

GLOBAL EXPANSION GUIDEBOOK GLOBAL EQUITY

Chile



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INTRODUCTION

Welcome to the 2024 edition of DLA Piper's *Global Expansion Guidebook – Global Equity*.

GLOBAL EXPANSION GUIDEBOOK SERIES

Many companies today aim to scale their businesses globally and into multiple countries simultaneously. In order to help clients meet this challenge, we have created a handy set of global guides that cover the basics companies need to know. The *Global Expansion Guidebook* series reviews business-relevant corporate, employment, intellectual property and technology, and tax laws in key jurisdictions around the world.

GLOBAL EQUITY

Our philosophy for providing services to our clients can best be described as a partnership. We strive to provide our clients with a solutions-oriented approach to address their current and future legal needs. Specifically, we analyze each project from a risk and cost-benefit standpoint. We also advise our clients of current best practices and keep them apprised of any legal, cultural, and business changes that may affect their programs. We hope that you find the information in this guide useful for the implementation of your company's equity compensation programs. In preparing the guide, we have made several assumptions about the stock awards that may or may not be applicable to your company. The assumptions include: (i) the local entity is a wholly-owned subsidiary of the issuing company; and (ii) the participants are employees of the local entity or the issuing company.

In addition, you should be aware that the information provided in the guide is presented in a general format and is not a comprehensive summary of all the tax and regulatory issues that may be applicable to your company's specific circumstances (i.e., plan design, corporate governance, tax practices and administration). Furthermore, the laws and regulations applicable to stock awards are constantly changing. These changes may not be incorporated into this version of the guide. With these factors in mind, it is important that you do not consider this guide to be legal advice and do not rely solely on the information provided when implementing an equity award plan abroad. We would be pleased to help you review all pertinent information and can assist you in developing a comprehensive strategy to offer an equity award plan globally.

We hope that you find this guide valuable and we welcome your feedback.

This publication is provided to you as a courtesy, and it does not establish a client relationship between DLA Piper and you, or any other person or entity that receives it.

This is a general reference document and should not be relied upon as legal advice. The application and effect of any law or regulation upon a particular situation can vary depending upon the specific facts and circumstances, and so you should consult with a lawyer regarding the impact of any of these regimes in any particular instance.

DLA Piper and any contributing law firms accept no liability for errors or omissions appearing in this publication and, in addition, DLA Piper accepts no liability at all for the content provided by the other contributing law firms. Please note that global equity law is dynamic, and the legal regime in the countries surveyed could change.

CHILE



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RESTRICTED STOCK AND RSUS

Securities

As long as the offer of restricted stock or RSUs constitutes a private offer, generally no affirmative securities law requirements are implicated.

Foreign exchange

Any investment in excess of USD10,000 by a Chilean resident in shares of a foreign company is subject to reporting requirements. For cumulative investments in excess of USD5 million, additional reporting requirements apply.

Tax

Employee

Restricted stock and RSUs are usually taxed upon vesting when the employees satisfy the conditions to become owners of the stock. For tax purposes, RSUs are deemed as remuneration paid in kind.

The fair market value of the stocks constitutes employment income for employees.

Therefore, they are assessed along with other remunerations (eg, salaries, bonuses, wages, etc.) paid in the same tax period to determine the tax bracket and progressive rate of the employee.

Employer

Employment income is taxed progressively, ranging from 0 to 40 percent based on income levels. This tax is withheld monthly by employers acting as withholding agents.

When employers issue Restricted Stock Units (RSUs) directly to employees, they must withhold taxes upon vesting. If the RSUs consist of stocks from a related company (eg, the employer's parent company) and the employer covers the RSU costs (eg, reimburses the parent company), the employer remains liable to withhold employment taxes. Otherwise, employees must self-declare RSUs as part of their income.

If RSUs are granted by the foreign company but the local employer does not reimburse such costs, then the local employee must self-withhold, declare and pay taxes for the RSUs.

Withholding & Reporting

If the local employer holds the position of withholding agent as explained above, it must file tax returns within the first days of the month following the payment of the remunerations or benefits derived from the plans.

