Chile
EDSTUDIO JURÍDICO OTERO

Estudio Jurídico Otero

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content

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Introduction

The Law Firm was founded by Mr. José A. Otero B. in July 21st, 1923. Upon the return of Mr. Miguel Otero L. in 1957 from the United States after having received the Degree of Master in Comparative Law, the Law Firm started to practice as counselors for international corporations and foreign investors doing business in Chile. In this activity, the Law Firm has almost 50 years of experience, not only serving foreign clients but also counseling Chilean corporations and clients doing business abroad, mainly in the United States and Europe.

Principal Areas of Practice:

General Practice, Commercial, Corporate, Contracts, Financing, Securities, Banking, Mergers and Acquisitions, Foreign Investments, Mining, Energy, Environmental, Constitutional Law, Administrative Law, Antitrust and Trade Regulations, Consumer Law, Privatization, Infrastructure and Real States, Water and Sanitary Services, Labor and Employment law, Telecommunications, Information Technology, Intellectual Property, Copyright, Technology Law, Internet and Cyberspace, License, Communication andMedia, Commercial Arbitration and Litigation.

Estudio Jurídico Otero is very active and well known in litigation matters, specializing in protectionrights in diverse judicial levels such as the Appeal Courts, the Supreme Court of Justice of Chile, and inarbitration.

Our Culture

Every attorney working for the Law Firm has been individually trained in such a way that their working system, legal approach and performance permanently reflect a highly qualified, personalized and efficient service.

Client Support

Our attorneys work exclusively for the Law Firm and therefore the client receives immediate and personal assistance from any one and all of them.

Membership

The Firm is the only Chilean firm member of the Employment Law Alliance, the largest world-network of lawyers specializing in employment law and labor issues in all 50 of the United States and more than 300 cities worldwide, and e-lure, our expanding network of international law firms.

Chile, Platform Country for the Latin America Region*

Chile has specific comparative advantages that make it the best place for foreign corporations looking into developing new business and expanding their operations and sales in Latin America. Key among them is a stable and transparent legal framework for foreign investment, characterized by clear, non-discriminatory and non-discretionary rules. These principles are embodied both in the 1980 Political Constitution and in all laws, including the Foreign Investment Statute, known as Decree Law 600 (D.L. 600).

All the rights guaranteed by Chile's legal framework are further protected by Bilateral Investment Treaties (BITs). As of November 2005, Chile had signed 52 BITs, 38 of which were in force at that time. In addition, Chile's Free Trade Agreements (FTAs) with Canada, Mexico, South Korea, China and the United States include specific chapters on investment-related issues, including dispute-settlement mechanisms that are similar to those used in BITs.

Though there are other mechanisms that can be used by foreign investors, such as Chapter XIV of the Central Bank's Compendium of Foreign Exchange Regulations, more than 81% of materialized foreign investment between 1990 and 2004 entered the country through D.L. 600, with a total of US$ 53.6 billion. Based on constitutional principles, the Foreign Investment Statute guarantees non-discriminatory and non-discretionary treatment of foreign investors. The former assures all people, regardless of their nationality, "to be treated by the State and its bodies in economic matters without arbitrary discrimination". Therefore, foreign investors enjoy the same rights and guarantees as local investors. The principle of non-discretionary treatment governs the activities in every economic sector and entails the existence of clear, well-known and transparent rules, which assure foreign investors they will be treated fairly and impartially.

Foreign investors in Chile can own up to 100% of a Chilean-based company, and there is no time limit on property rights. They also have access to all productive activities and sectors of the economy, except for a few restrictions in areas that include coastal trade, air transport and the mass media. In the case of fishing, restrictions are subject to the rules of international reciprocity.

The State has a very minor productive role in Chile. Only a few strategic activities –such as exploration and exploitation of lithium, liquid and gaseous hydrocarbons deposits in coastal waters under national jurisdiction or located in areas classified as important to national security, and the production of nuclear energy– are restricted to the State. However, under certain circumstances, foreign companies can invest even in these sectors.

Any foreign individual or legal entity, as well as Chileans with residence abroad, can invest through D.L. 600. Under this mechanism, investors enter into a legally binding contract with the Chilean State, which cannot be modified unilaterally by the State or by subsequent changes in the law. However, investors may, at any time, request the amendment of the contract to increase the amount of the investment, change its purpose or assign its rights to another foreign investor.

D.L. 600 guarantees investors the right to repatriate capital one year after its entry and to remit profits at any time. In practice, the one-year capital lock-in has not represented a restraint since most productive projects –in areas such as mining, forestry, fishing and infrastructure– require more than a one-year start-up period. Once all relevant taxes have been paid, investors are assured access to freely convertible foreign currency without any limits on the amount, for both capital and profit remittances. In addition, they are guaranteed the right of access to the formal exchange market. The repatriation of all capital invested is devoid of any tax, duty or charge up to the amount of the originally materialized investment. Only capital gains over that amount are subject to the general regulations contained in the tax code.

It should be noted that the Central Bank has the right to restrict access to the formal exchange market –made up by banks and other authorized dealers– if adverse macroeconomic conditions make this necessary. However, D.L. 600 investors are exempt from these restrictions and their right to access the market in order to repatriate profits or capital is not affected.

The D.L. 600 contract acknowledges as foreign investment:

- Freely convertible currency that can be exchanged at the most favorable rate that foreign investors can obtain from an entity authorized to operate in the Formal Exchange Market.
- Tangible assets, in any form or condition brought into the country according to general import regulations, without exchange coverage. The value of these goods will be determined using general procedures applied to imports. These tangible assets include, among others, machinery or equipment used in productive processes.
- Technology, in any form susceptible to be capitalized, which will be appraised by the Foreign Investment Committee according to its real international market value, within

120 days after the foreign investment application is submitted. If the appraisal is not carried out, the value assigned shall be that estimated by the investor in an affidavit. In previous cases, independent consultants have performed this task.

- Credits associated to foreign investment: The general regulations, terms, interest and other modalities of foreign credit contracts, as well as surcharges related to total costs to be paid by the debtor, including commissions, taxes and expenses, shall be those authorized by the Central Bank of Chile.

Capitalization of foreign loans and debts, in freely convertible currency, whose contract has been duly authorized by the Central Bank Under D.L. 600: Investors can increase the capital of the company which received the investment through both the capitalization of credits made under Chapter XIV and the credits derived from current imports and pending payments.

Capitalization of profits transferable abroad: D.L. 600 allows capital increases of the company receiving the investment through the capitalization of transferable profits.

