

CHILE

Chile boasts a distinctive geography spanning over 4,300 kilometers along the western coast of South America. Its north-to-south expanse results in a diverse array of climates, ranging from the world's driest desert in the north to temperate and cold regions in the south. Renowned for its stability and prosperity, its economy thrives primarily on sectors such as mining (notably copper), agriculture, fishing, tourism, and services. The country is esteemed for its market-oriented economic strategies and significant role as a commodities exporter. Its population of 19.6 million embodies a fusion of indigenous, European, and African cultural influences.

SOUTH AMERICA

NATIONAL HOLIDAYS

The following are the current public holidays in Chile:

JAN 1	New Year
MAR 29*	Holy Friday* (<i>*Date varies</i>)
MAR 30*	Holy Saturday* (<i>*Date varies</i>)
MAY 1	Labor Day
MAY 21	Glorias Navales Day
JUN 21	National Day of Indigenous Peoples
JUN 26	Saint Peter and Saint Paul
JUL 16	Day of the Virgen del Carmen
AUG 15	Assumption of the Virgin
SEP 18**	National Independence** (<i>**Mandatory holiday</i>)
SEP 19**	Day of the Glories of the Army** (<i>**Mandatory holiday</i>)
SEP 20	National Holiday Additional
OCT 09	Day of the Meeting of Two Worlds
OCT 27	Day of the Evangelical and Protestant Churches
NOV 1	All Saints Day
NOV 8	Immaculate Conception
DEC 25	Christmas** (<i>**Mandatory holiday</i>)

It's important to note:

MANDATORY HOLIDAYS: are the ones that we can't force the employees work. It is not even allowed for the employer to agree with his employees to work that day because he runs the risk of sanctions. Only the following businesses indicated in the Law may work:

- a) Clubs, restaurants, entertainment establishments (cinemas, live shows, discos, pubs and cabarets);
- b) Commercial premises in public civil aerodromes and airports, gambling casinos and other legally authorized gambling places;
- c) Fuel sales establishments, convenience stores associated with fuel sales establishments;
- d) Pharmacies of emergency and pharmacies that must meet shifts set by the health authority.

NON-MANDATORY HOLIDAYS: These are the ones that we can ask the employees to work but we will have to pay an additional charge.

WORKING HOURS

The working hours are **40 hours** per week, **8 hours** per day and **5 days** per week.

OVERTIME: up to 2 hours per day or 10 hours per week.

LUNCH BREAK: 30min per day.

REST DAY: 1 day per week, Sunday preferable.



EMPLOYEE BENEFITS

MANDATORY

a) Vacations;

b) **GRATIFICATION:** can be considered as profit share, that employers pay to their employees whether annually or in a monthly basis (as employers we pay in a monthly basis). The gratification is linked to the minimum wage;

c) **REMOTE WORK ALLOWANCE:** for all remote workers we have to pay an allowance intended to cover operational costs for the employee to work from home, there's no minimum nor max established, but we recommend start at 20,000 CLP per month.

NON-MANDATORY

There are some allowances that are non-taxable such as:

a) Meal allowance;

b) Transportation allowance;

c) Phone/Internet allowance.

VACATIONS

Employees in Chile are granted **15 working days** per year of paid leave.

Fractioning vacations is permitted by mutual agreement, at least **10 continuous business days**.

Accumulation is allowed **up to 2 periods**. The employer whose worker has accumulated **two consecutive periods**, must in any case grant at least the first of these, before completing the year that entitles him to a new period. Excessive



accumulation of periods would only constitute an infringement of labor legislation, which in no case can result in the deprivation of the right to rest, proceeding only to sanction it administratively with respect to the employer with a fine for tax benefit.

Sustaining that any of the periods is lost would involve imposing a waiver of rights to the dependent, which is prohibited by **article 5 of the Labor Code**.

Requirement for getting vacations is **1 year of services** in the same company. The worker decides when to use it. Justified refusal of the employer is needed.

It is not compensable in money.

SICK LEAVE

Employees are entitled to sick leave if supported by a medical certificate that is given to the employer within **2 working days** from the date of beginning of the sick leave.

The employer then has **three working days** to forward the medical leave certificate to the health insurance institution (**ISAPRE** or **FONASA**) who pays for the sick leave, which may be subject to caps (approval or denial). If the license is rejected, the worker can claim through **COMPIN** (Commission of Preventive Medicine and Disability).

The time of medical license is determined by the treating doctor and there are **no limit** of days established in the Law.

