W I N G S
ELEVATING PHILANTHROPY

Chile's Philanthropy Reform: Modernising a Fragmented Ecosystem

TIER 2
Catalyser

Why this case matters

Chile shows how governments can strengthen philanthropy by simplifying complex legal systems rather than expanding incentives. By introducing a unified, more accessible framework for tax-benefited giving, the reform reduced administrative barriers, increased transparency and created clearer pathways for domestic as well as specific cross-border donations.

Chile's story of change

Chile's Ley 21.440, enacted in April 2022, introduced a new general-purpose legal framework in favour of non-profit entities. Rather than replacing existing sector-specific donation laws, the reform created a complementary, cause-neutral pathway that simplified access to tax benefits and reduced administrative complexity.

Key features included removing the judicial authorisation requirement, establishing a centralised public registry of recipient organisations, clarifying eligibility rules and creating a legal channel for certain cross-border donations.

The reform was shaped by sustained analytical work from CEFIS UAI and implemented through collaboration between the Ministry of Finance and the Internal Revenue Service (SII), reflecting a coordinated effort to modernise Chile's philanthropic ecosystem. Total philanthropic donations reached a historic high in 2023 (approximately CLP 349.6 billion/USD 416 million), representing a ~36% year-on-year increase.

Relevant EE Guide recommendations

This case illustrates the following recommendation in practice:

- **Rec. 5:** Introduce or expand fiscal incentives for charitable giving

Policy lever

Legal simplification and administrative modernisation of philanthropic giving.

Country snapshot: Chile

Country overview	▶ High-income country with strong fiscal institutions ▶ Long-standing combination of market-oriented economic policy and relatively robust public institutions ▶ Global Philanthropy Environment Index 2025 (GPEI): 4.06/5
Intervention type	▶ Regulatory reform to simplify and modernise the philanthropic giving framework
Outcome type	▶ Broader, more transparent and more administratively manageable framework for tax-benefited giving ▶ Recipient organisations grew from 773 (2018) to 972 (2023), a ~26% increase as compliance and tax rules were clarified
Key challenges/ barriers prior to the intervention	▶ Fragmented legal architecture: Multiple cause-specific donation laws created complexity, inconsistency and unequal treatment across public-benefit purposes ▶ Administrative inefficiency: Judicial authorisation and duplicative procedures increased delays, compliance costs and regulatory burden ▶ Unclear legal pathways: Overlapping regimes created uncertainty over eligibility, applicable rules and access to tax benefits

Introduction: the background

Chile's reform of the donations regime was driven by structural weaknesses in the legal and regulatory framework governing philanthropic giving. Over time, multiple cause-specific donation laws had been introduced in response to different policy priorities (e.g. culture, education, social assistance, disaster relief). These regimes operated in parallel, with different eligibility criteria, tax treatments, approval processes and reporting requirements. The result was a fragmented system that created administrative complexity, unequal treatment across public-benefit purposes and legal uncertainty for donors and recipient organisations.

The core issue was not a lack of philanthropic activity or tax incentives, but a system that had become difficult to navigate and increasingly ineffective as a policy tool. This diagnosis was supported by analytical work from the Center for Philanthropy and Social Investment at Universidad Adolfo Ibáñez (CEFIS UAI), which highlighted that the problem lay in the cumulative design and legal framework itself rather than in incentive levels.

Despite the availability of multiple tax incentives, donation volumes and participation stagnated in the years leading up to the reform. Giving remained concentrated among a relatively small group of donors and recipient organisations, suggesting that legal eligibility was not translating into practical access.

The analysis identified five interrelated challenges:

1. **Fragmentation and complexity:** Numerous sector-specific laws (e.g., culture, education, sports) created a difficult and inconsistent regulatory landscape, increasing transaction costs and discouraging participation.
2. **Unequal treatment of public-benefit purposes:** Similar activities (fines de las donaciones) were treated differently depending on the legal framework applied, undermining neutrality.
3. **High administrative burdens:** Multiple approval processes and reporting requirements increased compliance costs, particularly for smaller organisations.
4. **Legal uncertainty:** Overlapping rules and fragmented oversight reduced predictability and weakened confidence in the system.
5. **Lack of strategic coherence:** The donations framework had evolved incrementally, without a clear policy logic linking private donations to broader public-interest objectives

CEFIS UAI's 2020 work concluded that incremental adjustments would not be sufficient and that structural reform was required. While broader tax reform under Ley 21.210 (2020) had modernised tax administration, it did not address fragmentation in the donations system. A complementary 2020 CEFIS supported policy proposal further reinforced this point, arguing that effective philanthropy frameworks rely on simplicity, legal certainty and coherent, principle-based design.

Intervention: the what

Chile introduced a new generic legal framework for tax-benefited donations through Ley 21.440, enacted in April 2022, in force from May 2022 and operational from July 2022. The reform simplified and broadened the donations regime, building on earlier tax-administration changes introduced under Ley 21.210 (2020).

