

# GMS Flash Alert

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## Chile - Tax Benefit for Purchases of New Properties Introduced

On October 31, 2023, Law No. 21.631 was published in Chile's legal gazette (*Diario Oficial de la República de Chile*), establishing a tax benefit regarding the purchase of new properties financed with mortgage-backed loans.<sup>1</sup>

The law establishes a temporary and extraordinary benefit for the tax years 2024 through 2029 for the acquisition of residential housing, that meets certain criteria specified in the law itself, purchased by individuals with tax residence or domicile in Chile.

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### WHY THIS MATTERS

This new tax benefit may be attractive to individuals contemplating the purchase of a new residence. Provided the individual meets the conditions set out in the law, he or she will be able to apply for a tax credit, which can have the effect of lowering the individual's tax liability.

It is not unusual for an assignee, especially a long-term assignee, to buy a home. International assignment program managers with assignees inbound to Chile – as well as assignees outbound from Chile but still subject to Chilean tax law – may wish to consider how this might be incorporated in their international assignment tax policies.

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### More Details

According to Law No. 21.631, individuals who acquire a residential property through a mortgage-backed loan with banks or financial institutions, will be able to apply for an annual tax credit up to 16 "Monthly Tax Units" ("Unidad Tributaria Mensual/UTM," equivalent to approximately to CLP 1,023,360 as of November 2023). The credit will be applied against the Global Complementary Tax (annual tax) and/or Second Category Tax (employment income tax).

In cases where the income earned by an individual within a business year is not subject to taxes, he or she may still request a refund of the amount resulting from the annual tax return. Notwithstanding the foregoing, the annual credit to which a person is entitled will be the lesser of the annual mortgage payments to acquire the housing benefit within the respective business year or the amount equivalent to 16 UTM.

To access the benefit, individuals must meet the following requirements:

- Be an individual taxpayer with tax residence/tax domicile in Chile;
- Purchase a new residential property with a mortgage loan from banks or financial institutions in Chile;
- The acquired property must be constructed and with final acceptance in accordance with the date of entry into force of this law;
- The purchase and sale must be from the date of entry into force of this law (November 2, 2023) and registered in the name of the beneficiary in the “Real State Registrar” before October 1, 2024;
- File the annual income tax return in Chile.

It is important to note that this benefit could only be applied to one property per taxpayer, without an earnings limit to access the benefit.

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## KPMG INSIGHTS

This benefit could have the effect of encouraging purchases of properties in Chile, which potentially would have a stimulating effect on the economy.

KPMG in Chile is available to advise on including the above-described benefit in the annual tax return of assignees or individuals so authorized by their companies – see the Contacts section.

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## FOOTNOTE:

1 See the text of Ley Num. 21.631 at: <https://www.bcn.cl/leychile/navegar?idNorma=1197372> .

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CLP 1 = EUR 0.00104  
CLP 1 = USD 0.00114  
CLP 1 = GBP 0.0009  
CLP 1 = ARS 0.410

Source: [www.xe.com](http://www.xe.com)

## Contact us

For additional information or assistance, please contact your local GMS or People Services professional or one of the following professionals with the KPMG International member firm in Chile:



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