Foreign investors may request a maximum time-limit of three years to materialize their contributions. Under article 11 bis of DL 600, investments of not less than US$ 50 million for industrial or non-mining extractive projects can request a time-limit of up to eight years. In the case of mining projects, the time-limit is eight years but, if previous exploration is required, the Foreign Investment Committee may extend it to up to twelve years.

Special Advantages for Foreign Investors

Although Chile's Constitution is based on the principle of non-discrimination, D.L. 600 offers some tax advantages for foreign investors. These are not "tax breaks" or "tax holidays", but are intended to provide a stable tax horizon, acting as a form of "tax insurance". D.L. 600 offers several different tax options, but basically allows the investor to lock into the tax regime prevailing at the time an investment is made.

Invariability of Income Tax Regime

All Chilean companies have to pay a First-Category Tax (or Corporate tax) equivalent to 17% Under Chile's Common Tax Regime, a 35% tax is currently levied on distributed or remitted profits. Interest paid to non-residents is also subject to a 35% additional withholding tax, however, interest on loans granted by foreign banking or other financial institutions is subject to a 4% tax, provided that excess indebtedness provisions do not apply. Under DL 600, a foreign investor can opt to lock into an effective fixed overall tax rate of 42% on taxable income for up to ten years, or -under article 11 bis- for up to twenty years in the case of industrial and extractive investments of US$ 50 million or more. The investor, thereby, acquires immunity from any tax increases in the Common Tax Regime that may occur during that period. The lock-in can be waived at any time, but an investor cannot subsequently revert to the guaranteed 42% rate. The First-Category payment of 17% can be set against tax returns under both the Common Tax and Invariable Tax Regimes.

Invariability of Indirect Taxes

D.L. 600 states that foreign investments brought into the country in the form of tangible assets are subject to the general VAT taxation regime and customs regulations. However, foreign investors are entitled to include a clause in their contracts giving them access to a regime that freezes Value Added Tax (currently at 19%), as well as import tariffs on capital goods for the project, at their rate at the date of the investment. This special regime applies throughout the period authorized for carrying out the investment. Additionally, imports of some of these capital goods such as machinery or equipment are exempt from VAT in the case they are not produced in Chile and are on a list compiled, prepared and published by the Ministry of Economy's Foreign Trade Department. The current list was approved by Decree 204 of the Ministry of Economy, published in the Official Gazette ("Diario Oficial") on December 12, 2002, and is available at the Ministry of Economy's website, www.economia.cl

Foreign investors who sign a D.L. 600 contract are exempted from VAT on other technology imports, providing they appear on this list compiled by the Foreign Trade Department. The products currently listed include accounting and data processing machines, TV cameras, lasers and magnetic resonance imaging diagnostic equipment (MRI), among several others.

Special Regime for Large Projects

Under article 11 bis of D.L. 600, investments in new industrial or extractive activities, including mining, are entitled to additional tax benefits, providing they have a value of at least US$ 50 million. Currently, the Foreign Investment Committee is revising its policy regarding article 11 bis, and new contracts under this regime are not being approved at this time. This policy is subject to change in the future.

New Legislation for mining projects

On 16 June, 2005, Law 20.026 was published in the Official Gazette. It establishes a specific tax on mining activities, which came into force on 1 January, 2006. The Law amends Decree Law 600 by adding a new Article 11 ter. That article establishes a regime of invariability for the aforementioned tax, for those investors that sign a new foreign investment contract related to projects with a value of no less than US$ 50 million. In order to opt into this special regime, investors with existing foreign investment contracts must not have made use of the special invariability regimes set out in articles 7 and 11 bis of DL 600, or they must renounce those regimes at the time of opting into the rights under article 11 ter. The deadline for submitting a request to opt into the regime under 11 ter for investors with existing foreign investment contracts was November 30, 2005.

Foreign Investment Procedures

A foreign investor who wishes to invest through the D.L. 600 must submit an application to the Executive Vice-Presidency of the Foreign Investment Committee. Since June 6 of 2003, the minimum investment amount for a new project is US$ 5,000,000 (five million dollars) when investments consist of foreign currency and associated credits. The minimum amount is US$

2,500,000 (two and a half million dollars) when the investment is in the form of tangible assets, technology, and capitalization of profits or capitalization of credits. The Foreign Investment Committee retains the right to modify both figures. Projects submitted to the Committee's consideration must involve a ratio between equity and associated credits of up to 25/75.

In the case of foreign currency, investors can execute their foreign exchange operation only when the contract has been duly signed. However, when submitting the application, they can request a special authorization to exchange their currency immediately. Any other type of capital contribution requires the Foreign Investment Contract to be duly signed.

Additional information

Most investment projects require additional permits and/or must fulfill other requirements besides those set forth in D.L. 600. All investment projects, both local and foreign, must comply with the country's local and sector-specific legislation, at the national, regional and municipal levels.

It is worth noting that besides the Foreign Investment Committee's approval, some projects require additional information or authorization, which must be obtained from other competent authorities. Only as an example, we can mention that when an application for investments in the mining sector is presented under D.L. 600, the Foreign investment Committee asks the Chilean Commission of Copper (Cochilco) to issue a report on the project; the Undersecretariat of Fishing reports on activities in that sector; the Banks and Financial Institutions Regulatory Agency must authorize operations in the financial banking area; and the Securities and Exchange Commission reports on activities in the insurance and investment funds fields.

A concession granted by the Undersecretariat of Telecommunications is required in order to install, operate and run public telecommunication services; intermediate telecommunication services through physical facilities and networks designed for this purpose; and radio sound broadcasting services. Complementary services, such as telephone banking or financial data over the telephone, do not require a concession or permit, although a technical ruling is required when equipment is connected to networks.

Potential environmental impact of projects is evaluated through the Environmental Impact Evaluation System, a mechanism managed by the National Environment Commission (CONAMA) or the Regional Commission (COREMA), depending on the case.

In line with its commitment to free-market economic policies and free trade, Chile does not use tax incentives to support productive activities or to attract new investment. However, it does provide certain inducements for investments in some isolated geographic regions and new industries, particularly those in the technology field.

Investors can, for example, tap into government schemes to promote workplace training and to increase industrial productivity. All these schemes, in the form of grants and tax rebates, are available equally to both local and foreign investors and are part of a wider government strategy designed to increase competitiveness by extending the benefits of economic growth to all areas of the country, promoting education and training and encouraging technological innovation.