THREE DAYS OR LESS OF SICK LEAVE: Employees are not entitled to sick pay.

BETWEEN 4 AND 10 DAYS OF SICK LEAVE: Employees are entitled to sick pay.

GREATER THAN 10 DAYS OF SICK LEAVE: Employees are entitled to sick pay for all working days during the sick leave period.

PARENTAL LEAVE

In Chile, the woman is entitled to **18 weeks** of maternity leave, split between **six weeks** paid **prenatal leave** (for that the mother must inform the estimated date of childbirth) and **twelve weeks** paid **postnatal leave**. Following completion of the twelve-week postnatal leave, new mothers have the right to request an **additional** twelve weeks' leave.

The leave is mandatory and non-negotiable. During that period, requests cannot be made to the person who is on leave.

During the pregnancy, the woman is not required to participate in activities that would endanger her health (i.e. heavy lifting). If this is a requirement of the job, the employer must reassign her to a different position during her pregnancy without pay reduction. Also during the entire pregnancy and up to 18 months after the birth, the company may only terminate the employment contract of the mother with authorization of a labor court.

Maternity and paternity leave are paid: **50% subsidy by the government** (COMPIN or ISAPRE), usually **50% by the company health**

insurance provider.

Fathers are entitled to **5 continuous working days** of paternity leave to be used when they want after the child is **born or adopted**. Fathers can also share the parental leave of up to **six weeks of full-time leave** or **12 weeks of part-time leave**.

PROBATIONARY PERIOD

The initial **two-week** period following commencement of employment shall be considered a provisional trial period. During this time, either party may elect to terminate the employment contract by providing at least **three days'** advance notice. Compensation will be provided for the time worked up until the termination date.

TERMINATION

In Chile, companies may terminate employment for the following reasons:

- a)** Mutual agreement;
- b)** The conclusion of particular task agreed upon force majeure (e.g. an unexpected event, for example, a natural disaster);
- c)** The employee's death;
- d)** The expiration of an agreed upon term or duration of employment;
- e)** Resignation by the employee;
- f)** Company needs/company reorganization;
- g)** Dismissal due to breach of contract or other serious issue (must be proven by the employer).

In order to initiate the termination of a contract, the employer must first decide the cause, as per **articles 159, 160, 161**, and to a limited extent **163** of the **Chilean Labor Code**.

In summary, these causes are:

ARTICLE 159: Mutual agreement, resignation, or expiration of the contract;

ARTICLE 160: Dismissal due to breach of contract or other serious issue (must be proven by the employer);

ARTICLE 161: Company needs/company reorganization.

In the event of **dismissals**, the latter is the most commonly used cause. If this is the case, the employer would need to prepare a letter of notification to the employee, in which the cause is referenced and the effective date is indicated.

This letter is either signed in person by the employee, or sent by certified mail to his home address. In parallel, an original is also filed with the Chilean Labor Ministry ("Inspección de Trabajo").

It is standard for the employee to be formally notified on his last day, with immediate effect.

Once notified, the employer prepares the **severance agreement** ("finiquito"), in which the cause is detailed and the amounts are specified such as **one month of notice**, untaken vacation days, and severance (if applicable).

This agreement should be signed within **10 days of notification**, and this signature should occur



either at the Chilean Labor Ministry or at a notary. In the case of a **mutual agreement**, a document would be signed on the date of termination indicating that the parties have reached an agreement for the employee to leave, followed by the severance agreement signed in the **first or second week** following the termination date. Finally, in the case of **employee resignation**, the employee should present the employer with the resignation letter as soon as the decision to resign is made, indicating the final day. The employer can provide a template resignation letter for the employee to sign. Only **pending vacation days** are due to be paid to the employee.

The calculation of Termination Payments in Chile is made in the following manner:

- a)** Wages in Lieu of notice;
- b)** Pending vacation days;
- c)** Severance, if tenure is 1+ years;
- d)** Wages, commissions, bonuses that are outstanding severance payment and long service payment.

If the employee has completed at least **1 year** of employment, they are entitled to **severance pay**. For every year of service **up to 11 years**, the employee is entitled to **1 month's salary**.

In addition, **after one year of employment**, the employee accumulates an **additional** month of

severance pay if they have worked for at least **half** of the following year.

