punta Arenas. As long as imported goods remain within a Free Zone, no VAT and customs duties are charged. Free Zones may serve different purposes, such as deposit, exhibition or display, packing, sale, manufacturing, and assembling. Sales and services rendered within Free Zones are exempt from VAT, and income is exempt from First Category Tax. There is no reduction in Personal or Additional taxes. In terms of imports, investors opting not to use the free-zone areas are subject to a 11% tax and an 18% VAT.

Debt-Equity Ratio

There is no debt-equity ratio for tax purposes. Nevertheless, the Foreign Investment Committee may require that the ratio does not exceed reasonable limits.

Foreign Investment in Chile

Since 1990, Chile's initiatives towards the encouragement of foreign investment in all sectors have resulted in an accumulated US\$ 24.6 billion of materialized foreign investment under the DL 600 regime, an average of almost US\$ 4.1 billion per year. In 1995 however, while loans and capital related contributions under both DL 600 and Chapter XIV continued to rise, Chile's total materialized foreign investment was US\$ 4.3 billion, representing a 5.5% decrease from 1994. The cause of this recent depreciate is attributed to a 46.1% decrease in ADR's, which took place after the 1994 stock market crisis in Mexico.