*Fountain: Foreign Investment Committee

In 1991, Chile became a signatory of the Washington Convention of 1965 that created the International Center for Settlement of Investment Disputes (ICSID). Since then, the country began to negotiate Bilateral Investment Treaties (BITs), a mechanism through which Chile provides additional protection both to inward and outward foreign investment flows. As of November 2005, Chile had negotiated 52 BITs, 38 of which were in force at that time.

In these agreements, each Contracting State commits itself to provide fair and equitable treatment to investments legally materialized in its territory by investors of the other Contracting State. They also guarantee the principles of National Treatment and Most Favored Nation status.

Moreover, BITs protect private property rights through the establishment of basic principles and minimum standards in case of expropriations. Likewise, they guarantee that any expropriation or measure with similar effect will be adopted in accordance with a law based on public good or national interest, in a non-discriminatory manner. They state that expropriatory measures must be accompanied by the provisions of prompt, adequate and effective compensation.

Through BITs, the Contracting States guarantee the free transfer of capital, of profits or interest generated by foreign investments, and, in general any transfer of funds related to investments. Some restrictions may apply, in accordance with national laws.

Additionally, these agreements establish a dispute settlement mechanism in case of controversies that might arise between an investor of a Contracting State and the other Contracting State. Basically, this mechanism assures that controversies will be settled through friendly consultations. If no agreement is reached, the investor will be entitled to submit, at his own decision, the case before the domestic jurisdiction of the host State of the investment or to international arbitration. In most BITs, this jurisdictional option is definitive.

The principle of subrogation is also included in BITs. This means that if one Contracting State -or an agency authorized by it- grants any kind of insurance against non-commercial risks to an investment in the territory of the other Contracting State, the latter shall recognize the rights of the former to subrogate for the rights of the investor in case it has paid the insurance.

The protection provided by these agreements applies both to investments made after the agreement comes into force as well as to those made before that date. These BITs, however, do not apply to disputes which arise prior to their entry into force or to disputes directly related to events which occurred prior to their entry into force.

Signed treaties need to be ratified by Congress before they can be in force. Treaties are in force in Chile once they are published in the Official Gazette (the Government's Official Registry of laws and decrees).

Americas

Country	Signed on	Status*
Argentina	August 2,1991In Force since	February 27, 1995
Bolivia	September 22, 1994	In Force since July 21, 1999
Brazil	March 22, 1994	Not in force
Colombia	January 22, 2000	Not in force
Costa Rica	July 11, 1996	In Force since July 8, 2000
Cuba	January 10, 1996	In Force since September 30, 2000
Ecuador	October 23, 1993	In Force since February 21, 1996
El Salvador	November 8, 1996	n Force since November 18, 1999
República Dominicana	November 28, 2000	Not in force
Guatemala	November 8, 1996	In Force since December 10, 2001
Honduras	November 11, 1996	In Force since January 10, 2002
Nicaragua	November 8, 1996	In Force since January 10, 2001
Panama	November 8, 1996	In Force since December 21, 1999
Paraguay	August 7, 1995	In Force since September 16, 1997
Peru	February 2, 2000	In Force since August 11, 2001
Uruguay	October 26,1995	In Force since April 22, 1999
Venezuela	April 2, 1993	In Force since May 17, 1994

Europe

Country	Signed on	Status*
Austria	September 8, 1997	In Force since November 17, 2000
Belgium	July 15, 1992	In Force since August 5, 1999
Croatia	November 28, 1994	In Force since July 31, 1996
Czech Republic	April 24, 1995	In Force since December 2, 1996
Denmark	May 28, 1993	In Force since December 30, 1995
Finland	May 27, 1993	In Force since June 14, 1996
France	July 14, 1992	In Force since December 5, 1994
Germany	October 21, 1991	In Force since June 18, 1999
Greece	July 10, 1996	In Force since March 7, 2003
Hungary	March 10, 1997	Not in force
Island	June 26, 2003	In Force since August, 2006
Italy	March 8, 1993	In Force since June 23, 1995
Netherlands	November 30, 1998	Not in force
Norway	June 1, 1993	Force since November 4, 1994
Poland	July 5, 1995	In Force since September 22, 2000
Portugal	April 28, 1995	In Force since February 24, 1998
Romania	July 4, 1995	In Force since August 27, 1997
Spain	10, 1991	In Force since April 27, 1994
Sweden	May 24, 1993	In Force since February 13, 1996
Swiss	September 24, 1999	n Force since August 22, 2002
Turkey	August 21, 1998	Not in force
Ukraine	October 30, 1995	In Force since August 29, 1997
United Kingdom	January 8 1996	In Force since June 23, 1997

Asia, Pacific Islands and the Middle East		
Country	Signed on	Status*
Australia	July 9, 1996	In Force since November 18, 1999
China	March 23, 1994	In Force since October 14, 1995
Indonesia	April 7, 1999	Not in force
Lebanon	October 13, 1999	Not in force
Malaysia	November 11, 1992	In Force since August 4, 1995
New Zealand	July 22, 1999	Not in force
Philippines	November 20, 1995	In Force since November 6, 1997
Vietnam	September 16, 1999	Not in force
Africa		
Country	Signed on	Status*
South Africa	November 12, 1998	Not in force
Egypt	August 5, 1999	Not in force
Tunisia	October 23, 1998	Not in force

*Signed treaties need to be ratified by Congress before they can be in force. Treaties are in force in Chile after they are published in the Diario Oficial (the Government´s Official Registry of laws and decrees).

Double Taxation

Chile has double taxation treaties in force with several countries and a few in way to be signed.

Status of Double Taxation treaties with Chile

Treaties in force:

Argentina
Canada
Mexico
Brazil
South Korea
Ecuador
Peru
Spain
Poland
France
Croatia
Denmark
Ireland
Malaysia
Norway

New Zealand
Paraguay
Portugal
United Kingdom
Sweden

Subscribed Treaties:

Thailand
Belgium
Colombia
Russia
Switzerland

Concluded Negotiations:

South Africa

In Negotiation:

Australia, Austria, China, Cuba, USA, Finland, Holland, Hungary, India, Italy, Kuwait, Czech Republic, Uruguay, Venezuela.

Conductind Business in Chile

In general terms, business can be conducted in Chile either through a Limited Liability Partnership, a Corporation, a branch of a foreign entity and two new forms of organization, the one-person limited liability company and the limited liability company by stock.

The law requires that only some and specific kind of businesses are conducted through corporations, such as banks, mutual funds and insurances companies.

