Types of company structure in Chile

Before embarking on any economic activity, it is important to define its organizational structure. The basic structure envisaged under Chilean legislation is the company. There are, however, different types of company and the one chosen will depend on factors that include the investor’s business strategy and the amount of capital to be brought in. Four types of company can be used as a vehicle for foreign investment.

**Individual Limited Liability Company**

In Chile, an individual can acquire the status of a legal entity as an Empresa Individual de Responsabilidad Limitada or E.I.R.L (Individual Limited Liability Company). This is a legal entity of a commercial nature with assets distinct from those of its owner that does not require the participation of a third party. These companies are subject to the Commercial Code and can undertake any type of civil and commercial activity, except those reserved by law for corporations. Their assets are limited to the amount specified in their deeds and the owner is answerable only with personal goods up to the capital contributed to the company while the company is answerable with all its goods.

The company’s name must include that of its founder or an invented name that refers to its purpose and must also include the words “Empresa Individual de Responsabilidad Limitada” or “E.I.R.L.” The company’s purpose must indicate the nature of its activities and the specific sector in which it will operate.

**Limited Liability Company**

In these companies, for which there is not a minimum capital requirement, each partner’s liability is limited to the amount of his capital contribution or a specified higher amount. The purpose, administration and control of these companies can be freely determined by their partners.

The partners may be Chilean or foreign individuals or legal entities, but cannot number less than two or more than 50.
For their founding, companies of this type require a public deed of which an extract must be registered with the Companies’ Registry Office corresponding to their domicile and be published once in the Diario Oficial (Official Gazette) within 60 days of the date of the deed. The legal cost of this procedure is 0.1% of the company's starting capital while the Diario Oficial charges a fee per letter about which information must be obtained at the time of publication and the Companies’ Registry Office charges a rate of 0.2% of the starting capital.

The name of the company may contain the name of one or more partners or a reference to its purpose and must include the word “Limitada” without which all the partners will be considered jointly responsible for its liabilities.

**Corporation (S.A.)**

A corporation is defined as a company formed by a common fund provided by shareholders who are responsible only for their respective capital contributions and is administered by a board of directors, with at least three members who are essentially revocable, which elects a manager and the board’s chair. Decisions are taken by majority vote. A corporation’s starting capital must be fully subscribed and paid in within a period of three years and, if this does not occur, its capital is automatically reduced to the amount effectively subscribed and paid in.

**Types of Corporation**

**Public**

These are those corporations whose stock is publicly traded and have at least 500 shareholders or at least 10% of their subscribed capital is held by a minimum of 100 shareholders. They companies are subject to supervision by the Superintendencia de Valores y Seguros, SVS (Securities and Insurance Superintendency) and must be on the National Securities Register.

**Close**

These are those corporations that do not fall within the above definition but may voluntarily submit to the norms applying to public corporations.
A corporation is formed through a public deed that must contain information which includes the identity of all its shareholders, its specific purposes, duration, capital, forms of administration and the way in which profits will be distributed.

The corporation must subsequently register with the Companies’ Registry Office corresponding to its domicile and publish an extract of its deed in the Diario Oficial (Official Gazette). Both these formalities must be completed within 60 days of the date of the deed.

**Stock Company (SpA)**

A type of corporation, these companies are formed by one or more persons whose participation in the capital is represented by shares. By extension, they are governed by the norms applying to close corporations and, in a requirement that is practically the same as for a corporation, must keep a shareholders’ register.

Stock companies are founded through a public deed or a private document signed by the participants in which case their signatures must be verified by a public notary who legalizes the document. This must be registered with the Companies’ Registry Office corresponding to their domicile and be published once in the Diario Oficial (Official Gazette) within a month of the date of the signing.
Bankruptcy

In Chile, bankruptcy is a matter determined by a civil law court which, in a single procedure, liquidates the goods of an individual or legal entity in order to pay the corresponding debts. Either creditors or the debtor can file for bankruptcy.

A creditor can file for bankruptcy when a debtor defaults on a commercial obligation of a binding nature or when the debtor flees the country or goes into hiding, closing his offices or establishments without having appointed a person to administer his goods.

The judge must rule on requests for bankruptcy at the earliest opportunity. Once bankruptcy has been declared, administration of the debtor’s goods is transferred to a trustee in bankruptcy.

For further information, see: Internal Revenue Service (www.sii.cl).