National Reconstruction Law: new rules for planning, investing and operating in Chile

Less than 200 days into his administration, President José Antonio Kast managed to approve the first of the measures we mentioned in "The Day After", undoubtedly the most important to achieve his campaign promises. After more than 10 years of deterioration in the Chilean economy, we are pleased to present this statement, which explains the regulatory content of each approved measure and its effects on companies, investors, and market players.

The National Reconstruction Law combines changes to the corporate income tax, a new statute of invariability for national and foreign investment and relevant modifications to the permit system, in addition to including measures that directly benefit individuals.

The reform should be read as a whole. The reduction of the First Category Tax alleviates the company's tax burden; the reintegration simplifies and harmonizes the consolidated burden between the company and the owners; the employment credit benefits employment and wages; and the invariability provides stability to investment projects that exceed the legal thresholds. Added to this is a block of rules that limit the invalidation of permits, modify the operation of the SEIA, and regulate specific sectors.

The Constitutional Court exercised preventive control and maintained the core principle of tax invariability but eliminated expressions that expanded its scope and coverage to related projects. It also declared unconstitutional provisions that recognized restitution of expenses through judicial annulment of an RCA, so this risk continues to lie with the project owner.

The processing also concluded with the suppression of the provisions relating to anatocism, 30-day payment for SMEs and the right to financial oblivion. Therefore, these matters do not form part of the content of the law that must be considered in this statement, which is divided into three matters of interest:

1. Tax
2. Permissions
3. Individuals

This is an informative document and is not legal advice. Our team is available to provide more details on any of these matters.

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Tax:

1. First Category Tax Reduction

> *"The tax rate of taxpayers under this article will be 23 percent."*
>
> Proposed amendment to Article 14(A) of the Income Tax Law.

The regulation replaces the rate applicable in the general regime and establishes a permanent corporate rate of 23%. The Reconstruction Law contemplates transitional rules to produce convergence from the current 27%: 27% for the 2026 business year, 25.5% for 2027, 24% for 2028, and 23% from 2029. In the General Pro SME regime, the law also sets the permanent rate at 23%, maintaining a special transition for this segment in accordance with the calendar provided by the regulation.

The modification is not simply a reduction of four percentage points. The First Category Tax operates as a tax of the company and, at the same time, as a potential credit against the final taxes of its owners. Therefore, the effect of the reduction must be analyzed alongside the reinstatement. In companies that retain and reinvest profits, the lower rate reduces the corporate annual outlay. In companies that distribute profits, the final result will also depend on the personal or additional tax and the available credit.

Gradualness makes it necessary to distinguish the year in which the income is generated, the date of declaration, and the rate used for PPM and deferred taxes. It can also affect project valuations, since expected net profit after taxes increases as the rate converges to 23%. The law does not ensure that this benefit automatically translates into greater investment; this effect will depend on each taxpayer's financial situation and its distribution and reinvestment decisions.

Practical impact: The gradual reduction of the corporate burden can change the convenience of distributing dividends or reinvesting profits, companies' and holdings' financial planning, business reorganizations, valuations in sale or acquisition processes, and the expected return of long-term projects. Decisions taken under the current rules should be reevaluated based on each taxpayer's situation.

2. Full reintegration of the tax system

> *"The credit for first category tax [...] shall correspond to one hundred percent of the amount to be allocated."*
>
> Amendment to the Income Tax Law.

The law eliminates the restitution obligation that characterized the partially integrated regime. Under the previous model, only a part of the credit for First Category Tax had to be refunded, which prevented the full use of the corporate tax against the Complementary Global Tax or the Additional Tax.

With the reform, corporate credit is once again recognized at 100%, subject to transitional rules for credits generated during 2027, 2028 and 2029. The reintegration corrects existing differences between owners of companies under the general regime, Pro SMEs taxpayers, and investors resident in countries with an agreement.

The economic effect occurs when profit is withdrawn, remitted, or distributed. Therefore, a company that does not distribute will not necessarily see an immediate effect, while family holdings, investment companies, and groups with local shareholders may experience a significant reduction in the combined burden.

The rule also reduces, and eventually eliminates, the tax jump that could occur when an SME exceeded the legal threshold and had to migrate from a fully integrated system to the partially integrated general regime. The analysis should consider business registrations, accumulated credits, and the transition, since profits generated under different regimes may be subject to different rules.

Practical impact: For companies and family groups, reintegration can directly affect the ability to distribute profits and the combined burden between the company and its owners. It is advisable to review accumulated credits, business records, and the composition of the partners before making withdrawals, paying dividends, or reorganizing.