Among the types of business entities, the least recommendable is the branch of a foreign entity because the foreign parent company is fully liable for the activities of its Chilean branch. Its liability may not be limited to the capital allocated to the branch in Chile and, moreover, the local IRS is empowered to assess the branch's taxable income if it considers that the accounting records are not appropriately reflecting that income.

Finally, although the Chilean branch of a foreign company can deduct specific expenses incurred by the foreign parent company in connection with the branch's activities that are necessary to produce the local company's income, there are some IRS rulings that state that payments made abroad to cover such expenses are subject to a 35% withholding tax. General unspecified charges are not deductible.

Closed Corporations, Limited Liability Partnerships, one-person limited liability companies

and limited liability Company by stock shall be incorporated by means of a public deed, an abstract of which must be published in the Official Gazette and registered with the local Registry of Commerce. The corresponding bylaws are included in the public deed of incorporation.

In the case of corporations and limited liability partnerships, there must be at least two partners or shareholders, either natural or legal persons. One-person Limited Liability companies must be incorporated by only one natural person. This type of organization was created to allow small entrepreneurs to do business without jeopardizing all his patrimony. In the case of the limited liability company by stock, it may also start as a one person entity, with the capital divided in stocks. It was created mainly to promote investment of risk capital.

The incorporation process takes approximately two to three weeks.

Similarities:

The main similarities between a Closed Corporation and a Limited Liability Company and the Limited Liability Company by Stock are the following:

Liability:

Partners and shareholders are liable only up to the amount of their contributions.

Control:

Neither is subject to specific control by any government agency, except for the authority of local IRS.

Taxation:

The income tax structure of corporations and limited liability companies is the same, and is divided into two stages: first, when income is accrued; and second, when profits are distributed to shareholders or partners. In the first stage, the tax rate is 17%. In the second stage, the income is subject to a personal progressive income tax (rate from 5% up to 40%)or, in the case of non-resident shareholders or partners, to a withholding tax at the rate of 35%. A tax credit against the tax paid in the second stage is granted for taxes paid in the first stage. In the case of non resident shareholders or partners, the overall tax rate is 35%. Nevertheless, there are some differences regarding some issues that are described hereinafter.

Foreign Investment:

As it was explained previously, there are two suitable alternatives in making a capital contribution: the “Chapter XIV” of the Foreign Exchange Compendium and the “DL 600” (Foreign Investment Statute).

Differences:

In general, we can appreciate that most of the differences between a Closed Corporation and a Limited Liability Company are due to the fact that the former emphasize capital and the latter emphasize the person as a partner. With this in mind, we can say that the main differences between them are the following:

Management:

Closed Corporation: A Board of Directors manages it and appoints the general manager (CEO), who is the legal representative of the corporation. Certain essential matters such as merger, termination, capital increases, etcetera, must be decided upon by the Shareholders Meeting. The annual report and balance sheet must be approved by the Shareholders Meeting. The board is elected by shareholders and it must be comprised of at least three members. The directors do not need to be domiciled in Chile.

In general terms, Board Meetings must be held in Chile or abroad if it is authorized by articles of incorporations and directors must assist in person. If directors live abroad it is possible to designate alternate directors with domicile in Chile. In such a case, each director must have an alternate. Likewise, it is possible to authorize Board Meetings in which one or more directors are connected by phone or video conference. Directors are fully liable for the management of the corporation.

Limited Liability Company and Limited Liability Company by Stock: It is managed by its partners or by whomever they appoint for such purposes in its bylaws or in a different public deed. This attorney will have the powers expressly granted to him.

Therefore, the management of a Limited Liability Company is simpler as it does not require shareholders and/or board meetings, unless management is stipulated to be through a board.

Nevertheless, if the manager has been appointed in the company's bylaws, his removal must be done by amending such bylaws, fulfilling the same requisites required to incorporate the company (public deed which abstract must be registered and published).

Capital:

The law does not require a minimum amount of capital but it must be enough to allow the business entity to finance start-up costs. In both, Limited Liability Companies and Corporations the capital can be contributed as the company needs it.

Closed Corporation and Limited Liability Company by Stock: Its capital is divided

in shares and the number of shares indicates the percentage ownership of the corporation. The initial capital must be subscribed and paid in the period of 3 years; otherwise the company's capital is automatically reduced to the paid amount, except for bonds convertible into shares. No one can become a shareholder by means of providing certain work.

Limited Liability Company: Its capital is not divided into shares and the percentage ownership of the Company is represented by the percentage contribution to the company's capital. The initial capital must be paid in the period agreed in the bylaws. A partner can acquire an equity interest through his personal work for the company.

Assignment of interests:

Closed Corporation: The procedure to transfer shares is simple and does not require significant formalities or an amendment of the deed of incorporation.

Limited Liability Company: Ownership interests cannot be freely assigned except under unanimous authorization of all partners. The deed of incorporation must be amended and an abstract must be published in the Official Gazette and registered with the local Registry of Commerce.

Profits:

Closed Corporation: Dividends may only be distributed if there are profits. Furthermore, profits may only be distributed in proportion to the number of shares owned by each shareholder.

Limited Liability Company: Partners may withdraw money even if there are no profits. Furthermore, if agreed by partners, profits may be distributed in a proportion different than the percentage ownership interests in the company.

Reinvestment:

Profits can be withdrawn from a Limited Liability Company to be reinvested in other companies without paying taxes on such withdrawal.

This may be attractive if the company is going to become a holding company.

Delaying payment of personal progressive income tax or withholding tax:

If a Limited Liability Company does not have profits subject to first-stage taxation, payment of personal progressive income tax or withholding tax regarding profits withdrawn from the company will be delayed until the company has profits subject to first-stage tax.

Unique Tax on non-deductible expenses:

Closed Corporation: Certain transactions, such as non-deductible expenses, presumed withdrawals corresponding to utilization of the company's fixed assets and loans of the company to its shareholders who are natural persons are subject to a unique tax of 35%.

Limited Liability Company: Non-deductible expenses are subject to the personal progressive income tax or, in the case of non-resident shareholders or partners, to a withholding tax.

Duration:

Closed Corporation: Its duration may be indefinite.

Limited Liability Company: Its duration may not be indefinite. Nevertheless, the partners may incorporate it for the period of time they want, with no legal limit, and it may be automatically extended.

Amendments:

Closed Corporation: Amendments to the by-laws must be approved by different types of majorities at a Shareholders Meeting.