Key elements of the reform include:

- **Expanded definition of public benefit:** The framework expanded the definition to include environmental protection, scientific research, gender equality and human rights. It also broadened participation by allowing a wider range of taxpayers to contribute and by recognising multiple forms of giving, including monetary and non-monetary assets.
- **New generic legal pathway:** Rather than replacing existing sector-specific laws, the reform created a new permanent, cause-neutral donations regime that operates alongside pre-existing generic frameworks.
- **Removal of procedural barriers:** The reform eliminated the archaic judicial authorisation requirement (insinuación de donación) for donations made under Ley 21.440 and replaced it with a one-time registration process, reducing delays, legal uncertainty and transaction costs.

- **Standardised tax treatment:** Donations made under the new regime are exempt from donations tax when directed to registered non-profit entities for eligible public-benefit purposes. Tax benefits are clearly defined and capped to maintain fiscal discipline.
- **Cross-border clarity:** The framework clarified that donations from non-resident donors are not subject to Chile's donations tax, provided the donated goods are located abroad and the donation is not financed with Chilean-sourced funds. This provides greater legal certainty for a defined category of cross-border giving.
- **Governance and administration:** The regime is administered through a Technical Secretariat under the Ministry of Finance, which manages a public registry of eligible entities and a donations portal. Registered organisations must meet eligibility criteria and comply with reporting and use-of-funds requirements.

Implementation: the how

Chile's donation modernisation reform progressed through a sequence of clearly defined steps, moving from evidence-based diagnosis to legislative action and administrative rollout.

1. **Building the case for reform through evidence:** Between 2018 and 2020, CEFIS UAI and other sector actors documented the fragmentation of Chile's donations system, stagnation in participation and barriers faced by organisations to access philanthropic funding. This reframed the issue as one of legal and institutional design, establishing a credible basis for reform focused on simplification rather than expanding tax incentives.
2. **Understanding the limits of tax modernisation:** The enactment of Ley 21.210 in 2020 improved tax administration across the economy but did not resolve fragmentation in the donations regime. The norm demonstrated that broader tax modernisation, while useful, was not enough to address the specific barriers affecting philanthropic giving. For the Government, this helped isolate the donations regime as a policy problem requiring a targeted legal response rather than further piecemeal adjustment.
3. **Translating diagnosis into policy design:** Between 2021 and 2022, the Ministry of Finance and the SII led the development of a new generic donations framework, drawing on CEFIS UAI's analysis and comparative evidence. This phase defined the core features of the reform, including a simplified legal pathway, more consistent treatment of public-benefit purposes and clearer oversight mechanisms.
4. **Expanding recognised public benefit areas:** Advocacy by social sector actors ensured that previously excluded areas, such as gender equality and human rights, were incorporated into the new framework, broadening its scope and relevance.
5. **Adoption of the new regime:** The passage of Ley 21.440 in 2022 marked the turning point, introducing a coherent, cause-neutral pathway alongside the existing sector-specific laws.
6. **Administrative consolidation and digital rollout:** Following enactment, the Ministry of Finance established a Technical Secretariat to manage the public registry of eligible entities and the donations portal, launched in July 2022. The SII issued operational guidance to support implementation and strengthen transparency, access and oversight.

The role of key actors

The reform was the result of coordinated efforts across academia, the social sector and government, combining analytical evidence, advocacy and implementation leadership. Key actors included:

- **CEFIS UAI:** Served as the primary research and convening anchor, providing rigorous analysis and facilitating dialogue between policymakers, regulators and private actors. Its work was instrumental in framing the problem as one of legal and institutional design rather than incentive levels.
- **Environmental Civil Society Coalition:** A coalition of environmental organisations played a key advocacy role in ensuring that environmental conservation was explicitly recognised as a public-benefit purpose within the new framework, addressing gaps in earlier regimes.
- **Ministry of Finance and SII:** Led policy design and implementation, including the creation of a centralised registry and digital platform. Through the Technical Secretariat, these institutions ensured consistent administration, tax certification and regulatory oversight of the new regime.

Outcomes and early signals of impact

Based on analysis of SII administrative donation data, early evidence suggests that reducing legal uncertainty helped lower barriers to participation.

- **Reduced legal uncertainty and increased participation:** The number of recipient organisations formally receiving donations **increased from 773 in 2018 to 972 in 2023**, indicating that more organisations were able to participate once compliance requirements and tax treatment were clarified.
- **Growth in donation volumes:** Total philanthropic donations reached a historic high in 2023 **(approximately CLP 349.6 billion/USD 416 million)**, representing a ~36% year-on-year increase. Donations channelled through Ley 21.440 **accounted for CLP 52.690 billion in 2023 (approximately USD 63 million)**, with CEFIS attributing around **15% of the total 2023 giving** to the new regime.
- **Participation gains alongside structural limits:** While participation has expanded, donor concentration remains high, and there is not yet clear evidence of broad-based donor diversification or sustained improvements in long-term financial sustainability among recipient organisations.

