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ARTICLE 41 E.- For the purposes of this Law, the Servicio de Impuestos Internos (Chilean tax authority - SII) can challenge prices, values, or returns set, or establish them if they have not been set, when cross-border transactions and those involving business reorganisations or restructurings carried out by taxpayers domiciled, resident, or established in Chile with related parties abroad have not been conducted at arm's length prices, values, or returns.

The provisions of this Article will be applied with respect to the aforementioned business reorganisations or restructuring when, in the judgement of the SII, as a result of them, the transfer of goods or activities capable of generating taxable income in the country has occurred, for any reason or no reason at all, from Chile to abroad; and it is estimated that if the assets had been transferred, the rights assigned, the contracts entered into, or the activities developed between independent parties, an arm's length price, value, or return would have been agreed upon or the ones set would be different from those established by the parties. For such purposes, the methods referred to in this Article must be applied.

Arm's length prices, values, or returns will be understood as those that had been or would be agreed upon or earned by independent parties in comparable transactions and circumstances, considering, for example, the characteristics of the relevant markets, the functions assumed by the parties, the specific characteristics of the goods or services contracted, and any other reasonably relevant circumstances. When such transactions have not been carried out at arm's length prices, values, or returns, the SII can challenge them with grounds, in accordance with the provisions of this Article.

1.- Relationship rules.

For the purposes of this Article, the parties will be considered as related when:

- a) One of the parties participates directly or indirectly in the management, control, capital, profits, or incomes of the other, or
- b) The same person or persons participate directly or indirectly in the management, control, capital, profits, or incomes of both parties, understanding that they are all related to each other.

An agency, branch, or any other form of permanent establishment will be considered related to its parent company; other permanent establishments of the same parent company; related parties of the latter and their permanent establishments.

A relationship will also be considered to exist when the transactions are carried out with parties resident, domiciled, established, or incorporated in a country, territory or jurisdiction referred to in Article 41 H unless such country or territory enters into a valid agreement with Chile that allows the exchange of relevant information for the purposes of applying the tax provisions.

Natural persons will be understood as related when they are spouses, civil partners, or have a consanguinity or affinity relation up to the fourth grade inclusive.

Likewise, a relationship will be considered to exist between the parties involved when one party carries out one or more transactions with a third party which, in turn, carries out, directly or indirectly with an associate of such party, one or more transactions similar or identical to the ones performed with the former, regardless of the capacity in which said third party and the parties participate in such transactions.

2.- Transfer pricing methods.

The SII, in order to challenge the respective prices, values, or returns according to this Article, must summon the taxpayer, in accordance with Article 63 of the Tax Code, to provide all the information to confirm that its transactions with related parties have been carried out at arm's length prices, values, or returns in accordance with any of the following methods:

a) Comparable uncontrolled price method: This consists of determining the arm's length price or value of goods or services, considering what independent parties had or would have agreed upon in comparable transactions and circumstances.

b) Resale price method: Consists of determining the arm's length price or value of goods and services by considering the price or value at which such goods or services are subsequently resold or provided by the purchaser to independent parties. For these purposes, the gross profit margin that has or would have been earned by a reseller or supplier in comparable transactions and circumstances between independent parties must be subtracted from the resale price or value of provision. The gross profit margin will be determined by dividing the gross profit by the sales of goods or the provision of services in transactions between independent parties. Meanwhile, the gross profit will be determined by subtracting the cost of sales of goods or services from the income generated from sales or services in transactions between independent parties.

c) Cost plus method: Consists of determining the arm's length price or value of goods and services that a supplier transfers to a related party by adding a profit margin to the direct and indirect production costs, excluding general expenses or other operational costs incurred by such supplier. This profit margin is one that had or would have been earned between independent parties in comparable transactions and circumstances. The profit margin on costs will be determined by dividing the gross profit of transactions between independent parties by their respective cost of sale or service provision. Meanwhile, the gross profit will be determined by deducting from the income earned in transactions between independent parties their direct and indirect production, transformation, manufacturing, and similar costs, excluding general expenses and other operational costs.

d) Profit split method: Consists of determining the profit that corresponds to each party in the respective transactions by dividing the total profits from such transactions between the parties. For these purposes, the total profit will be divided between the parties based on the profit distribution that independent parties had or would have agreed upon or earned in comparable transactions and circumstances.

e) Transactional net margin method: Consists of determining the net profit margin that corresponds to each party involved in the transactions or operations under consideration. This is based on what independent parties would have earned in comparable transactions

and circumstances. For these purposes, operational profitability indicators or margins based on asset performance, margins on costs or incomes from sales, or other reasonable indicators will be used, and

f) Residual methods: When the characteristics and circumstances of the case do not allow for the application of any of the methods mentioned previously, the taxpayer can determine the prices or values of its transactions using other methods that can reasonably allow for the determination or estimation of the arm's length prices or values that independent parties had or would have agreed upon in comparable transactions and circumstances. In such cases, the taxpayer must justify that the special characteristics and circumstances of the transactions prevent the application of the aforementioned methods.