Limited Liability Company: All partners must unanimously agree to amend the by-laws in a public deed.

Miscellaneous

It is important to highlight that corporations cannot maintain or purchase their own shares except in very specific cases only regarding publicly traded companies, provided the transaction is approved by 2/3 of the shareholders.

Stock Options exist in Chile only regarding open corporations and must be limited to 10% of a capital increase plus the amount of the capital increase not subscribed by shareholders in exercise of their preemptive rights.

This is only a general approximation of the main similarities and differences between a Closed Corporation and a Limited Liability Company.

We must mention that the Limited Liability Company by Stock recently created offers great flexibility in its organization and operation, without many of the restrictions of the close corporations or the inconveniences of a limited liability company.

Taxation

See above, Conducting Business in Chile – Taxation.

We have to add that according to "DL 600" provisions, a fixed, overall tax rate of 42% can be agreed upon for a ten-year period. This fixed tax can be waived at any moment but the investor cannot subsequently return to the guaranteed 42% rate.

Royalties are subject to a withholding tax rate of 30%. There are other rates for specific cases. The tax rate for payments done to foreigner non domiciled or no resident in Chile for services which may be qualified as technical is 15 % .

There are some special tax regulations for Business Platform Companies, which are not applicable regarding countries that have double taxation agreements with Chile. The purpose of this special tax regime is to avoid double taxation for those companies incorporated in Chile which purpose is to invest in Chile and abroad and provided that the requisites and conditions stated in the law are duly fulfilled.

Chile

The Chilean Constitution (article 19 N° 16[1]) recognizes and protects the freedom to work. It stipulates that every person has the right to choose his/her job and to a fair salary. It also forbids any form of discrimination not based on capacity or personal adaptation. No jobs can be prohibited unless they affect morality, national security or national health. Nor is it possible to condition the job to union membership or other forms of organization (or to not joining such organizations). And every employee has the right to bargain collectively.

The Constitution also recognizes the right to social security and to form unions.

Labor laws in Chile are basically contained in the Labor Code.[2] This code regulates labor relations between employers and employees but it does not apply to people working for the State (whether centralized or decentralized agencies), for the Legislature or the Judiciary, or to any public employees subject to special rules (but only to the extent of those special rules).

The rights contained in the labor laws cannot be waived while the employment contract remains in force. Thus, each employee enjoys certain minimum inalienable rights, and any attempt to cause an employee to waive such rights is unenforceable. These rights can be complemented by the additional rights and benefits granted by the employer.

The general principles of the Code state that employment has a social function and every person has the freedom to contract and engage in the lawful employment he/she chooses.

The Labor Code defines the subjects of labor relations, employer and employee. It says that the employer is any natural or legal person who uses the intellectual or material services of one or more persons under an employment contract. The employee is any person who renders intellectual or material services as a dependant and subordinate under an employment contract.

As these definitions show, the basic aspects that determine whether a relationship is ruled by labor laws or is that of an independent contractor are subordination and dependency. Therefore, it is important to be careful in drafting and negotiating contracts because although the parties may have agreed to be ruled by contractual relationships, since labor rights cannot be waived, the court may determine that it was an employment relationship and thus subject to the rights and obligations we will refer to herein.

Hiring

A. Discretionary termination vs. legal termination cause.

Employment stability is a governing principle in Chile and most of the employment relationships are permanent, unless otherwise stated.

1 www.lexisnexis.cl/Contenido/constitucion_politica_de_la_republica_014.asp
2 www.lexisnexis.cl/Contenido/Laboral/Codigo_Trabajo/ContLaboralCodTrab_Index.asp
3 www.lexisnexis.cl/Contenido/Laboral/Codigo_Trabajo/Libro1/Titulo5/CodTrab_Tit5.asp

The employment contract may be terminated only on any of the grounds set forth in articles 159, 160 and 161 of the Labor Code3 and the employee shall be entitled to receive compensation depending upon the reason for termination.

According to article 159,[4] the employment contract can end by mutual agreement, by resignation of the employee, by the death of the employee, expiration of the term agreed in the contract, the conclusion of the task or work for which he/she was hired and by acts of God. In these cases, there is no severance payment and the employer must only pay outstanding accrued benefits.

Also, according to article 161,[5] the employer may unilaterally terminate the contracts of executive and senior officers. It can terminate other employees because of needs of the company (economic or others). In any of these cases, a formal notice shall be given to the employee not less than thirty days in advance, unless compensation is paid in lieu of such notice equivalent to the last monthly salary earned by the employee.

In case of termination according article 161 of Labor Code, a compensation shall also be paid if the contract has been in force for a year or more, equivalent to thirty days of the last salary earned by the employee for each year of service or fraction over six months, with a ceiling of 330 days. The salary used in this calculation is limited by law to UF 90 monthly (90 Unidades de Fomento, an indexation unit, approximately US$ 3.300), but the employer can agree to pay based on the real salary earned by the employee.

Article 160[6] of the Code contemplates some just causes for rescinding the contract without severance payment, such as proven serious misconduct due to dishonesty in the execution of the work, slander against the employer and immoral behavior that affects the company where he or she works.

If the cause alleged by the employer in the formal letter of dismissal is considered unfair or inapplicable, the employee has 60 days to file a suit against his/her employer and the severance payment can be increased by 30% to 100% if the court sustains the employee's claim.

If the court deems that the dismissal was anti-union conduct, then the employee will be entitled to recover his job and be paid the salaries he could have received during the time he/she was separated from his/her job or be paid 3 to 11 monthly salaries, plus payments for unfair dismissal.

Severance must be paid at the moment the settlement is signed. Should the parties agree on a payment in installments, the payment must include interest and adjustments. In this latter case, said settlement cannot be authenticated by a Notary Public but rather by a Labor Inspector.

4 www.lexisnexis.cl/Contenido/Laboral/Codigo_Trabajo/Libro1/Titulo5/CodTrab_Tit5.asp
5 www.lexisnexis.cl/Contenido/Laboral/Codigo_Trabajo/Libro1/Titulo5/CodTrab_Tit5.asp
6 www.lexisnexis.cl/Contenido/Laboral/Codigo_Trabajo/Libro1/Titulo5/CodTrab_Tit5.asp

B. Discrimination

The Chilean Constitution forbids any form of discrimination not based on capacity or personal adaptation.

Article 2 of the Labor Code[7] states that any form of discrimination violates labor rules. Discrimination consists of distinctions based on race, sex, color, age, marital status, union membership, religion, political ideas, nationality or social origin and transgresses the principles of labor laws. No employer can condition the hiring of an employee to those circumstances.

