ALERT MEMORANDUM

Chile's Evolving Investment Framework: New Tax Stability Regime and the MK4 Capital Markets Reform Bill

November 24, 2026

Following the inauguration of President José Antonio Kast on March 11, 2026, Chile has adopted, and is currently considering, a series of tax and regulatory measures intended to support economic activity, encourage long-term investment, and deepen Chile's capital markets.

These measures include those contained in Law No. 21,850 for National Reconstruction and Economic and Social Development (the Reconstruction Law), published in the Official Gazette on October 17, 2026, and those contemplated in the Capital Markets Reform and Home Ownership Financing Bill, known as "MK4", submitted by the Executive branch, approved by the Chamber of Deputies, and currently under review by the Senate

The Reconstruction Law combines measures addressing reconstruction following wildfires in central and southern Chile with broader investment-related provisions. These include measures intended to attract long-term investment, both foreign and domestic, and to encourage the repatriation of Chilean capital held abroad, making them a source of renewed national and international interest in Chile as an investment destination.

MK4 proposes changes to the tax and regulatory framework governing Chile's capital markets, with the stated objectives of increasing market depth and liquidity and facilitating access to financing. Its provisions would impact foreign portfolio investors, strategic acquirers, international banks and lenders, and asset managers, including through changes to investment taxation, market-access requirements, and corporate governance.

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The practical implications of these initiatives will depend on the applicable effective dates and implementing rules, including regulations and guidance from the Financial Market Commission (*Comision para el Mercado Financiero*, CMF) and the Chilean Internal Revenue Service, and, in the case of MK4, the final legislative text.

In this alert, we first summarize the measures enacted under the Reconstruction Law and then address MK4's most relevant aspects for international investors, banks, and asset managers. We highlight the principal changes from the existing framework, their practical implications, and some of the legislative and implementation questions that may arise.

Although Cleary Gottlieb does not advise on Chilean law, we would be happy to facilitate discussions with Chilean counsel regarding the implications of these developments for particular transactions or investments.

Law 21,850 for National Reconstruction

In addition to domestic measures, such as a temporary VAT exemption on the first sale of certain new homes and a new single 5% tax on income from economic-housing rentals, the Reconstruction Law introduces changes to corporate and shareholder taxation, establishes a contractual tax stability regime for qualifying investments, and restores non-taxable treatment for certain capital gains.

Lower Corporate Income Tax and Shareholders Distributions

The Reconstruction Law reduces the general corporate income tax rate from 27% to 25.5% for income earned in 2027, 24% for income earned in 2028, and 23% for income earned from 2029 onward. It also gradually phases out the requirement for shareholders to repay a portion of the corporate tax credit associated with distributed profits. The repayment obligation will be reduced to 30% for the 2028 tax year and 20% for the 2029 tax year, before being eliminated entirely from the 2030 tax year onward, thereby reducing the combined corporate and shareholder level tax burden on distributed profits.

Tax Stability for Large Investments

The Reconstruction Law establishes the ability, starting in 2027, to opt into a long-term tax stability regime (*regimen de invariabilidad tributaria*) designed to provide foreign and domestic investors with certainty regarding the tax obligations applicable to qualifying investments (i.e., investment contracts for the development of mining, industrial, forestry, energy, infrastructure, telecommunications, research, technological development, medical, or scientific projects involving investments in an amount of at least US$50 million).

Under this regime, the investor enters into an investment contract with the government of Chile, represented by the Ministry of Finance, which takes as reference the rate, taxable base, and other tax elements in force as of the contract date. The protection period, counted from the project's start-up, is 10 years for investments ranging US$50 million to US$100 million, 15 years for investments ranging US$100 million to US$350 million, and 20 years for investments of US$350 million or more.

For that period, the regime preserves not only the resulting total effective income tax burden applicable to qualifying investments, but also specified rules concerning depreciation, loss carryforwards, and organizational and start-up expenses. It also provides protection for the VAT and customs treatment of imported capital goods during the investment implementation period. Qualifying mining projects benefit from additional protections against adverse changes to the mining royalty regime and certain other mining-specific charges. In exchange for these protections, the investor must pay a corporate (first category) income tax rate that is 1.5 percentage points higher than the statutory rate applicable at the time the investment contract is entered into.

Capital Gains on Listed Securities Restored

Since 2022, gains on the sale of shares of Chilean open stock corporations with stock market presence

(*presencia bursátil*)[1], and of certain investment fund and mutual fund quotas, meeting the requirements of Article 107 of the Income Tax Law (which generally require the sale to take place on a Chilean stock exchange or, for shares, in a tender offer) have been subject to a 10% single tax. The Reconstruction Law eliminates that tax and, with effect from January 1, 2027, classifies such gains as non-taxable income, reversing a change that, according to the Government, was followed by a significant decline in trading volume. Qualifying institutional investors, including foreign institutional investors, were already exempt from the 10% tax under the prior regime, so this change principally benefits non-institutional and smaller holders.

