Chile – Draft Reconstruction Bill Proposes Changes to Investment, Housing, and Wealth Taxes

The Chilean Government submitted to the Chamber of Deputies a new bill aimed at supporting national reconstruction and promoting economic and social development on April 22, 2026. The initiative includes a broad set of tax and economic measures designed to stimulate investment, support the housing sector, provide temporary relief to taxpayers, and strengthen medium term fiscal sustainability.[1]

Several of these proposed measures are expected to have a direct impact on individuals, particularly in relation to investments, real estate, wealth planning, and tax compliance. The main aspects of this proposal are outlined below.

WHY THIS MATTERS

The proposed bill introduces a set of tax measures that may significantly affect employees, expatriates, and high-net-worth individuals with cross-border exposure. The most relevant considerations include:

- Changes in the taxation of investment income and capital gains.
- A voluntary, extraordinary, and temporary regime that allows taxpayers to regularize the tax situation of assets and income held abroad.
- Adjustments affecting real estate investments, often common among expatriates.
- Temporary relief measures may create planning opportunities during assignment periods.

Draft Reconstruction Bill Details

Corporate Income Tax Rate Reduction

The bill introduces changes to the Corporate Income Tax (CIT) system, including a gradual rate reduction from 27 percent to 23 percent between 2026 and 2029.

Individuals with shareholdings or equity-based compensation could see a lower overall tax burden on profits derived from Chilean entities. The total integration of the Chilean tax system would be restored, so that the CIT paid by a company would be fully creditable against the final taxes of the owner. The reference to the obligation of restitution in the regulations referring to the application of final taxes to owners subject to final taxes would be deleted.

Elimination of the 10 percent capital gains tax (Article 107)

The bill proposes eliminating the preferential 10 percent tax regime applicable to capital gains from publicly traded securities, effective January 1, 2027. Capital gains covered by Article 107 would be treated as non-taxable income after the effective date.

This change could increase the attractiveness of capital markets investments.

Regularization of foreign assets and income

A voluntary, extraordinary, and temporary regime is introduced to regularize foreign assets and income. The regime:

- Allows individuals to disclose previously unreported foreign assets.
- Applies a 10 percent flat tax, reduced to 7 percent if the assets are repatriated and invested in Chile for at least five years.
- Intends that full regularization remove associated tax liabilities.
- Applies to assets acquired before January 1, 2025, and income generated until December 31, 2025.

This measure is particularly relevant for individuals who are subject to tax on their worldwide income and have not reported their personal foreign assets and income.

Temporary VAT exemption for new house purchase

Transitional rule establishes, for a period of one year, a VAT exemption applicable to the first sale of new homes that would ordinarily be subject to this tax under the general regime. The transitional rule applies:

- To the first sale of new residential properties.
- For one year from the law's entry into force.
- To the first transfer of ownership of the new property for consideration, after the municipal reception.

Temporary reduction of gift tax

A temporary 50 percent reduction in gift tax is introduced for a one-year period, subject to certain requirements:

- Applies for one year to qualifying gifts.
- Gifts must comply with forced heirship rules and formal legal requirements.

The temporary reduction of gift tax is intended to encourage lifetime transfers of wealth and support early estate and succession planning.

Reduction of property tax (real estate tax)

A 100 percent exemption from property tax is introduced:

- Applies to the principal residence of individuals aged 65 or older.
- Limited to one property and subject to certain conditions.

While limited in scope, this may be relevant for long-term expatriates or retirees in Chile.

Changes to the DFL 2 economic housing regime

The bill introduces modifications to the tax treatment of DFL 2 properties:

- As from the third property onward, rental income could be subject to a 5 percent single tax on gross income (no expense deductions allowed).
- Applies to properties with a built area not exceeding 90 sq.m.
- Existing tax benefits for the first two properties are maintained (income treated as non-taxable when rented).

Facilities for the payment of tax obligations

The proposal introduces measures to facilitate tax compliance:

- Payment agreements of up to 24 monthly installments.
- Forgiveness of up to 100 percent interest and 80 percent of penalties for lump-sum payments. If the taxpayer pays in cash, the Chilean Treasury (TGR) may forgive up to 100 percent of the interest and 80 percent of the penalties.
- For payment agreements, forgiveness could reach up to 95 percent of the interest and 75 percent of the penalties, provided that a minimum deposit equivalent to 10 percent of the principal of the original debt, excluding interest and penalties, is known.
- The same taxpayer may not sign more than three agreements under this proposal.

Forgiveness of interest and penalties for municipal debts

The bill allows for partial or total forgiveness of interest and penalties on overdue municipal debts, to facilitate the regularization of such liabilities, reduce litigious contingencies, and strengthen taxpayer formalization and the development of their economic activity. The proposal:

- Applies to debts accrued during the three years prior to January 1, 2026.
- Allows full forgiveness of interest and penalties.
- Allows installment payments over up to 12 or 36 months, depending on the type of debt.

KPMG INSIGHTS

The proposed bill reflects a combination of short-term relief measures and structural changes that could benefit individuals over time. Temporary measures such as the gift tax reduction, VAT exemption on housing, and the foreign asset regularization regime would create a limited window for expatriates and internationally mobile employees to optimize wealth, investment, and compliance positions. At the same time, structural changes, including the elimination of the preferential capital gains regime and new treatment for DFL 2 properties, could alter the taxation of investments and real estate over the medium and long term. These developments are particularly relevant, as they may affect assignment cost projections, tax equalization policies, and personal tax compliance obligations.

Considerations:

- Individuals with cross-border income, equity-based compensation, or foreign assets could carefully assess the implications of becoming or ceasing to be Chilean tax residents, especially considering increasing global tax transparency. Employers, in turn, may need to review the design of their mobility programs to help maintain that tax assumptions remain accurate and that employees are adequately supported.

- Given the breadth of the proposal, individuals may need to reassess their investment strategies, real estate holdings, and estate planning structures, while employers could evaluate the potential impact on assignment cost projections, tax equalization policies, and tax compliance obligations for employees on international assignments.

If taxpayers and/or their employers have concerns about this reform, they should contact their usual tax service professional or a member of the GMS Tax Team with KPMG in Chile (see the Contacts section).

ENDNOTE:

1 Chamber of Deputies (in Spanish), "Bill No. 18216-05," published on April 22, 2026.

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Contacts

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