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GMS Flash Alert

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Chile – Reconstruction and Economic and Social Development Law Enacted

On October 17, 2026, Chile published Law No. 21.850 on National Reconstruction and Economic and Social Development, following its approval by Congress and enactment by the Chilean Government. The new law introduces a broad package of tax and economic measures aimed at supporting reconstruction efforts while promoting investment and economic development.[1]

Measures relevant to individuals include changes to the taxation of investment income and capital gains, a temporary regime for the regularization of foreign assets and income, tax benefits related to real estate, and temporary relief measures for taxpayers. The principal measures relevant to globally mobile individuals are summarized below.

WHY THIS MATTERS

Law No. 21.850 introduces permanent and temporary tax measures that may affect employees, expatriates, investors, and other individuals with assets, income, or property interests in Chile. Individuals may need to review the treatment of Chilean investment income and gains, determine whether historical foreign assets or income could qualify for the temporary regularization regime, and consider statutory deadlines before completing real estate purchases or lifetime gifts.

The law may also affect assignment cost projections and tax-equalization calculations when an internationally mobile employee has Chilean investments, foreign assets, or residential property. Some measures take effect on December 1, 2026, while others take effect on January 1, 2027, making the effective dates and documentation requirements particularly important.

Details on the Reconstruction and Economic and Social Development Law

Corporate Income Tax Rate Reduction

Law No. 21.850 provides for a phased reduction in the corporate income tax rate from 27 percent to 23 percent over the period from 2026 through 2029.

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Transitional rules apply to credits generated during the phase-in period before full integration applies. The relevant amendments regarding the elimination of the restitution obligation generally take effect from January 1, 2027.

For individuals holding interests in Chilean entities, these changes may affect the overall taxation of profits ultimately distributed to them and should therefore be considered when assessing the Chilean tax consequences of investment structures and distributions.

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

The law eliminates the preferential 10 percent single tax currently applicable to qualifying capital gains under Article 107 of the Chilean Income Tax Law. Under the amended provision, qualifying capital gains are treated as nontaxable income from January 1, 2027, provided the applicable statutory conditions are satisfied.

The amendments to Article 107 enter into force on January 1, 2027. The measure may reduce the Chilean tax imposed on qualifying gains from publicly offered securities and could therefore affect individual investment decisions.

Regularization of foreign assets and income

Law No. 21.850 establishes a voluntary, extraordinary, and temporary regime under which taxpayers may declare qualifying assets and income located abroad that were not previously reported or subject to the corresponding Chilean taxes. Key features of the regularization regime:

- The regime is available for 12 months.
- A single substitute tax of 10 percent applies to the value of qualifying declared assets.
- The rate is reduced to seven percent when the requirements for bringing the assets or income into Chile and maintaining the relevant investment in Chile are satisfied.
- The regime applies to qualifying assets or rights acquired before January 1, 2026, and to income generated from those assets through the declaration date.
- Qualifying property may include financial assets, real estate, shares, interests in foreign entities, foreign currency, and cryptoassets.
- Property qualifying for the seven-percent rate must generally remain in qualifying investments in Chile for at least five years after it is brought into the country.

The regularization process will apply from January 1, 2027. This measure is particularly relevant for individuals subject to taxation in Chile on worldwide income who identify previously undeclared foreign assets or income.

Temporary VAT exemption for new house purchase

A temporary VAT exemption has been enacted for certain sales of residential real estate that would otherwise be subject to VAT under the general rules. Among other requirements:

- The property qualifies as a residential property.
- The transaction constitutes the property's first transfer of ownership for consideration.
- The property obtains its final municipal approval before the publication of the law.

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- The purchase is documented within the temporary statutory period.

The exemption applies from December 1, 2026. Related parking spaces and storage units may also qualify when the statutory requirements are satisfied.

This temporary measure may be relevant to expatriates or internationally mobile individuals considering the acquisition of residential property in Chile.

Temporary reduction of gift tax

A temporary 50-percent reduction in gift tax is introduced for a one-year period. Key features of the temporary reduction benefit:

- The applicable gifts are required to be executed by public deed within the statutory one-year period.
- Subject to specific exceptions, the benefit applies to potential “forced heirs” and beneficiaries of the “fourth of improvements.”
- The total value of donations benefiting from the regime does not exceed 50 percent of the donor's total net worth.
- Specific sworn statements and supporting documentation are required to be submitted to the Chilean Tax Authority.