3. Substitute taxes and historical records

> *"Taxpayers may choose to pay a substitute tax for final taxes, at a rate of 10 percent, on all or part of the accumulated balances."*
>
> Transitional provisions on SRF, STUT and withdrawals in excess of historical FUT.

The law creates an extraordinary regime for balances that remain under tax control in the SRF, the STUT, and the records of withdrawals in excess of the historical FUT. The option allows immediate payment of a single tax of 10%, replacing the final taxes that would have applied when withdrawing or distributing such amounts, without the right to the credit provided for by the ordinary regime.

The economic decision depends on the nature of the balance, the identity and rate of the owners, and the probable distribution horizon. The benefit is closing pending taxation and simplifying records that can drag on for years. Its counterpart is immediate payment and the waiver of ordinary treatment, so the option is not necessarily suitable for all companies.

Practical impact. Companies that maintain historical profits could simplify their records and facilitate future distributions. Prior regularization can also help execute reorganizations, sales of companies, or the incorporation of new partners in more orderly structures and with less exposure to contingencies.

4. Extraordinary declaration of assets and income abroad

> *"A voluntary and extraordinary system of declaration of assets or income that are abroad is established [...] subject to a single tax and substitute of a rate of 10 percent."*
>
> Third transitory article of the National Reconstruction Law.

The regime allows the declaration of assets or income abroad that have not been timely incorporated into Chilean taxation. The tax is unique and substitutive, and the law contemplates a reduced rate of 7% when the assets are entered and materially invested in Chile, under certain legal conditions. The rule is temporary and voluntary, but its use requires compliance with the requirements of identification, valuation, and accreditation of the origin of the assets.

Practical impact: Business families and investors with accounts, investments, real estate, shares, corporate shares, trusts, or other international structures could review historical situations, organize their assets, and prepare for future successions or investments. For companies with international structures, the analysis should also consider the contingencies associated with the automatic exchange of financial information and other oversight mechanisms.

5. Tax Credit for the Protection of Formal Employment

> *"Taxpayers covered by the provisions of letter A) and number 3 of letter D) of article 14 shall be entitled to a credit for the remuneration paid to their workers."*
>
> New Article 33 ter of the Income Tax Law.

A credit associated with the payment of remuneration is incorporated into the Income Tax Law. The benefit targets taxpayers under the general regime and General Pro Pyme and uses individual monthly remuneration as a reference. The design sets a higher percentage in the lower bracket and gradually decreases until it is extinguished at the upper limit defined in the UTM.

> *"The percentage [...] shall be 15 percent with respect to remunerations equal to or less than 7.8 monthly tax units and shall decrease linearly to zero for remunerations of 12 monthly tax units."*

The base is not necessarily limited to the basic salary. The articles consider remunerations and certain salaries paid in money, with adjustments for part-time work, so the legal definition of the base is essential to determine the benefit. The credit is linked to formally hired workers and remuneration subject to the tax treatment required by the provision.

The mechanism allows the credit to be used during the year by imputing it to monthly obligations, under the terms regulated by law. This characteristic anticipates the financial effect of a credit used only in the annual return.

Practical impact: The measure can reduce the effective cost of formal contracting and improve companies' cash flow, especially in structures with greater labor intensity, so it is advisable to review the composition of remuneration, the current payroll, and how the credit is allocated to maximize its use within legal limits.

6. Transitional rules for increasing the collection and recovery of resources:

Regularization of municipal debts. Mechanisms applicable to commercial patents, municipal rights, and other obligations, including possible forgiveness of interest and fines, and relevant measures for companies with historical contingencies, inactive companies, or groups preparing reorganizations or corporate operations.

Practical impact: The measure will allow companies with outstanding municipal debts to regularize their situation under better conditions, reducing historical contingencies that can affect permits, reorganizations, corporate operations, or sale processes.

7. Tax invariability statute

> *"Investment projects whose amount is equal to or greater than fifty million dollars of the United States of America may benefit from the regime established in this article."*
>
> Article 29, Foreign Investment Statute and Investment Contracts.

The new statute allows the State to conclude an investment contract for projects that reach the legal threshold. The Senate-approved text structured the duration of stability in tranches: ten years for investments between US$50 million and US$100 million; fifteen years for investments over US$100 million and up to US$350 million; and twenty years for investments over US$350 million. The foster care implies a surcharge of 1.5% of the First Category Tax during the protection period.

