

## Interview with Arturo Bulnes and Victor Manuel Avilés, Partners at Larrain y Asociados Abogados

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Arturo Bulnes focuses his practice on commercial and corporate law, public service concessions, especially toll roads, regulated services and tender offers. He has acted as advisor for companies, governments and foreign institutions on concession and public works projects. Víctor M. Avilés main practices are in the areas of energy and tax laws, specializing in tax planning for local and foreign clients. They share their vision of the Chilean market with us related to the intense M&A activity that has been observed in infrastructure projects, as well as the projected changes to the tax regulations expecting to clear up doubts that have been maintained for years.

**What is the current state of the business environment in Chile and what opportunities do you foresee in the coming years?**

**Victor Avilés:** From 2014, the legal environment has not been very pro business and the complexities of the tax reform pass that year created the necessity of new changes. So, a new law has been expected from that date. So, those that need to make decisions on a long term basis prefer to wait up

to the moment of more clarity. It is expected that the projected changes to the tax regulations will clear up doubts that have been maintained for years, generating an environment more propitious to conducting business in the country.

If the new tax reform is approved, based on a fully integrated tax system –corporate tax are tax credit against final taxation– we foresee a reactivation of investment projects.

### What are the recent trends in the Chilean M&A market?

**Arturo Bulnes:** It has become common in energy projects to carry out M&A operations through a competitive process according to a time limit stipulated by bankruptcy law. Furthermore, intense M&A activity has been observed in infrastructure projects led by national and foreign inversion funds. In the case of national funds, it is due to the new regulation concerning pension fund managers (AFPs), which allows investment by these companies in alternative assets.

### In which sectors do you expect to see M&A deals this year?

**Arturo Bulnes:** We have seen important activity in concessions, real estate, power generation projects and agribusiness sector. Also, during the first semester the project finance market was intense in many different industries

### Which recent legislation changes do you consider the most significant for Chile?

**Victor Avilés:** Undoubtedly, one of the legal matters whose modification is relevant is related to income tax. In this regard, the proposal of the president of the Republic that modifies several matters is being processed in the national congress. At its core, the proposal returns to an integrated system, that is, a system where the entire body of corporate tax can be credited against the final taxes paid by local or foreign entities. In addition, the corporate tax rate would be reduced in some cases to 25%, fixed as a single rate. The lower collection will be compensated with some special anti-avoidance rules and with the application of taxes to transactions made through electronic platforms.

Other relevant reforms are those related to the labour law, tending to provide more flexibility for workers and employers, and the reform of the social security system. This reform, if pass, will be very relevant since will validate the current system of retirement pension, based on a individual savings

### How have your clients' demands evolved recently?

**Arturo Bulnes:** Given our strong presence in the mining area, infrastructure (PPP) and energy sectors, demand has remained stable.

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