Nor can an employer condition the hiring of an employee to the absence of economic, financial, bank or commercial obligations unless the employee will have power of attorney to act on behalf of the employer that involves at least general managing powers; or he/she will be in charge of collecting, administrating or safekeeping funds or valuables of any nature.

C. Employment Applications

The above-mentioned rules must be taken into account in employment applications and interviews.

In general, there are no express rules regarding convictions, but it is not considered illegal to request a certificate of criminal record for a potential employee.

Some positions require the exclusion of those individuals who have been convicted for crimes punishable by imprisonment of more than three years and one day.

The rules on discrimination indicated above also apply here.

D. Employment Contract

According to article 7 of the Labor Code,[8] the individual employment contract is an agreement where the employer and employee are mutually obliged, the latter to render personal services as a dependant and subordinate, and the former to pay a salary for such services.

Article 8[9] also stipulates that any rendering of services under such circumstances makes the existence of an employment contract presumable.

Article 9[10] of said code states that the employment contract can be made verbally or in writing, but a written counterpart must be signed within 15 days after the employee started work or 5 days, if he was hired for a specific task, work or job that will take less than 30 days. The absence of a written contract will always work to the detriment of the employer.

7 www.lexisnexis.cl/Contenido/Laboral/Codigo_Trabajo/TituloPreliminar/CodTrab_TitPreliminar.asp
8 www.lexisnexis.cl/Contenido/Laboral/Codigo_Trabajo/Libro1/Titulo1/CodTrab_Cap1.asp
9 www.lexisnexis.cl/Contenido/Laboral/Codigo_Trabajo/Libro1/Titulo1/CodTrab_Cap1.asp

Article 10[11] of the law specifically describes the basic information that the contract should contain, such as date and place of the contract, identification of the parties, including the employee's nationality and date of birth, nature of the job, place where it must be done, salary and payment terms, work day and term of the contract.

E. Advertising/Recruitment

Any job offer made by any means, directly or through a third party, is considered in violation of labor rules if special requirements are imposed regarding race, sex, color, age, marital status, union membership, religion, political ideas, nationality or social origin, unless it is related to the capacity of the people to perform their job.

F. Employment references/Background investigations

Employers may verify references provided by a job applicant.

Compensation and Benefits

A.- Minimum wage

According to article 41 of the Code,[12] wage or salary is any sum of money or kind appraisable in money that the employee receives for his work, excluding meal, transportation and travel allowances, family benefits and others. Article 42[13] states that it includes salary, overtime payments, commissions, and profit share.

The monthly salary that is agreed upon in the employment contract cannot be lower than the minimum salary established by law (as per today US$280.00 per month aprox.). The wages for part-time jobs cannot be lower than the minimum applicable, calculated proportional to the normal workday.

A percentage of company's annual profits must be distributed among employees in one of the following ways: (i) 30% of net taxable profits, with certain adjustments; or (ii) 25% of the annual salary, with a maximum of 4.75 minimum salaries per employee. The employer is free to decide which alternative to use every year.

The parties can also agree to additional benefits, which may or may not be imputed toward the above-mentioned legal benefits.

B.- Minimum age

Any person older than 18 years can sign any type of employment contract. No authorization is required.

C. Salary payments

Salaries shall be paid in Chilean currency. However, expatriate employees may be paid in foreign currency.

12 www.lexisnexis.cl/Contenido/Laboral/Codigo_Trabajo/Libro1/Titulo1/CodTrab_Cap5.asp
13 www.lexisnexis.cl/Contenido/Laboral/Codigo_Trabajo/Libro1/Titulo1/CodTrab_Cap5.asp

According to article 44 of the Code,[14] the salary can be set according to units of time, days, two weeks or month, or by piece, unit or job. In any case, the unit of time cannot exceed one month.

D. Child labor

Between the ages of 15 and 18, an employee needs his parents' authorization to work (maximum of 30 hours per month) and he cannot work in cabarets or places where alcoholic beverages are sold nor work at night. Persons between the ages of 15 and 16 can work only if they have the above-mentioned authorization, after finishing schoolwork and provided it is light work that does not affect their health.

E. Health insurance and social security benefits

Employees must finance their retirement pension through the contribution of 10% of their monthly salary. Men may retire at the age of 65 and women at the age of 60. Contributions are made to pension funds managed by private entities (AFP), subject to control by government superintendence.

Death and disability pensions are financed with retirement funds and insurance plans. These contributions are paid to the same pension fund to which retirement contributions are made.

Regarding health benefits, employees may choose between a public health system, financed by a contribution of 7% of the employee's salary, or a private system under which the employee affiliates to a private health insurance company (ISAPRE). The minimum contribution is similar to that of the public health system.

All these social security benefits are withheld by employers from employees' salary and paid to the corresponding entities. Such contributions are a tax deduction for employees and are calculated against a salary that is limited to 60 Unidades de Fomento (aprox. US$ 2.200). This is the minimum, but the employee can agree to deposit a higher amount.

Work accident and occupational disease benefits are financed by employers through a basic contribution equivalent to 0.95% of monthly salaries. The salary limit in this calculation is 60 Unidades de Fomento (aprox. US$ 2.200).

Expatriates who have a professional or technical degree may obtain a waiver of social security contributions provided they are enrolled abroad in a social security system that provides benefits at least similar to those existing in Chile. The exemption does not include work accident insurance contributions.

14 www.lexisnexis.cl/Contenido/Laboral/Codigo_Trabajo/Libro1/Titulo1/CodTrab_Cap5.asp

F.- Workday, work week and overtime

Article 22 of the Labor Code[15] establishes a general maximum work week of 45 hours that cannot be divided into less than 5 or more than 6 days. The work day cannot exceed 10 hours. Special rules apply to special jobs such as crew on fishing ships that do not involve continuous work during the day, or drivers.

A maximum of two hours per day of overtime can be agreed, and that time must be paid with a 50% surcharge. The agreement must be in writing and be for no longer than 3 months. The purpose must be solely to attend to temporary needs of the company.

Attendance and completion of work schedules and shifts must be controlled by means of a special book or clock.

The work day must be divided in two in order to allow at least 30 minutes for lunch. This time will not be considered time worked.

The above-mentioned time limit is not applicable to top levels of the organization, such as vice-presidents, managers, executives, administrators and others who render similar services or work without direct superior supervision.