> *"Taxpayers under this regime will be subject to a surcharge of 1.5 percent of the first category tax."*
>
> Article 29 approved by the Senate, tax invariability regime.

For foreign investors, the regime ensures a maximum income tax burden of 35%, excluding the mining royalty, and stabilizes the royalty rate in force when the contract is signed. For local investors, the guarantee refers to the tax regime in force at the time of contracting, within the perimeter provided in the text. It is not an exemption, but a choice between stability and an additional burden.

The value of the invariability will be higher in projects with slow recovery, intensive capital and high exposure to tax changes. However, the terms of protection, the surcharge, and the inability to automatically extend the benefit to expansions or related projects must be incorporated into the profitability calculation. Certainty applies to the contractual perimeter, not to any future investment by the same group.

Practical impact: The measure can improve the tax certainty of long-term investment projects, allowing more stable fiscal rules to be incorporated into the financial evaluation, although its convenience must be weighed on a case-by-case basis considering the applicable surcharge, the term of protection and the specific scope of the contract.

8. Stock market capital gains

> *"The highest values obtained in the sale of securities with a stock market presence that meet the requirements of this article shall be considered as non-income income."*
>
> Amendment to Article 107 of the Income Tax Law.

The law eliminates the single tax of 10% that was applied to the highest value obtained in certain disposals of securities with a stock market presence and reestablishes its classification as income not constituting income when the requirements of Article 107 are met. The modification improves the tax treatment of the operations covered by the regulation but does not make all capital gains exempt. The stock market presence, the form of acquisition and disposal, and the other legal requirements continue to be decisive.

Practical impact: Eliminating the single tax can improve the net profitability of stock market operations that meet legal requirements, favoring market liquidity and making investment in securities with a stock market presence more attractive.

Simplification of sectoral permits

1. Deadline for invalidation of sectoral permits is reduced

> *"In the case of sectoral authorizations [...] the administrative authority may invalidate acts contrary to law within a period of six months."*
>
> Amendment to Article 53 of Law No. 19,880. Article 5 of the National Reconstruction Law.

The special rule reduces the period from two years to six months within which the Administration can invalidate sectoral authorizations contrary to law. The modification is connected to the Framework Law on Sectoral Authorizations and seeks to shorten the period during which a permit remains exposed to ex officio review.

The expiration of the term does not necessarily correct all the defects of the act or eliminate other avenues of challenge. The rule refers to the administrative power of invalidation and must be distinguished from special remedies, judicial actions, and the environmental regime.

Practical Impact: The measure provides greater certainty to sectoral permit holders by limiting the administrative review period and facilitating safer investment planning, execution schedules, and financing decisions linked to regulated projects. Its main effect is to reduce a source of temporary uncertainty for permit holders in sectors such as energy, mining, public works, and construction.

2. Modifications to entry and re-entry to the SEIA

"Modifications that only involve technological improvement or optimization of processes will not require a new evaluation, as long as they do not import a significant increase in environmental impact."

Amendment to Article 10 of Law No. 19,300.

The regulation distinguishes between modifications that can produce substantive changes in the magnitude or duration of impacts and those that consist of technological improvements or optimizations without a significant increase in environmental burdens. The latter are not required to re-enter the SEIA automatically. The provision seeks to prevent beneficial or neutral operational changes from being treated as new projects.

The exemption does not operate only because the owner calls the modification "optimization". The substantive assumption of no significant increase in impact must be met, which remains important for the technical background and the eventual relevance consultation. The law does not eliminate the original RCA or its conditions; rather, it delimits when a modification requires a new evaluation.

In electricity generation, the law removes the rigid 3 MW threshold from the legal text and leaves the determination of income magnitudes to regulation, differentiated by technology. Until the corresponding regulation is issued or modified, the practical scope of this rule must be analyzed with the transitional provisions.

Practical impact: The measure can facilitate the execution of technological improvements and operational adjustments in projects already approved, reducing the need for re-entry to the SEIA when there is no significant increase in environmental impacts, although it will be key to technically support each modification and evaluate on a case-by-case basis the convenience of a relevance consultation.

3. Environmental Rationale, Iterations, and Claims

> *"The decision to require the submission of an Environmental Impact Study or to reject an Environmental Impact Statement shall be adopted by means of a reasoned resolution."*
>
> Amendments to Law No. 19,300

The requirement of motivation reinforces the SEA's duty to explain the technical and legal background that justifies particularly burdensome decisions. The reform also creates a special evaluation regime with fewer addenda: one instance for EIA and two for EIA, initially voluntary and subject to evaluation. The lower iteration increases the importance of entering technically mature projects, without eliminating the power to make pertinent observations.

