



# Chile: Franchise Industry Background

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In 2009, the franchise industry in Chile registered sales of US\$ 627 million. The first U.S. franchise concepts to arrive in Chile, in the late 80s, were McDonald, Pizza Hut, and Kentucky Fried Chicken. Since then, the franchise market has actively expanded mainly in the fast-food industry and restaurants. Currently, U.S. franchises have approximately 33% of the market. The balance are either Chilean franchises or from other countries such as Argentina, Spain, France, Brazil, Australia, Canada, and England.

Franchise companies operating in Chile are subject to local trade laws, as there is no specific legislation for this industry. Royalties and fees have a withholding tax ranging from 15% to 35%. Sales within Chile are subject to a value-added tax (IVA) of 19%, and foreign imports are also subject to VAT.

As a result of the U.S.-Chile Free Trade Agreement - in place since 2004 - 99% of U.S. imported products enter Chile duty free provided a U.S. Certificate of Origin is presented to local customs upon arrival. The remaining 1% should phase out by 2015. Chile has very few barriers to imports and/or investments and foreign firms enjoy the same protections and operate under the same conditions as local firms.

CS Santiago recommends that U.S. concepts interested in entering the Chilean market, adjust expectations to the local environment, which exhibits a slower pace where franchises tend to be conservative and cautious. Currently, a typical maximum investment for a local franchisee is in the US\$ 100,000 range.

Franchises with market potential in Chile include: full-service restaurants, children services, hotels/motels, services for elderly people, repair and rental services, cleaning services (home and industrial).

## For More Information

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