Otherwise, the eligible employee must self-withhold, declare and pay taxes as explained above.

Deduction

If benefits derived from the plan are paid directly or borne by the local employer, the inclusion of such benefits in the employee's compensation (subject to the payroll process of the respective period) and the existence of supporting documentation signed by the employee (eg, annex where they acknowledged the terms and conditions of the plan) should enable the subsidiary to deduct such cost for tax purposes.

If the benefits from the plan are paid by the issuing company (usually a foreign parent company) and charged back to the local employer afterwards, the inclusion of such benefits in the employee's compensation (subject to the payroll process of the respective period), the existence of supporting documentation signed by the employee (eg, annex where they acknowledged the terms and conditions of the plan) and intercompany agreements between local employer and the issuing company, should enable the subsidiary to deduct such cost for tax purposes.

Social insurance

Compensation derived from restricted stock units and RSU plans is subject to social security contributions if, together with the remaining remunerations payable to the eligible employee in the same month period, do not exceed the capped compensation that the law states as a basis for social security calculations. For instance, if the base salary of an eligible employee suffices the capped basis, compensation from the plans paid in the same period will not be subject to social security contributions as they are over the capped basis. Otherwise, if compensation of the plan, together with the remaining remunerations payable in the month, is lower than the capped month basis, they shall trigger social security contribution payments. In addition, should the benefits be paid directly by the issuing company with no charge-back to the local employer, it is debatable whether they will trigger social security contributions obligations.

Data protection

Obtaining employee consent for the processing and transfer of personal data is recommended. Such consent should be in Spanish.

Labor

Offering restricted stock and RSUs may trigger certain employer obligations and employee claims. For instance, benefits received from an award may be considered part of the employment relationship and included in a severance payment if such benefits are routinely offered. Upon involuntary termination of employment, an employee may assert that they are entitled to continued vesting and other rights with respect to their award. In order to reduce the risk of employee claims, the award agreement signed by an employee should provide, among other things, that the vesting of an award ceases upon termination of employment, and that the plan and any awards under it are discretionary.

Communications

The Labor Authority has asserted that plan materials should be translated. However, translation is not legally required. Government filings and any employee consent authorizing the cross-border transfer of personal data must be in Spanish.

STOCK OPTIONS

Securities

If the stock options are to be offered to 50 or more individuals (direct employees or employees of a subsidiary), the Chilean Financial Market Commission (“CMF”) considers such as a public offering of stock, however, it is exempt from registration in the Chilean Stock Registry of the CMF, and the only requirement is that the company offering the options, provides certain information to the CMF 5 business days prior to the granting of the option.

On the contrary, if the offer is directed to less than 50 employees it shall be considered a private offering, and the CMF requires providing only certain general information to the beneficiaries regarding such circumstances.

Foreign exchange

Any investment in excess of USD10,000 by a Chilean resident in shares of a foreign company is subject to reporting requirements. For cumulative investments in excess of USD5 million, additional reporting requirements apply.

Tax

Employee

The employee will be taxed depending on whether or not the stock option plan has been agreed in an individual or collective employment agreement.

If agreed in an individual or collective agreement, the employee will only be taxed on the capital gain derived from the sale of shares, with Personal Income Tax.

If the plan is not agreed in an individual or collective employment agreement, the employee will be levied with Employment Taxes after exercising the option to acquire the stocks. The tax basis shall be equivalent to the book value or fair market value of the stocks. The employee will also be subject to Personal Income Tax if a capital gain arises from the sale of the stocks acquired because of the stock option plan.

Employer

The employer is liable as a withholding agent for tax and social security contributions when remunerations derived from the plan as described above are paid directly by such employer, or such payment is made by a 3rd party to the eligible employee (ie, the issuing party), but later, the local employer reimburses the costs of the plan to the issuing party payer through charge-back.

Whether or not there is a charge-back in place and the compensations from the plan are paid by the issuing party, the local employee must self-withhold, declare and pay taxes accordingly (on a monthly basis).

Withholding & Reporting

If the local employer holds the position of withholding agent as explained above, it must file tax returns within the first days of the month following the payment of the remunerations or benefits derived from the plans.

