Arica and Parinacota Region

Foreign Investment Incentives

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Why Arica and Parinacota?

The Arica and Parinacota Region has established itself as one of the most important strategic platforms for investment in northern Chile. Its location makes it the gateway to the markets of Peru, Bolivia, Brazil and the Asia-Pacific. The region shares borders with both Peru and Bolivia, and integrates the Port of Arica, the Chacalluta International Airport, the Arica-La Paz Railway and International Route 11-CH. This multimodal logistics infrastructure strengthens its position as a node on the Central Bi-Oceanic Corridor and a platform for international trade.

With a population of approximately 280,000 inhabitants[1], the region combines territorial advantages with a supply of human capital supported by three universities, two professional institutes and three technical training centers, aimed at supplying strategic sectors such as logistics, agro-industry, energy, mining and services.

During 2025, the regional GDP reached US$ 2.827 billion[2], registering a growth of 5.3%, higher than the national average. The region's productivity is mainly centered on construction, manufacturing, transport, communications and trade, demonstrating a diversified and increasingly dynamic economy. Furthermore, regional exports totaled US$ 314 million, registering a growth of 8.6% compared to the previous year[3].

[1] Figure from the National Institute of Statistics, June 2025.

[2] Figure in dollars calculated from the region's 2025 GDP, expressed in Chilean pesos, divided by the average 2025 annual exchange rate (CLP / US$). Figures from the Chilean Central Bank. This conversion is an InvestChile calculation and is not an official figure. For the purposes of growth rates, InvestChile uses the GDP at chained prices from the previous year.

[3] Chilean Customs Service.

The region has natural and productive conditions that favor the development of sectors with high investment potential. These include off-season agriculture in the Azapa, Lluta and Camarones valleys; one of the world's highest levels of solar radiation for renewable energy and green hydrogen projects; services linked to mining; and a tourism offer centered on internationally renowned natural and cultural heritage, such as the sites and practices of the Chinchorro Culture (UNESCO), Lauca National Park and Lake Chungará.

The region presents a favorable environment for foreign investment. The foreign direct investment stock – which considers Arica and Parinacota and Tarapacá together – reached **US$ 20.154 billion in 2024**, the highest historical record reported by the Central Bank[4]. Meanwhile, the Capital Goods Corporation project portfolio for the 2025-2029 period includes initiatives in energy and infrastructure, complemented by the presence of international investors in sectors such as energy, transport, mining, hospitality, technology and trade.

In this context, and in line with regional planning instruments and the economic development priorities of Arica and Parinacota, the region is seeking to consolidate opportunities in priority sectors to attract investment. This will allow:

- The consolidation of Arica as an international logistics hub and a node on the Bi-Oceanic Corridor.
- The development of high-value agro-industry and agricultural biotechnology.
- The promotion of sustainable, heritage and special interest tourism.
- The expansion of renewable energy and the green economy.
- The strengthening of services for mining, manufacturing and production chains.

[4] Statistical Database (SDB), Chilean Central Bank.


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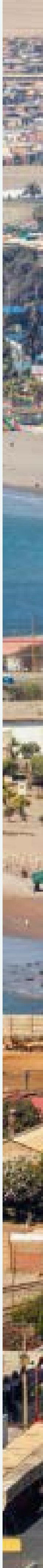
Regional Incentives and Benefits

As a territory at Chile's northern limit, the Arica and Parinacota Region has an incentives ecosystem aimed at strengthening the competitiveness of new investment. These include Law No. 19.420 (Arica Law), subsidies for productive investment, incentives for hiring labor and public instruments to reduce the installation and operation costs of projects, thus strengthening the competitiveness of Chilean and foreign projects.

The incentives ecosystem in the Arica and Parinacota Region seeks to generate:

- Significant reductions in total investment costs.
- Structural improvements in operational costs.
- The strengthening of territorial capacities.

Together, these elements create a particularly attractive environment for projects in sectors such as logistics, manufacturing, foreign trade and capital-intensive services. The integrated evaluation of these layers is therefore key to making correct decisions regarding investment and the design of public policies.



Direct Tax Incentives

These instruments directly impact the profitability of projects through reductions in the tax burden.

Instruments:

- **Tax Credit (Art. 1, Law No. 19.420[5]):**

The tax credit allows companies to recover between 30% (Arica) and 40% (Parinacota) of investments in fixed assets, reducing the first category tax. It applies to projects with an investment of over 500 UTM[6] (approximately US$ 39,881).

Investments that Benefit: Tangible fixed assets, which are those that have been acquired or built with the intention of using them to produce goods or provide services – without the purpose of trading, reselling or putting them into circulation – and that take the form of buildings, machinery or equipment.

It is aimed at:

- Companies that produce goods (it does not apply to primary, extractive or commercial activities).
- Service providers.
- Companies primarily engaged in commercial exploitation for tourism purposes.
- Companies that invest in the construction of buildings intended for office or residential use, whether or not they include commercial premises, parking or storage.
- Companies located in the Industrial Free Trade Zone or Chacalluta Park under the preferential regime of Article 27, Decree No. 341 of 1977 (Free Trade Zone Law).

[5] Decree No. 1 of 2001 from the Treasury Ministry, which establishes the consolidated, coordinated and systematized text of Law No. 19.420 https://bcn.cl/2sd2h

[6] Unidad Tributaria Mensual (UTM): An indicator used for tax purposes whose value in pesos is defined by law and adjusted each month in accordance with the Consumer Price Index.