> *"Appeals must be resolved within thirty days, in the case of an Environmental Impact Statement, and sixty days, in the case of an Environmental Impact Study."*
>
> Legal deadlines for claims incorporated into Law No. 19,300.

Incorporating these deadlines into the legal status seeks to reduce the delays observed in resolving claims. However, the law regulates the decision-making period and does not guarantee by itself that all environmental disputes will end within that period, since there may be suspensions, subsequent appeals, and judicial review.

Practical impact: The measure can shorten decision-making times in environmental controversies and raise the standard of substantiation for the SEA's decisions, making it more important to prepare solid technical files from the beginning to reduce iterations, anticipate claim risks, and improve project planning.

4. RCA, Claims, and Risk of Cancellation

> *"Against the favorable environmental qualification resolution, the administrative remedies established in Law No. 19,880 shall not be admissible."*
>
> Modification of the RCA challenge regime contained in Article 13 of the National Reconstruction Law.

The reform concentrates the administrative review of the RCA on the special mechanisms of environmental legislation. The objective is to avoid overlap between the environmental claim and the general invalidation of Law No. 19,880. The corresponding judicial and constitutional channels are maintained, as are the rights of those who participated or can prove the legitimacy required by law.

The Constitutional Court deleted a phrase that restricted the object of claims by interested parties who did not participate in the citizen participation stage. The effect is to expand the aspects that can potentially be claimed for those who prove direct affectation, even when the point has been subject to evaluation. The modification may increase the material scope of controversies in complex projects.

The same ruling declared unconstitutional Articles 12 and 13 that recognized the restitution of expenses by final judicial annulment of an RCA. Therefore, a rule that makes the State obliged to reimburse direct, effective and non-recoverable expenses does not form part of the law. As a result, the economic risk of annulment remains with the holder, subject to the general rules that may apply.

Practical impact: The measure reduces overlap between administrative channels for a favorable RCA and provides greater certainty to the project owner, although eliminating reimbursement of expenses leaves the company with the economic risk associated with eventual judicial annulment.

5. Aquaculture and National Monuments

Both issues are conditioning factors for obtaining permits, considering the right to water and, on the other hand, the presence of protected archaeological elements.

Waters:

> *"Failure to carry out the authorized activities shall not result in the expiration of the concession, without prejudice to the payment of the corresponding increased license."*
>
> Amendment to the General Law on Fisheries and Aquaculture.

The law replaces expiration due to cessation of activities with an increased patent regime, maintaining the expiration due to non-commencement in legal cases. The text contemplates a patent of 6 UTM per hectare per year from the third year of non-use and 16 UTM per hectare from 54 months. The change replaces the early loss of the concession due to rising economic costs.

It also promotes coordination between State bodies for the monitoring of environmental parameters and allows the resources allocated to INFA and natural bank reports to be administered separately, with more expeditious contracting mechanisms. The Constitutional Court, however, eliminated the special exemption for micro-relocations, so that such operations remain subject to the general environmental regime.

National monuments:

> *"The Council must pronounce within a period of twenty days from the communication of the finding."*
>
> Amendment to Law No. 17,288 on National Monuments.

The reform introduces a deadline for the National Monuments Council to pronounce archaeological findings and orders it to dictate general criteria to identify minor interventions that do not require authorization. The regulation seeks to introduce proportionality and greater predictability, without eliminating the duty to report findings or heritage protection measures.

Practical impact: Taken together, modifications in the area of waters and national monuments can provide greater predictability to projects that depend on concessions, rights, or sectoral authorizations, by replacing certain burdens of loss of the permit with gradual economic costs and by establishing clearer deadlines and criteria for heritage findings, facilitating the planning of schedules, costs, and execution decisions.

Individuals

1. Donations

> *"The tax that corresponds to be applied to donations made by public deed [...] will be reduced by 50 percent."*
>
> First transitory article of the National Reconstruction Law.

The reduction applies to donations formalized by public deed within the twelve-month period defined by the transitory provision, counted from the first day of the month following publication. The regime exempts these donations from the judicial insinuation procedure, but does not eliminate the inheritance rules, the patrimonial limits or the payment of the tax as a condition for authorizing the deed.

