

• NEWSLETTER • March 2009

Amendments to the stamp tax act

On January 29th was enacted Law 20,326, that amends several other laws with the main purpose of give tax incentives, to give an extraordinary subsidy to low income families and, in general, to implement certain actions that encourages investments and employment. These reforms must be understood within the local and global economical crisis. One of the laws amended by this Act is the Stamp Tax Act (D.L. N° 3.475), because of the high rise of financial costs produced by the mentioned economical crisis.

In general terms, the Stamps Act taxes all credit operations made trough negotiable instruments such as loans, letters of credit, IOU's, promissory notes or checks and any operation made with them. Additionally, the Stamp Tax Act taxes non-documentary operations as well as other kind of financial sources.

LAW 20,326 BENEFITS WITH CERTAIN TAX EXEMPTIONS THE FOLLOWING OPERATIONS:

1. Issuance of letters of credit, IOU's, checks and, in general, all documentary forms of credits.
2. Renovation or extension of the mentioned documents, as well as other credit operations coming from the exterior trough banks or financial institutions approved by the Chilean Central Bank.
3. Import operations to a duty free zone when the payment is made with credit.

THE BENEFITS ESTABLISHED BY LAW 20,326 TO THESE OPERATIONS IMPLY THE EXEMPTION AND REDUCTION OF THE STAMP TAX RATE ACCORDING TO THE FOLLOWING:

1. The mentioned operations do not pay stamp tax during the year 2009.
2. As from January 1st, 2010 until June 30th, 2010, the stamp tax rate will be 50% of the standard rate.
3. In addition to that, if any taxpayer has paid stamp tax during 2009, such taxpayer is entitled to request for a refund for those paid taxes.

In Summary, during 2009 there will be no stamp tax for the mentioned credit operations, and in the first half of the next year the tax rate is going to be half of the normal one. ■

Pre-Investment Studies Financing Fund in Advanced Stages for Power Generation Projects based on Renewable Sources, granted by Corporación de Fomento de la Producción ("CORFO").

On January 27th, 2009 was published in the Official Gazette the Regulation for the Pre-Investment Studies Financing Fund in Advanced Stages for Power Generation Projects based on Renewable Sources, granted by CORFO.

The purpose of such regulation is to grant subsidies in order to support the pre-investment in the abovementioned projects and to contribute with the strengthening of the national power generation matrix and to increase its diversification and independence.

The fund will grant subsidies nationwide and its potential beneficiaries will be the private companies and local or foreign corporations or non-profit entities.

Some of the studies to be co-financed, will be the basic engineering studies, the specific engineering studies, the environmental impact studies and the interconnection studies, among others.

In order to apply to this Fund, it will be necessary to submit the application and a number of technical and legal documents set out in the Regulation.

The eligible projects will be those in which the estimated investment exceeds the amount of US\$400,000, being a company authorized to apply more than once to the extent that each application corresponds to a different project.

The amount of the co-financing will be up to 50% of the cost of the engineering studies in advanced stages, with a cap of 5% of the amount of the estimated investment. The subsidy's maximum amount to be allocated per project will be US\$160,000. ■

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Bill of Law to facilitate the acquisition of geothermal concessions in Chile

Chile has great geothermal potential due to its location in the denominated Pacific ring of fire. Some experts in the field consider that the electrical potential of geothermic energy in the country could reach up to 16,000 MW, an amount greater than today's entire installed power capacity.

The abovementioned fact, together with the strong growth of electricity demand and several environmental issues, indicate that power generation from geothermal sources should have a significant role in the growth of the electrical park in the long term.

In order to encourage the exploration and exploitation of geothermal energy, on January 28th, 2009, the National Energy Commission (Comisión Nacional de Energía) and the Ministry of Mining (Ministerio de Minería) sent to Congress a bill of law amending the procedure to grant concessions for geothermal energy.

The new legislation will improve the existing legal framework in order to (i) reduce the opportunities for speculation, (ii) encourage the participation of companies with real investing compromise, (iii) accelerate the process to grant concessions and (iv) increase the geological knowledge in the country.

The target is to reduce by 40% the time required to obtain a concession and reserve funds through the state development

agency CORFO to share the risks of exploration with the companies that participate actively in the search of geothermal potential.

The bill of law will ensure that once a concession is granted, the investments are made, because nowadays there are doubts about the seriousness of the requested concessions as many times requests are made with a mere speculative spirit. For these purposes, the amount of the annual fees to be paid by the owners of exploitation concessions will be increased until they do not begin with their productive project, which will be an incentive to the owners of concessions to move rapidly into productive stages of geothermal development.

In addition, the bill of law will allow to define exploration blocks with more flexibility. Thus, if a company becomes the owner of a concession and decides to return the concession to the government after having done the preparatory work for exploration, all information obtained in the area will be owned by the government and will be available for other companies interested.

If you have any further question, please contact the attorney at Bahamondez, Alvarez & Zegers Ltda. with whom you work with or Felipe Bahamondez at fbahamondez@baz.cl or Matias Zegers at mzegers@baz.cl. ■

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