Time Off, Vacation, Leaves of Absence

A. Days off

Every Sunday and holiday must be a day off, except for activities for which there is special authorization to work on those days.

The work shift or work week can be divided up to include Sundays and holidays only for certain specific jobs. A shift can run for two continuous weeks only for jobs distant from urban areas.

The companies expressly authorized to work on Sundays and holidays must give the employee a day off in compensation for every Sunday and/ or holiday worked, but at least two days off in the respective month must be granted on Sunday. In case that more than one day off is accumulated in the same week, the parties can agree to payment of the days off that exceed one per week. Payment cannot be less than the overtime salary (50% surcharge).

B. Vacations

Employees with more than one year in the company have the right to a paid holiday of fifteen working days per year. Ten of these days must be taken consecutively, and the remaining five as agreed by the parties. Vacations can be accumulated only for up to two consecutive years. The employer can only compensate vacation time by a cash payment when the employee resigns or is terminated without having made use of his vacation time.

15 www.lexisnexis.cl/Contenido/Laboral/Codigo_Trabajo/Libro1/Titulo1/CodTrab_Cap4.asp15
www.lexisnexis.cl/Contenido/Laboral/Codigo_Trabajo/Libro1/Titulo1/CodTrab_Cap4.asp

C. Leaves of Absence

In case of illness or accident, the employee is entitled to a paid leave for the period indicated in the corresponding medical certificate.

Pregnant women have six weeks paid leave prior to delivery and twelve weeks paid leave after birth.

In both cases, the employment contract remains in force, but the employer suspends payment of salary and the employee instead receives compensation from the health insurance company.

Except for termination based on one of the special causes established in article 160 of the Labor Code,[16] employees cannot be terminated while the leave of absence is in force.

D. Day care and child benefits.

If a child younger than 1 year needs attention at home due to a sickness of concern, the working mother or father has the right to request a special leave of absence.

Any company employing more than 20 women of any age or marital status must have a special place where mothers can feed and leave their children younger than 2 years old. The company can instead pay the expenses of day care directly to the child care service chosen by the mother.

Mothers breastfeeding their babies, have the right to use an hour of their work shift to feed them.

E. Occupational Health and Safety

The Labor Code imposes upon the employer the obligation to observe health and safety standards in the workplace, to implant measures to prevent accidents, and others alike. Every company, establishment, job or economic unit, whether commercial or industrial, that has more than 10 employees, needs to adopt Internal Health, Safety and Hygiene Regulations that must set down the prohibitions and obligations imposed upon employees in regard to their jobs, permanence and life in the respective company or establishment.

Every employer must also pay special work accident and occupational disease insurance for each employee. The amount of the payment depends on the risks associated with the job, and the basic rate is 0.95% of the salary.

Termination Issues

See paragraph 1.A.

Nationality And Work Visa

A.- Nationality

16 www.lexisnexis.cl/Contenido/Laboral/Codigo_Trabajo/Libro1/Titulo5/CodTrab_Tit5.asp

If a company has more than 25 employees, 85% must be Chilean. If it has less than 25 employees, there is no limitation. The calculation of this percentage must consider all of the company's employees in the country and exclude technical specialists who cannot be replaced by Chilean personnel. An employee is considered Chilean if he/she has a Chilean spouse or children or is a widow or widower of a Chilean or has lived in the country for more than 5 years.

B.- Work visa

In order to work in Chile, expatriates require a visa subject to an employment contract. For such purposes, an application must be filed before the Ministry of Foreign Affairs. The employee must register with the International Police and obtain a foreigner's identity card and a taxpayer identity card.

Intellectual Property / Fair Competition/Non-Competition Covenants

A. Intellectual Property

Intellectual Property regulations state that software developed by the employee by virtue of his or her employment belongs to the employer.

Other rules regarding intellectual property must be expressly agreed upon by the parties.

B. Non-competition covenants/ No solicitation of employees and customers

There are no express rules regarding the issue, but such covenants are not expressly prohibited and are usually set down in employment contracts. Nevertheless, their enforcement may be limited by antitrust laws and constitutional rights that grant the freedom to work, according to the specific circumstances of each particular case.

Personnel Administration

A.- Required postings

Except for the cases mentioned in the paragraphs above and for the Internal Health, Hygiene and Safety Regulations, the law does not require notices to be posted where employees have easy access to the information.

B. Required training

Labor law does not mandate employment-related training for employees or managers, except for the specific degrees required to perform certain jobs (architects, lawyers, physicians, etc.).

Nevertheless, there are many tax regulations and incentives to encourage employers to pay for employee training.

C. Personnel records

The only rules regarding personnel data and records are the ones contained in the Personal Data Protection Law mentioned below.

D. Meals and rest periods.

See paragraph 2.F.

E.- Payment Upon Discharge or Resignation

An employee whose employment is terminated must be paid all wages due and owing, including all accrued and unused vacation time. This must be done simultaneous to signature of the discharge. If payment will be made in installments, it must include interest and adjustments and the settlement must be authenticated by a Labor Inspector.

F. Employment References.

There are no rules regarding this issue. Nevertheless, it is common practice to request and give employment references.

G. Recordkeeping

Law 19.628[17] rules the protection of personal data.

Personal data can be processed only when expressly authorized by the law or the holder. Such authorization is not required if the data comes from public records, when it is commercial, financial, banking or economic information, when it is contained in listings that only mention activity, profession, education and degrees, address and date of birth.

This authorization is not necessary if the company needs the data for internal reasons.

The law requires employers to protect personal data from improper disclosure.

Privacy

Article 5 of the Labor Code[18] expressly states that employers can exercise their rights within the limits imposed by the Constitution, specially the rights to and respect for privacy.

A. Drug testing

Although there are no specific rules regarding drug testing, the issue has been discussed. One position is that although it is unacceptable for employees to go to work under the influ-

ence of drugs, drug testing would affect privacy if it refers to personal use outside of work.

Nevertheless, the parties can agree in the employment contract that the employer is entitled to conduct regular drug testing.

B. Off-duty conduct

Employers may not discharge or discriminate against an employee for engaging in lawful conduct outside of the workplace or after the workday.

There are no specific rules regarding medical information, searches, lie detector tests, fingerprinting, surveillance and monitoring.

Employee Injuries / Worker Compensation

See paragraph 3.E.

Unemployment

Chile has an unemployment insurance system:

This insurance establishes benefits for employees who lose their job, and it is financed by the employee, by the employer and by the Government. This law entered into effect October 1, 2002.