Caveats for policymakers

While Chile's reform offers useful lessons, its effectiveness depended on pre-existing conditions that may not be present in all contexts. Policymakers should consider the following:

- **Tax administration capacity is a precondition:** Chile's SII is among the most digitally advanced tax authorities in Latin America, with mature electronic invoicing, cross-agency data sharing and strong enforcement reach. In contexts with weaker administrative capacity, registration, oversight and enforcement may be more difficult to implement effectively.
- **Existing institutional and digital infrastructure:** The reform leveraged an existing national registry of non-profit entities and a digital identity system (ClaveÚnica). Countries without these foundations may need to prioritise legal recognition systems and digital infrastructure before introducing similar reforms.
- **Digital compliance may exclude smaller organisations:** The regime relies on digital platforms for registration, annual reporting and certification. Smaller or less formalised organisations, particularly in rural areas, may face barriers to participation without additional support.
- **Importance of sustained research capacity:** The reform was informed by nearly a decade of analytical work by CEFIS UAI. Designing and implementing similar reforms requires credible local research, data and convening capacity to build consensus and guide policy choices.

Lessons for policymakers

Chile's reform is particularly relevant to middle- and upper-income countries with strong fiscal institutions and fragmented charitable-giving frameworks. It demonstrates how governments can simplify and strengthen philanthropy systems without necessarily expanding fiscal incentives. While the specific legal tools are context-dependent, several design principles are broadly transferable:

- **Diagnose structural issues before adjusting incentives:** Chile's experience shows the importance of identifying underlying system design flaws. CEFIS UAI's pre-reform analysis reframed the issue from insufficient tax benefits to fragmentation and inconsistency across multiple legal regimes.
- **Remove administrative friction before expanding incentives:** Removing procedural barriers, such as judicial authorisations, can have a more immediate impact on participation than increasing tax deductions.
- **Invest in local research and analytical capacity:** Sustained, evidence-based analysis was critical to shaping both the design and credibility of the reform. Building similar local capacity is essential for effective policy development and evaluation.
- **Introduce complementary pathways rather than replacing existing systems:** Chile created a new, simplified regime alongside existing laws, enabling a gradual transition and reducing political resistance while improving usability.

- **Define public-benefit purposes clearly and broadly:** Expanding and clarifying eligible areas of giving helps ensure neutrality and inclusivity while maintaining enforceability and alignment with public priorities.
- **Sequence reforms to align with institutional capacity:** Chile's prior tax modernisation strengthened administrative systems, enabling effective implementation of the donations reform. Governments should ensure that institutional and digital capacity is in place before introducing similar frameworks.

Final reflections

Chile's experience shows that improving the enabling environment for philanthropy does not always require expanding tax incentives. Administrative simplification and clearer, more coherent oversight can be equally important in unlocking participation.

Rather than replacing its fragmented system, Chile introduced a complementary, cause-neutral pathway that made philanthropic giving easier for donors to navigate and more straightforward for the State to administer.

At the same time, simplification alone is not sufficient. The longer-term success of the reform will depend on whether it can sustain broader participation, remain accessible to smaller organisations, and maintain a balance between clarity and effective oversight.

Annex

Timeline of events

Time period	Milestone	Key actors
Research and advocacy phase		
2017–2019	▶ Evidence of fragmentation and barriers is documented ▶ CEFIS UAI convenes a multi-stakeholder working group	CEFIS UAI, other social sector actors
Problem framing phase		
2020	▶ CEFIS UAI and partners document stagnation in donor participation and organisational access ▶ Issue is reframed as a structural design problem rather than insufficient incentives ▶ Comprehensive diagnosis published, calling for legislative reform	CEFIS UAI, other social sector actors
Tax modernisation law (precursor reform) enacted		
2020	▶ Ley 21.210 enacted, modernising tax administration across the economy ▶ Donations framework remains fragmented, highlighting the need for targeted reform	Ministry of Finance, SII, National Congress of Chile
Donations reform		
2021–2022	▶ Policy design and legislative process led by the Ministry of Finance and SII ▶ Reform informed by CEFIS UAI's analytical work	Ministry of Finance, SII, CEFIS UAI

Enactment		
2022	▶ Ley 21.440 published, creating a new complementary donations regime	Ministry of Finance, National Congress of Chile
2022–2023	▶ Administrative guidance issued ▶ Regulatory framework operationalised	
Implementation and digital onboarding		
2022–2024	▶ Ministry of Finance launches Public Registry of Donees ▶ Organisations required to register digitally, improving transparency and oversight	Ministry of Finance

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Interview

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