The one-year period begins on December 1, 2026. The measure creates a limited window that may be relevant for individuals considering lifetime transfers of wealth and estate or succession planning in Chile.

Reduction of property tax (real estate tax)

The law introduces a 100-percent property tax exemption for qualifying principal residences owned by individuals age 65 or older. The exemption applies to one residential property designated as the taxpayer's principal residence, subject to detailed eligibility requirements.

Among other conditions, the beneficiary is required to be generally current on municipal waste collection charges and on the prior year's property tax associated with the residence. An annual sworn statement is also required to be submitted in accordance with instructions to be issued by the Chilean Internal Revenue Service.

The exemption will apply from January 1, 2027. While narrower in scope than some of the other measures, this provision may be relevant for long-term expatriates, retirees, and other qualifying individuals owning residential property in Chile.

Changes to the DFL 2 economic housing regime

The law introduces a new optional five-percent single income tax on gross rental income derived from certain qualifying DFL 2 economic housing properties. For individuals, the regime applies from the third qualifying property onward, provided, among other requirements, that each property has a constructed floor area of no more than 90 square meters and is leased or otherwise made available to an unrelated party. Expenses and other deductions may not be claimed against gross income subject to the five-percent tax. The existing DFL 2 benefits for the first two qualifying properties remain available under the applicable rules. The new regime takes effect from January 1, 2027.

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In addition, a one-year transitional provision extends access to the five-percent regime to certain new economic housing properties of up to 140 square meters acquired within 12 months following publication of the law.

Facilities for the payment of tax obligations

For a period of 180 days following publication of the law, the Chilean Treasury is authorized to grant special payment facilities for qualifying tax liabilities due on or before December 31, 2025. The relief includes:

- Payment agreements of up to 48 monthly installments.
- Forgiveness of up to 100 percent of the interest and 80 percent of the penalties for lump-sum payments.
- 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.

These provisions may create an opportunity for individuals with outstanding Chilean tax liabilities to regularize their positions under more favorable terms.

Forgiveness of interest and penalties for municipal debts

Individuals and entities with qualifying unpaid municipal debts accrued during the three years preceding January 1, 2026, may apply for a temporary regularization regime providing full forgiveness of the applicable interest and penalties.

The application is required to be filed within 12 months from the first day of the second month following publication of the law. Once approved, taxpayers have 12 months to complete payment of the corresponding principal and adjustments, although the period may extend to 36 months for municipal waste collection charges.

KPMG INSIGHTS

Law No. 21.850 combines permanent changes with temporary relief and regularization measures that may require action within relatively short statutory periods. The foreign-asset regime may be particularly relevant to individuals who have become subject to Chilean tax on worldwide income and who hold historical assets or income outside Chile. Participation would require careful analysis of eligibility, valuation, disclosure, documentation, investment-maintenance, and anti-money-laundering requirements.

Assignees, taxpayers, and their employers might wish to consider:

- Taxpayers could review their Chilean tax residence history and determine whether they have foreign assets or income that may be relevant under the temporary regularization regime.
- Taxpayers may assess whether planned disposals of publicly offered securities fall within the amended Article 107 rules taking effect on January 1, 2027.
- Individuals could review the timing and documentation requirements associated with qualifying residential property purchases and gifts.

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- Property owners may verify whether their residential properties qualify under the revised DFL 2 rules or the exemption available to certain individuals age 65 or older.
- Employers may review assignment cost projections, tax-equalization calculations, and mobility-program assumptions for employees with Chilean investments, property, or foreign assets.
- Individuals or entities with outstanding tax or municipal liabilities may take advantage of a temporary regularization regime that includes the full waiver of applicable interest and penalties.

If assignees and/or their program managers have any questions or concerns about the scope of the update, its application and potential impacts, and appropriate next steps, they should consult with their qualified professional or a member of the GMS team with KPMG in Chile (see the Contacts section).

ENDNOTE:

1 Diario Oficial de la República de Chile, Law No. 21,850 (in Spanish), "Para la Reconstrucción Nacional y el Desarrollo Económico y Social," published October 17, 2026.

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Contacts

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:



Angelo Adasme
Partner
Tel. + 56 2 2997 1435
aadasme1@kpmg.com



Gustavo Maldonado
Director
Tel. + 56 2 2997 1436
gmaldonado@kpmg.com



Andrés Gómez
Senior Manager
Tel + 56 2 2997 2023
andresgomez2@kpmg.com

The information contained in this newsletter was submitted by the KPMG International member firm in Chile.

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