The taxpayer must employ the most appropriate method considering the characteristics and circumstances of the particular case. For these purposes, the advantages and disadvantages of each method must be considered, as well as the applicability of these methods in relation to the type of transactions and the circumstances of the case; the availability of relevant information; the existence of comparable transactions and ranges, and comparability adjustments.

3.- Transfer pricing studies or reports.

Taxpayers can also submit a transfer pricing study, informing the determination of prices, values, or returns for their transactions with related parties.

The application of the methods or the submission of the studies refer to in this Article, does not exempt the taxpayer from the obligation to make available to the SII all the information on which these methods were applied, or the studies were elaborated. This is in accordance with the provisions of Article 59 and followings of the Tax Code. The SII can request information from foreign authorities regarding transactions subject to transfer pricing audits.

4. Transfer pricing adjustments.

If, in the judgement of the SII, the taxpayer fails to demonstrate that its transaction or transactions with related parties were carried out at arm's length prices, values, or returns, the SII will reasonably determine, for the purposes of this Law, such prices, values, or returns using the evidentiary materials provided by the taxpayer and any other available information, including information obtained from foreign sources. For this purpose, the aforementioned transfer pricing methods will be applied.

Once the SII has determined the arm's length prices, values, or returns for the transaction(s) in question, it will proceed to settle the taxes or make the corresponding adjustments, and determine any applicable interest and fines, considering the following:

When a difference is determined as a result of the adjustments to prices, values, or returns referred to in this Article, this amount will be taxed in the corresponding period only with the single tax of the first section of Article 21.

In cases where the single tax referred to in the first section of Article 21 is settled, an additional fine equal to 5% of the amount of the difference will also be imposed, unless the

taxpayer has duly and timely complied with the submission of the information required by the SII during the audit process. The SII will determine, through a circular, the minimum information that the taxpayer must provide to avoid the application of the fine.

5.- Claims.

The taxpayer can claim the settlement in which the prices, values, or returns assigned to the transaction(s) have been set, as well as the determination of any taxes, interests, and fines imposed, according to the general procedure outlined in Book III of the Tax Code.

6.- Declaration.

Taxpayers domiciled, resident, or established in Chile who carry out transactions with related parties, including the business reorganisations or restructuring referred to in this Article, must annually submit one or more statements containing the information required by the SII, in the manner and timing established through a resolution. In these statements, the SII can request, among other data, that taxpayers provide information about the characteristics of their transactions with related and unrelated parties, the methods applied to determine the prices or values of such transactions, information about their related parties abroad, as well as general information about the business group to which they belong, understood as such the one defined in Article 96 of Law 18,045 on the Mercado de Valores (Securities Market). The failure to submit the corresponding statement, or its submission with errors, incompleteness, or tardiness, will be sanctioned with a fine ranging from 10 to 50 annual tax units. However, this fine cannot exceed the limit of either 15% of the taxpayer's own capital determined in accordance with Article 41 or 5% of its effective capital. The application of this fine will be subject to the procedure established in number 1 of Article 165 of the Tax Code. If a statement submitted in accordance with this number is found to be maliciously false, it will be sanctioned in accordance with the provisions of the first section of number 4 of Article 97 of the Tax Code. The taxpayer can request, from the respective Regional Director or the Director of Grandes Contribuyentes (High-Income Taxpayers), as appropriate, a one-time extension of up to three months for submitting the corresponding declaration. The extension granted will extend, in the same terms, the audit period referred to in letter a) of Article 59 of the Tax Code.

7.- Advance pricing arrangements (APA).

Taxpayers engaging in transactions with related parties can propose an advance pricing arrangement to the SII regarding the determination of arm's length prices, values, or returns for such transactions. For these purposes, the interested taxpayer must submit a request to the SII in the manner and timing established by the SII through a resolution. This request must include a description of the respective transactions, their arm's length prices, values, or returns, and the period that the arrangement should cover, accompanied by the documents or information supporting it, and a transfer pricing report or study applying the methods referred to in this Article to such transactions. The SII can reject the advance

pricing arrangement request through a resolution based on its exclusive judgement, which cannot be claimable or subject to any recourse. If the SII fully or partially accepts the taxpayer's request, the advance pricing arrangement will be recorded in an agreement, signed by both the SII and a representative of the taxpayer, duly authorised for this purpose. This agreement must document the basis of the decision. The SII can enter into advance pricing arrangements involving other tax administrations to determine the arm's length price, value, or return of transactions in advance. Regarding the import of goods, the advance pricing arrangement must be jointly signed with the Servicio Nacional de Aduanas (National Customs Service). The Ministry of Finance will establish, through a resolution, the procedure by which both institutions will resolve the matter.

Once the advance pricing arrangement agreement has been signed, it will apply to transactions carried out by the requestor from the same fiscal year as the request and for the following three fiscal years. It can be extended or renewed by a prior written agreement signed by the taxpayer, the SII and, when applicable, other tax administration(s).