MK4 Capital Markets Reform Bill

On September 9, 2026, the Government submitted to Congress the Capital Markets Reform and Home Ownership Financing Bill, commonly referred to as "MK4."[2] The bill was approved by the Chamber of Deputies on October 27, 2026, and is currently under consideration by the Senate. Its provisions remain subject to further legislative review and amendment.

The MK4 Bill would be the first comprehensive reform of Chile's capital markets since 2010. It targets several features of the current regime commonly identified by foreign investors as obstacles to investment, including the withholding tax on local bonds, the requirement to obtain a Chilean tax identification number, VAT on financial services provided from Chile, and stamp tax on foreign funding. MK4 is intended to facilitate greater participation by private issuers and foreign investors in the Chilean market.

If enacted as proposed, MK4 would, among other matters:

— Exempt non-resident holders of qualifying Chilean bonds from Chilean tax on interest and capital gains, and remove the requirement that such investors obtain a Chilean tax ID.

— Extend the capital gains exemption to shares of Chilean companies with a free float of at least 15%, sold on a Chilean stock exchange or on qualifying foreign exchanges, broadening the number of qualifying companies compared to the current regime

— Make Chilean take-privates materially more feasible, through a 90% squeeze-out, lower supermajority thresholds, and later disclosure of control acquisitions.

— Lower the cost of foreign funding and cross-border financial services.

— Open the fund industry to specialized external managers at lower capital cost.

What MK4 Offers International Market Participants

Foreign Investment and Market Access

Bonds: A Tax-Neutral Entry Point

Today, interest on publicly offered bonds qualifying under Article 104 of the Income Tax Law bears a 4% tax for non-residents, collected by withholding, and the capital gains relief depends on a declared "fiscal" interest rate, a minimum annual coupon, and a one-year holding period. MK4 would eliminate the 4% withholding altogether, so that interest and gains on these bonds in the hands of non-residents would not be taxed in Chile. It would also replace the fiscal-rate mechanics with issuance at a market rate paid annually, and drop the holding period. For a foreign institution, this converts a withholding-and-refund exercise into a clean holding.

[1] "Stock market presence" (*presencia bursátil*) is a regulatory test applied to the relevant securities, rather than to their issuer. It requires registration in the CMF's Securities Registry and listing on a Chilean stock exchange, together with either (i) daily exchange trading of at least UF 1,000 on at least 25% of the preceding 180 trading days or (ii) a market-making arrangement satisfying the applicable regulatory requirements. Listing alone is insufficient, and satisfaction of this test does not dispense with the other requirements for Article 107 treatment.

[2] Mensaje No. 166-374, initiating *Proyecto de ley de reforma al mercado de capitales y financiamiento de la casa propia*, Bulletin No. 18,643-05, Chamber of Deputies of Chile, https://www.camara.cl.

Equity: A Broader Preferential Capital Gains Regime

Article 107 of the Income Tax Law currently provides a preferential regime for gains on the sale of shares of Chilean open stock corporations with stock market presence, and of certain fund quotas, a test that only 59 out of 185 listed companies met as of August 2026. MK4 would replace the stock-market-presence test for shares with a minimum 15% free float requirement[3] and broaden the categories of eligible issuers to include Chilean closed corporations and s*ociedades por acciones* (SpAs), alongside open corporations. This extension would accommodate qualifying shares traded through authorized exchange segments exempt from ordinary CMF registration, sold on a Chilean stock exchange or on qualifying foreign exchanges. Public investment fund and mutual fund quotas would qualify if the fund distributes all dividends and interest received, and the regime would extend to locally registered foreign securities and exchange-traded derivatives with qualifying underlying assets. Shares of issuers listed on a new junior segment for innovation and greenfield mining exploration companies would also qualify. These issuers may be Chilean or foreign companies with a legal representative in Chile, and their securities may be listed simultaneously abroad and denominated in foreign currency.

Removing Operational and Transactional Frictions

— **RUT waiver.** Non-residents investing only in qualifying Article 104 bonds and Article 107 securities would no longer need a Chilean tax ID, since local withholding agents already discharge any tax payment obligations. Anti-money-laundering reporting obligations are unchanged.

— **Stamp tax.** Existing exemptions for deposits and funding raised by Chilean banks and financial institutions would extend to foreign savers and investors, and to foreign loans on-lent in Chile, not only abroad.

— **VAT exemption on financial services.** Services provided from Chile to non-residents are treated as exports exempt from VAT to the extent that they are used abroad. However, financial services involving assets located in Chile have generally not qualified for this exemption. MK4 would expressly treat as exported services, among other financial services, brokerage, placement and underwriting, market making, custody and settlement, M&A advisory, trust and fiduciary services, bondholder representation, risk rating, and financial management, advisory, and wealth management services provided to non-residents, even where the assets or instruments involved are located or registered in Chile.