TAXES

SOCIAL INSURANCE: Employers and employees are required to contribute to social security on a monthly basis. Employers are tasked with deducting the employee's portion of the contributions and sending it to the social security authorities, along with their own contributions. The majority of social insurance contributions are carried by **employees**. Those includes:

PENSION FUND	10%
HEALTH INSURANCE PLAN	7%
LIFE INSURANCE PLAN	2.84% to 3.4%
UNEMPLOYMENT INSURANCE PLAN	0.6%

PENSION FUND: Currently, there are seven AFP companies operating in Chile, and the permissible deduction limit differs depending on the worker's affiliation.

Commencing at the base rate of 10% (a discount mandated by Law), the deduction percentage varies based on the commission charged by the Pension Fund:

PENSION FUND: Currently, there are seven AFP companies operating in Chile, and the permissible deduction limit differs depending on the worker's affiliation.

AFP CAPITAL	11.44%
AFP CUPRUM	11.44%
AFP HABITAT	11.27%
AFP PLAN VITAL	11.16%
AFP PROVIDA	11.45%
AFP MODELO	10.58%
AFP UNO	10.69%

There is a taxable cap of 81.6 UF.

Social security funds various systems at specified contribution rates by **employers**, including:

WORK RELATED ACCIDENT INSURANCE	0.93%
LIFE AND DISABILITY INSURANCE (SIS)	1.88%

UNEMPLOYMENT INSURANCE

If the agreement is **defined**, employers bear entire contribution cost:

EMPLOYEE	0%
EMPLOYER	3%

If the agreement is **indefinite**:

EMPLOYEE	0.60%
EMPLOYER	2.40%

INCOME TAX

In Chile, income tax is charged at a progressive rate ranging from 0% to 40%. Tax on income from employment is withheld by the employer monthly during payroll. Other income (not employment income) must be declared on an annual income tax return, although tax paid on employment income may be credited against the final income tax liability.

Social security contributions are deducted from the employee's gross salary before the tax base for the income tax contribution rate is defined.

Joint filing of the annual tax return is not allowed, but spouses married under a community property system must file their annual taxes jointly.

SALARIES UP TO 13.5 UF	Employee is exempt of tax
13.5 UF TO 30 UF	4%
30 UF TO 50 UF	8%
50 UF TO 70 UF	13.5%
70 UF TO 90 UF	23%
90 UF TO 120 UF	30.4%
120 UF TO 310 UF	35%
310 UF AND ABOVE	40%

UF = 37.029,16 CLP for March 2024 (the Tax Units are updated every month).

HEALTH INSURANCE

In Chile, there exist two institutions, namely the private sector (ISAPRE) and the public sector (FONASA), for healthcare coverage. Employees are granted the liberty to select the health fund they prefer to enroll in. According to regulations, the mandatory health deduction is **7% of the gross salary**, with a taxable cap of 81.6 UF, even if the worker has previously agreed to a higher deduction.

This amount must be withheld and paid monthly by the **employer** to the chosen healthcare institution by the worker, who is responsible for the affiliation. Subsequently, FONASA or ISAPRE will notify the employer of the monthly amount to be withheld and paid.

LABOR LAW - NUMBER AND VALID PAGE

Check out more about labor laws in Chile in the link below:

WORK CODE/CÓDIGO DEL TRABAJO: https://www.dt.gob.cl/legislacion/1624/articles-95516_recurso_1.pdf

HOME OFFICE/HYBRID WORK - LAW - GUIDANCE

Check out more about home office/hybrid work laws in Chile in the link below:

**REMOTE WORK AND TELEWORK RULING NO.
1389/7/TRABAJO A DISTANCIA Y**

TELETRABAJO ORD. N°1389/7: <https://www.dt.gob.cl/legislacion/1624/w3-article-118503.html>

FOREIGN EMPLOYEES: WHICH PAPERS DO THEY NEED TO HAVE TO BE CONTRACTED BY THE LOCAL LAW? MAXIMUM QUOTA ALLOWED.

All foreign employees must possess the following:

- a)** Authorization to work or a temporary residence visa, permanent residence visa, or a visa linked to an employment contract (the latter must be requested directly from the consulate and include a letter from the employer justifying the hiring);
- b)** RUT (Taxpayer Identification Number);
- c)** AFP (Pension Fund) affiliation;
- d)** Health insurance affiliation (ISAPRE or FONASA).
- e)** Apostilled degree or title.

The maximum quota allowed is a total of **15% of the total** number of hired workers.

OTHER COMMENTS / SUGGESTIONS

Currently the laws are subject to changes by constitutional process in the country.

WHAT IS UF?

The Unidad de Fomento (UF) serves as a monetary unit utilized in Chile. It is subject to monthly adjustments, determined and authorized by the Central Bank.