The SII must respond to the taxpayer's request within a period of 6 months from the date the taxpayer has submitted or made available to the SII all the necessary information for its resolution. The response can either approve the request, leading to the signing of the corresponding agreement or reject it through a formal resolution. If the SII does not respond within the specified period, the taxpayer's request will be deemed rejected, allowing the taxpayer to submit a new proposal for an arrangement. For the calculation of the aforementioned period, the Head of the Office of the SII aware of the request, will document the receipt or availability of the requested information.

The SII can, at any time, nullify the advance pricing arrangement if the taxpayer's request was based on erroneous or maliciously false information, or if there has been a substantial change in the essential information or circumstances upon which the arrangement was based at the time of its approval, extension, or renewal. The resolution nullifying the advance pricing arrangement must be based on the erroneous or maliciously false nature of the information or the substantial change in the essential information or circumstances considered at the time of accepting the advance pricing arrangement request. It should specify how the information is erroneous, maliciously false, or has substantially changed, as appropriate, and detail the information considered for such determination. The resolution nullifying the advance pricing arrangement will become effective upon its notification to the taxpayer unless it is based on the maliciously false nature of the information provided in the request. In such case, the agreement will become ineffective from the date of signing the original agreement or its renewals or extensions, considering when such information was invoked by the taxpayer. Furthermore, the resolution will be communicated, as appropriate, to the other relevant tax administration(s). This resolution cannot be claimable or subject to any recourse, notwithstanding any claims or recourses that may apply to the resolutions, tax settlement or bills, interests, and fines issued or applied by the SII as a consequence of the advance pricing arrangement's nullification. Additionally, the taxpayer can nullify the advance pricing arrangement they have entered into if the essential

information or circumstances considered at the time of its entering, extension, or renewal have substantially changed. To do so, the taxpayer must express their intention in writing by submitting a notice to the SII, following the method established through a resolution. Consequently, the advance pricing arrangement will cease to be effective from the date of the notice, enabling the SII to fully exercise its audit powers under the law concerning all of the taxpayer's transactions.

The submission of maliciously false information in a request for an advance pricing arrangement that has been partially or fully accepted by the SII will be sanctioned according to the provisions established in the first section of number 4 of Article 97 of the Tax Code.

Once the advance pricing arrangement agreement, its extension, or renewal, has been signed and as long as it remains valid, as set out above, the SII cannot settle the specified taxpayers for tax differences in transfer pricing transactions within it. This is provided that the prices, values, or returns have been established or declared by the taxpayer in accordance with the terms outlined in the arrangement.

The advance pricing arrangement agreements and the information on which they are based will be protected by the duty of confidentiality established in Article 35 of the Tax Code. Taxpayers that authorise the SII to publish the criteria, economic, financial, and commercial reasons, among others, as well as the methods by which the advance pricing arrangements were established in accordance with this number, and having recorded their authorisation in the respective agreement, will be included, if they authorise it, in a public list of socially responsible taxpayers maintained by the SII as long as the advance pricing arrangement remains valid. Even if the taxpayers have not authorised their inclusion in the aforementioned list, they will not be subject to any criminal interest or fine due to infractions and tax differences determined during such validity, except if the infractions are susceptible to sanctions involving corporal penalties, in such case they will be immediately excluded from the list. The aforementioned does not affect the taxpayer's obligation to rectify any infractions committed within the timeframe specified by the SII, which cannot be less than 30 business days from the notification of the infraction; and/or to declare and pay the respective tax differences, while retaining the right to claim such actions, as appropriate. If the taxpayer fails to rectify the infraction and/or declare and pay the respective taxes within the specified periods, the SII will issue the criminal interests and fines that were not originally applied, without further proceedings, unless the taxpayer has filed a claim regarding the infractions, settlements, or bills. If a claim has been filed, the aforementioned bill will be issued when such claim has not been upheld by an enforceable sentence or the taxpayer has withdrawn it.

8.- Corresponding adjustment.

Taxpayers can, subject to prior authorisation from the SII, rectify the price, value, or return of transactions carried out with related parties, regarding the nature or amount of the adjustment. This is based on transfer pricing adjustments made by other States with which

there is a valid Agreement to prevent double international taxation, provided that such agreements do not prohibit such adjustments, and for which no legal or administrative actions or recourses must have been filed, and there should be no pending deadlines for their filing. Notwithstanding the aforementioned, even if legal actions or recourses have been filed, taxpayers can invoke the provisions of this number as long as the adjustment is considered final due to a legal ruling or administrative resolution. For these purposes, the SII must apply, as set out above, the methods outlined in this Article for the transactions subject to rectification. The request for rectification must be submitted within 5 years from the expiration of the legal period for declaring the outcomes of the transactions whose prices, values, or returns are sought to be rectified should have been declared in the country. It must include all documents supporting the request, including a copy of the instrument detailing the adjustment made by the other State, following the method established by the SII through a resolution. If the transfer pricing adjustment made by another State is deemed incompatible with the provisions of this Law, the SII must reject, totally or partially, the taxpayer's rectification request. In this case, no administrative or legal recourse is applicable.

If this adjustment results in a tax difference in favour of the taxpayer, for the refund, it will be readjusted based on the percentage change experienced by the Consumer Price Index in the period between the month preceding the tax payment and the month preceding the date of the resolution ordering its refund.