— **Usury cap.** The maximum conventional interest rate would no longer apply to the discount captured on registered or privately placed debt placed below par, to borrowers that are qualified investors, or to loans above UF 10,000[4].

Equity Markets, Corporate Governance, and M&A

These provisions would change the balance between a company's controlling and minority shareholders. The principal changes to the Corporations Law and the Securities Market Law are:

Supermajorities

Delisting, mergers, changes in corporate form, and early dissolution, among other key decisions, would require an absolute majority of issued voting shares rather than two-thirds. Dissenting shareholders would keep their withdrawal (appraisal) right. Retaining earnings below the 30% minimum dividend would require two-thirds of issued shares, with an absolute majority of issued shares not owned by the controller, rather than unanimity.

Squeeze-Out and sell-Out

The current mechanism, which requires a prior bylaw authorization and control acquired through a tender offer (*oferta pública de valores*, OPA), would be replaced. Any holder of more than 90% of a company's stock, however acquired, could compel the sale of the remaining shares at the highest of (i) the market value

[3] Free float means shares not held, directly or indirectly, by the company's controllers or their related parties, or by directors, managers or principal executives of the controllers or of the company.

[4] *Unidad de Fomento* (UF) is an inflation-indexed unit of account calculated and published by the Central Bank of Chile (*Banco Central de Chile*). As of November 19, 2026, UF 10,000 was equivalent to approximately US$413,000.

of the shares, according to a report by an independent valuation by an appraiser selected by lot by the CMF, (ii) the highest price paid by the controller or its group in the prior six months, and (iii) the company's book value. Where 90% is reached through an OPA for all shares in which at least 15% was acquired from unrelated holders, the OPA price would apply. Minority shareholders would receive a reciprocal sell-out right, the price must be deposited in advance, and disputes would go to arbitration. These provisions would be relevant to acquisition timetables, funding commitments, and minority-exit arrangements.

Disclosure of Control Acquisitions

Chilean Securities Market Law currently requires a prospective acquirer of control to disclose its intention once negotiations begin or confidential information is exchanged. MK4 would instead require disclosure by the business day after a binding agreement is signed, while retaining the existing 10-business-day notice period before control takes effect.

Capital Structures

Control preferences could be permanent and multiple-vote shares would be allowed, subject to economically equivalent treatment of those shares in any OPA under a methodology to be determined by the CMF. Buyback limits tied to retained earnings, pro rata acquisition, and daily volume would be lifted and the treasury cap raised from 5% to 15%. Convertible bonds would not require an upfront capital increase, and preemptive rights on them could be excluded by absolute majority.

Directors

MK4 would introduce an express business-judgment standard. Directors acting in good faith, without a personal interest, on reasonably sufficient information, and in the reasonable belief that they serve the company's interest would be deemed to have met their duty of care. D&O insurance would be expressly permitted.

Debt Markets

MK4 would also make several changes to the debt and securities markets. For example, it would clarify the framework for automatic registration in the CMF's Securities Registry under Article 8 ter of the Securities Market Law to cover securities generally, rather than only debt securities. Separately, under the simplified debt regime of the Securities Market Law, qualifying debt could be publicly offered without registration in the Securities Registry. Instead, they would be recorded in a separate public registry maintained by the CMF, subject to the issuer demonstrating its identity and legal capacity.

In addition, the CMF would be empowered to establish, by regulation, the minimum clauses required in bond indentures and the rules applicable to promissory notes with maturities of up to 60 months. The CMF could also exempt foreign securities from registration and, subject to a prior favorable report from the Central Bank, authorize off-exchange trading of foreign securities and depositary certificates (CDVs). Further, pension funds could enter into repos and reverse repos involving highly liquid, low credit-risk debt instruments. The amendment would also establish a new State-owned housing fund (FONAVI), with authorized State contributions of up to US$2 billion and a maximum duration of ten years, which would set up investment funds to acquire residential mortgage loans. Those funds could then issue publicly offered bonds that may carry a State guarantee, and leverage their equity by up to ten times.

Investment Funds and Asset Management

Chilean fund managers' guarantees currently cost about 30 basis points of assets under management, more than in 53 comparable jurisdictions. MK4 would cap guarantees at 0.5% of assets and UF 25,000, and set minimum capital between UF 5,000 and UF 20,000 by risk level. Managers could delegate portfolio management to CMF-registered specialists, who would bear liability for their decisions. Custodian-held quotas without voting instructions, typical of foreign investors, would no longer count toward quorum, and brokers' directors could serve on fund managers' boards.

Together with the VAT change, this would let international managers run specialized Chilean mandates, such as mining or venture capital, through a local platform.

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