

apply to individuals, corporations or entities which bring capital into Chile in the form of foreign currency which is registered with the Central Bank. Registered investors may repatriate capital after one year and profits, anytime, under the terms and conditions provided by the specific regulations in force at the time the foreign exchange was converted into local currency.

## Chapter XIX

Foreign investors may invest in Chile through the acquisition abroad of certain documents of the Chilean Foreign Debt. This mechanism is rarely used now and is not favoured by the government because it does not attract new capital to the country.

### **4.4 Free Trade Zone**

Chile has free trade zones (zonas francas) at Iquique in the north of the country and Punta Arenas in the south and a limited free-trade zone in Arica (also in the north). These zones generally allow processing operations such as assembly, finishing and manufacturing of imported materials which are exempted from the value-added tax (IVA). Goods imported into a free-trade zone may then be assembled, finished or subject to other processes for export to Chile or other countries.

Entrance of goods into the free zones does not require an import permit or foreign exchange cover. It is subject only to a 3 percent ad valorem tax. Goods may be re-exported from the free zones without restriction or imported into the rest of the national territory according to normal regulations. Customs duties, however, are assembled only on the foreign parts or components. Enterprises located within the free zones enjoy tax benefits.

### **4.5 Duties and Taxes**

Customs duties are 11 percent for most products. Where it can be proven that a product is subsidized by the exporting country, special surcharges of up to 20 percent can be applied but, to date, this has not occurred.

A registration tax of 3 percent of the import duty is required to register the import. The tax is later offset against the actual import duty. In addition, there are special taxes such as an airport tax of 3 percent on import duties applicable to cargoes entering via Chile's first-line airports.

A value-added tax (IVA) at 18 percent is applied on the C.I.F. value of imported goods plus duties and charges therein. The IVA can be recovered by importers in some cases. However, IVA is not levied on goods constituting part of the equity contribution of a foreign investment or if imported as part of a local investment program when the goods are not available in Chile in the quantity or quality required. Goods exempted from the IVA generally are those from the primary sector. These goods are included in a list issued by the Ministry of Economy.