Applicability

This insurance is applicable to workers who meet the two requirements below:

1. He/she must be a contracted employee.
2. The employee must be subject to the Labor Code.

Employees excluded from the insurance

The insurance does not apply to the following types of employment:

1. Servants (working in a private residence)
2. Employees hired under an apprenticeship agreement
3. Employees under 18 years of age
4. Pensioners receiving a total disability or old age pension

Unemployment Compensation

Unemployment compensation is incompatible with the affiliation to the Unemployment Insurance.

17 www.lexisnexis.cl/Contenido/Legal/Nuevas_tec/ley_19.628.asp
18 www.lexisnexis.cl/Contenido/Laboral/Codigo_Trabajo/TituloPreliminar/CodTrab_TitPreliminar.asp

Reporting Obligation

The employer must communicate the commencement or termination of the employee's services to the Corporation Manager of the Unemployment Insurance within 15 days of the occurrence. A breach of this duty will be fined in the amount of 0.5 UF (US$ 20 approximately).

Funding of the insurance

The insurance has a tripartite funding comprised of the following:

The employee must contribute 0.6% of his taxable income
The employer must contribute 2.4% of the employee's taxable income
The Government will contribute annually an amount equal to 225,792 Monthly Tax Units, or approximately US$ 9.000.000.

The contribution made by the employee and part of the employer contribution go to the employee's Individual Unemployment Account. The contribution of the employee is a 0.6% of his taxable income whereas the contribution of the employer to this Individual Account is 1.6% of the taxable income of the employee. The other 0.8% plus the contribution of the Government go to the Unemployment Solidarity Fund.

Maximum Contributions

Contributions are calculated on the basis of the taxable income of the employee, with a maximum of 90 UF (approximately US$ 3.300).

Employees with more than one job

Employees with more than one labor relationship shall contribute for each of the jobs. The maximum contributions indicated above apply to each job considered separately.

Employees under a temporary employment contract

These employees are not obliged to make any contribution. Contributions shall be made only by the employer, which amounts to 3% of the taxable income of the employee that goes entirely to his Individual Unemployment Account. Should the contract be converted to a continuing one, the employee shall contribute 0.6% of his taxable income and the employer 2.4%.

Maximum duration of the contributions

Contributions shall be made for a period of no more than 11 years for each contract.

Job disability

Whenever the employee has a temporary authorized leave of absence due to a sickness, the employer is equally obliged to make the contributions of 2.4%. In these cases, the employee contribution is made by the Insurance Company that must, by law, pay the temporary subsidy.

The 0.6% will be discounted from the amount that the employee shall receive from this insurance company.

Payment of the contributions

When and by whom

The contributions for which the employer and employee are responsible shall be paid to the Corporate Manager of the Insurance by the employer or the Insurance Company that must, by law, pay the temporary subsidy whenever applicable. This payment shall be made within the first 10 days of the month following the month when the income or subsidy is due.

Oversight

The Labor Office is responsible for oversight and compliance with the different duties mentioned above. The inspectors of the Labor Office are entitled to apply the fines in case of breach.

Extinguishment of the obligations

The period to demand payment of the contributions is 5 years as of the day that the labor relationship ended.

Requirements to be entitled to Unemployment Insurance payments

An employee whose employment contract has ended has the right to receive compensation financed with the amount accrued in his Individual Account. He will be entitled to receive extra compensation from the Unemployment Solidarity Fund whenever the compensation obtained from his Individual Account is insufficient, pursuant to article 25 of Law 19,728.

Employees must meet the following requirements to be entitled to compensation from the Individual Account:

1 The employment contract must have ended for the reasons established in articles 159, 160 or 161 of the Labor Code or by indirect dismissal pursuant to article 171 of such code.

2 The employee must register at least 12 monthly contributions, whether continuous or discontinuous, in his Individual Account.

Collective Labor Relations And Collective Bargaining

The Labor Code recognizes the right of employees to form unions, which may in turn join federations, confederations and headquarters. The law has ruled in depth on all the requirements,

benefits, etc. of these unions and strongly punishes anti-union practices within the company.

The law has set down rules on collective bargaining and states that it is the procedure whereby one or more employers negotiate common working and salary terms for a fixed period of time with one or more unions or employee groups. The collective bargaining can include more than one company, but in such case, all the parties must agree on it (especially the employers).

A company must be in business for at least one year before there can be any collective bargaining.

If the employer refuses to accept the collective bargaining agreement proposed by the employees, they may invoke their constitutional right to strike. Both collective bargaining and the right to strike are ruled in depth in the Code, and, under certain circumstances, the company may replace the employees during the strike.

Collective bargaining agreements cannot last less than 2 and no more than 4 years.

An impasse in collective bargaining can be submitted to mediation or arbitration if the parties decide to do so in order to try to reach an agreement.

Immunity

For employees in special, exceptional or particular circumstances, such as health conditions, positions in the unions or maternity, the law considers a special immunity by which their employment contract cannot be terminated unless a court authorizes it. The dismissal does not take effect until the authorization is granted, unless the court authorizes a provisional separation during the trial. In this case, if the authorization is denied, the employee must be reincorporated to his job and he is entitled to receive salary for the time he was separated from his job.

The following employees enjoy this privilege:

1. women, from the time they become pregnant to one year after the maternity leave ends;
2. employees who participated in the creation of a union, from 10 days before the respective meeting until 30 days after it was held (it cannot last more than 30 days);
3. candidates to a position in the union, as of the time they report the date of the election to such election;
4. members of the board of the union, from the time they are elected to six months after their position ends;

5 the employees' representative on the Hygiene and Safety Committee, upon election;

6 employees in collective bargaining, from 10 days before the presentation of the collective contract proposal to 30 days after it was signed or until the parties are notified of the arbitral award;

7 employees who have a leave of absence for sickness, work accident or occupational disease, while it lasts, except if the termination is based on one of the causes established in article 160[19] of the Labor Code.

Employers must also maintain the job of any employees called to serve in the army, for the entire period of the recruitment to 1 month after they are discharged.

Settlement (Resolution) Of Labor Disputes

The Code establishes Labor Courts for the resolution of certain types of disputes and assigns the resolution of others types of disputes to the Civil Courts. In both cases, the applicable procedure is a special one described in the law, which considers a mandatory conciliation hearing.

Labor disputes cannot be submitted to arbitration.

19 www.lexisnexis.cl/Contenido/Laboral/Codigo_Trabajo/Libro1/Titulo5/CodTrab_Tit5.asp

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