Taxpayers may take advantage of this credit until December 31, 2035, although recovery of the credit to which they are entitled may be finalized until 2055.

- **Free Trade Zone Regime (Decree No. 2 of 2001[7] from the Treasury Ministry):**

The regime regulates the entry, storage, transformation and commercialization of goods under the presumption of customs extraterritoriality, as well as the special regime applicable to industrial manufacturing companies located in Arica. Specific exemptions depend on the type of operation, merchandise and destination.

- **Preferential regime for industrial manufacturing companies (Article 27, Decree No. 2 of 2001 from the Treasury Ministry):**

The regime applies the regulations of the preferential Free Trade Zone to industrial manufacturing companies installed or to be installed in Arica, with the exemptions and conditions established in said regulations.

Economic Impact:

- Significant reduction of effective capital expenditure (CAPEX).
- Direct improvement in the internal rate of return (IRR).
- Increased competitiveness compared to other regions.

[7] Decree No. 2 of 2001. Iquique Free Trade Zone – Arica extension https://bcn.cl/281fe

Investments Subsidies

These instruments reduce the initial capital cost through direct transfers or co-financing.

Instruments:

- **Subsidy Decree No. 15 of 1981[8] (up to 20% investment):**

This is a state subsidy administered by the Chilean Economic Development Agency (CORFO). It returns a percentage on productive investments or reinvestments that are directly linked to the business activity or line of business.

- **CORFO Programs[9]:**

These are co-financing mechanisms for investment, innovation, entrepreneurship and productive development, subject to the terms and conditions and budgetary availability of each call for applications.

Economic Impact:

- Direct reduction of initial CAPEX.
- Reduced payback period.

[8] Decree No. 15 of 1981 from the Treasury Ministry, which establishes the Promotion and Development Fund statute https://bcn.cl/3mg0n

[9] https://www.corfo.gob.cl/sites/cpp/programasyconvocatorias/

Operational Incentives

These mechanisms reduce operating costs, particularly in the workplace.

Main Instruments:

- **Labor Subsidy (Law No. 19.853[10]):**

This benefit grants eligible employers a subsidy equivalent to 17% of the portion of taxable remuneration that does not exceed the legally adjustable limit, with respect to workers with permanent residence and work in the region. The benefit is subject to exclusions, incompatibilities and compliance with social security obligations.

Economic Impact:

- Structural reduction of labor costs.
- Improvement in operating margin.

[10] Law No. 19.853. Labor Contract Subsidy https://bcn.cl/2nz8v

Logistics and Commercial **Incentives**

These tools reduce friction in the supply chain and facilitate trade.

Main Instruments:

- **Free Trade Zone (Decree No. 2 of 2001):**

This is a logistics platform for import, storage and re-export. It establishes the rules for the Arica Free Trade Zone.

- **Special Customs Exemptions (Chapter 0 Customs Tariff, Decree No. 30):**

This chapter establishes exemptions from duties and VAT for the relocation of household goods, tools and vehicles due to a change of residence from Arica. It includes tax relief for the establishment of businesses and the importation of goods under special regimes.

- **Tax Free (Law No. 20.655[11] and Internal Revenue Service [SII] regulations):**

This law allows foreign individuals without domicile or residence in Chile to request the refund of taxes corresponding to the purchase of goods made in stores affiliated with the Arica and Parinacota Region's Tourist Invoice System, provided that the minimum amount, departure through an authorized border crossing and other applicable requirements are met.

Economic Impact:

- Reduction of logistics and supply costs.
- Improvement in commercial competitiveness.

[11] Law No. 20.655 (Tax Free for foreign tourists, only in the Arica and Parinacota Region) https://bcn.cl/2ibwl

Relevant Entities for Regional Economic Development

- **Arica and Parinacota Regional Government (GORE):** The GORE leads the regional economic development strategy and coordinates initiatives to strengthen territorial competitiveness, promoting investment projects and articulating regional programs for productive support www.gorearicayparinacota.cl.
- **InvestChile:** InvestChile is the public agency that promotes Chile as a destination for foreign direct investment in the global market, connecting the interests of foreign investors with the business opportunities the country offers, providing specialized, free services in line with the country's economic development policies. www.investchile.gob.cl
- **Chilean Economic Development Agency (CORFO):** CORFO is a decentralized public service that promotes investment, innovation and entrepreneurship, and strengthens human capital and technological development. It operates through various programs and tools to support productive development. www.corfo.cl
- **Arica and Parinacota Regional Presidential Delegation:** The delegation manages the benefits associated with extreme zones, including the allowance included in Law No. 20.330 for young professionals and technicians who work in the region.

- **PROCHILE:** The institution, part of the Foreign Affairs Ministry, is responsible for supporting the international expansion of Chilean companies through initiatives to promote their goods and services. www.prochile.gob.cl
- **Technical Cooperation Service (SERCOTEC):** SERCOTEC is the productive development agency specializing in supporting micro and small businesses and entrepreneurs, through specialized technical assistance and the promotion of association and cooperativism. www.sercotec.cl
- **Internal Revenue Service (SII):** The SII is the public body responsible for administering and overseeing Chile's internal taxes. It also applies the tax benefits established in Law No. 19.420 (Arica Law), as well as other tax exemptions and the Tax Free regime www.sii.cl
- **Chilean Customs Service:** The service oversees foreign trade at Chile's borders and within the national territory to contribute to tax collection, promoting lawful, agile, safe and transparent trade for citizens. It administers special customs regimes, customs exemptions and operations linked to the Free Trade Zone and foreign trade. www.aduana.cl

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