Otherwise, the eligible employee must self-withhold, declare and pay taxes as explained above.

Deduction

In case that remuneration derived from the plan is paid directly by the local employer, the inclusion of such benefit in the employee's compensation (subject to the payroll process of the respective period) and the existence of supporting documentation signed by the employee (eg, annex where they acknowledged the terms and conditions of the plan) should enable the subsidiary to deduct such cost for tax purposes.

In case the remuneration from the plan is paid by the issuing company and charged back to the local employer afterwards, the inclusion of such benefits in the employee's compensation (subject to the payroll process of the respective period), the existence of supporting documentation signed by the employee (eg, annex where they acknowledged the terms and conditions of the plan) and intercompany agreements between local employer and the issuing company, should enable the subsidiary to deduct such cost for tax purposes.

Social insurance

Remunerations derived from stock options plans are subject to social security contributions if, together with the remaining remunerations payable to the eligible employee in the same month period, do not exceed the capped compensation that law states as a basis for social security calculations. For instance, if the base salary of an eligible employee suffices on the capped basis, compensation from the plans paid in the same period will not be subject to social security contributions since they are over the capped basis. Otherwise, if compensation of the plan, together with the remaining remunerations payable in the month, is lower than the capped month basis, they shall trigger social security contribution payments. In addition, should the benefits be paid directly by the issuing company with no charge-back to the local employer, it is debatable if they will trigger social security contributions obligations.

Data protection

Obtaining employee consent for the processing and transfer of personal data is recommended. Such consent should be in Spanish.

Labor

Offering stock options may trigger certain employer obligations and employee claims. For instance, benefits received from an option may be considered part of the employment relationship and included in a severance payment, if such benefits are routinely offered. Upon involuntary termination of employment, an employee may assert that they are entitled to continued vesting and other rights with respect to their option. In order to reduce

the risk of employee claims, the award agreement signed by an employee should provide, among other things, that the vesting of an option ceases upon termination of employment, and that the plan and any awards under it are discretionary.

Communications

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STOCK PURCHASE RIGHTS

Securities

As long as the offer of purchase rights constitutes a private offer, generally no affirmative securities law requirements are implicated.

Foreign exchange

Any investment in excess of USD10,000 by a Chilean resident in shares of a foreign company is subject to reporting requirements. For cumulative investments in excess of USD5 million, additional reporting requirements apply.

Tax

Employee

The employee generally is taxed on the spread upon purchase. Any gain upon the sale of shares also is subject to tax.

Employer

Withholding & Reporting

If the subsidiary supports the cost of the purchase right, withholding and reporting are required.

Deduction

Reimbursement of the parent company for the cost of the benefit (ie, the discount at the time of purchase) and inclusion of such benefits in the employee's compensation should enable the subsidiary to deduct such cost from its income taxes.

Social insurance

Generally, the spread is likely not subject to social insurance contributions, subject to applicable contribution ceilings.

Any capital gains arising from the sale of shares obtained through the exercise of an option does not constitute remuneration for labor law and social security purposes under Articles 41 and 42 of the Labor Code.

Data protection

Obtaining employee consent for the processing and transfer of personal data is recommended. Such consent should be in Spanish.

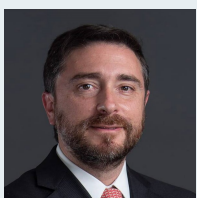
Labor

Offering purchase rights may trigger certain employer obligations and employee claims. For instance, benefits received from a purchase right may be considered part of the employment relationship and included in a severance payment if such benefits are routinely offered. Upon involuntary termination of employment, an employee may assert that they are entitled to continued participation in the plan and other rights with respect to their purchase right. In order to reduce the risk of employee claims, the offer document signed by an employee should provide, among other things, that participation in the plan ceases upon termination of employment, and that the plan and any awards under it are discretionary.

Communications

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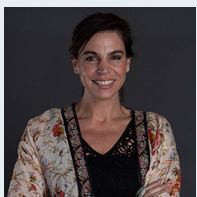
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