The design includes a control rule for assets disposed of by the donee within three years, preserving the tax cost that would have corresponded to the donor. The aim is to prevent the donation from being used to artificially raise the tax cost before a sale. The rebate may favor asset reorganizations, but it remains a full legal transfer with inheritance and corporate effects.

Practical impact: Families considering transferring real estate, shareholdings, shares, or financial investments to children or heirs may want to plan for generational transition and wealth succession. Planning ahead can reduce the tax burden within legal limits, structure future expansions or asset sales, and reduce potential inheritance conflicts.

2. Temporary VAT exemption for new homes

> *"Sales of new homes that have been definitively received on the date of publication of this law shall be exempt from the tax established in this Title."*
>
> Fourth transitory article of the National Reconstruction Law.

The exemption is voluntary, applies to new homes with definitive acceptance on the legal date, and is available for twelve months from the first business day of the month following publication. The measure targets finished stock and does not constitute a general exemption for all future residential construction.

For the real estate company, the exemption alters the relationship between the tax debit and the tax credit. The treatment of the credits associated with the construction, the agreed price, and the documentation of the operation must follow the transitional rule and the instructions issued by the SII. For the buyer, the benefit materializes only if the property and the sale meet the regulation's objective requirements.

Practical impact: For buyers and investors, the exemption can alter the cost and profitability of operations on new homes that meet the requirements. Real estate agents should review the finished stock, the treatment of tax credits associated with construction, the agreed price, and the documentation of each sale.

3. New DFL2 regime

> *"Income from the lease, temporary assignment of the use or enjoyment or exploitation of economic housing [...] shall be affected by a single tax rate of 5 percent."*
>
> New Title II bis of DFL No. 2 of 1959. Article 3 of the National Reconstruction Law.

The new regime covers affordable homes of up to 90 m². For individuals, the single tax applies from the third home, with the benefit remaining in force for the first two homes under the legal terms. For legal entities and individual companies, the law allows the single tax under the requirements of the new title and other conditions.

The regulation does not extend the old DFL2 benefit to companies without conditions. It creates a separate regime, with annual declaration, provisional payments, and rules on parking lots and linked warehouses. Surface area, ownership, number of homes, and effective use are essential factors in determining treatment.

Practical impact: Individuals and businesses that maintain rental housing may be able to reevaluate the structure of those investments and their after-tax returns. The analysis should consider the floor area, ownership, number of homes, effective use, and rules applicable to parking lots and warehouses.

4. Contributions for people over 65 years old

> *"Real estate intended for the main residence of owners who have reached 65 years of age will be exempt from land tax."*
>
> Amendment to Law No. 17,235 on Land Tax. Article 12 of the National Reconstruction Law.

The exemption is linked to the main residence and the owner's age. The text contemplates its entry into force on January 1 of the year following its publication, with compensation mechanisms to the Municipal Common Fund for the lower collection. The specific application will depend on ownership requirements, individualization of the property, and coordination with other benefits for the elderly.

Practical impact: The measure can reduce the cost of maintaining the main home for older adults, provide greater financial stability to homeowners over 65, and reduce a recurring burden in their family budget.

Conclusion

The National Reconstruction Law simultaneously modifies corporate taxation, final taxes, employment incentives, fiscal stability of large investments, and project processing. The combination of a corporate rate of 23%, full reintegration, and invariability by tranches can substantially alter the burden and certainty of certain investments.

Tax invariability can turn fiscal stability into a concrete tool to attract and execute long-term investment projects, allowing the tax burden to be anticipated with greater certainty, returns to be evaluated under known rules, and the risk of regulatory changes during the project development period to be reduced.

In terms of permits, the reduction of the invalidation period and the reforms to the SEIA seek to limit uncertainty and duplication, but do not totally eliminate the current problems of environmental assessment processes or litigation. The constitutional suppression of restitution by annulment of RCA confirms that regulatory risk remains a central component of the contractual and financial structuring of projects.

These measures evoke the public policies implemented in Chile during the 90s, when institutional stability, economic openness and regulatory certainty allowed the country to position itself as an attractive destination for investment.

Why review these subjects now?

Experience shows that the best opportunities arising from reforms are often seized in the early stages of implementation, when there is still room to properly structure equity, business, and real estate decisions.

In addition, several of these benefits, especially tax-related ones, are subject to specific deadlines or require analysis, valuations, reorganizations, or background gathering before they take effect.

In many cases, a preliminary review allows timely identification of opportunities for tax savings, asset optimization, or reduced contingencies that can translate into relevant economic benefits.

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