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LEGAL GUIDE

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Colombia

COLOMBIAN TAX REGIME

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COLOMBIAN TAX REGIME

Chapter 7

Basic information on the Colombian tax system for foreign investors.

- Under the Colombian Tax System, the only body who can create taxes is the Congress of the Republic. There are taxes at the national level such as income tax for both corporations and individuals, VAT, GMF, among others. At the territorial level (departmental and municipal) there are multiple taxes, which may vary depending on the jurisdiction in some elements such as the rate, of which the ICA, the real estate tax (property tax), and some others that affect certain sectors such as the consumption of alcohol and tobacco, or state contracting, are the most important.

- VAT is caused in the import, sale of goods in Colombia, in the sale or assignment of rights over intangible assets linked to industrial property, and in the rendering of services in Colombia or from abroad. In general, VAT paid on taxable transactions may be discounted against VAT generated by the responsible party.

- The accounting under IFRS adopted in Colombia is the starting point for the determination of the taxable income tax bases for legal entities and individuals required to keep accounting records. In any case, tax rules prevail over accounting rules and establish certain exceptions to accounting recognition.

- Dividends distributed to non-resident shareholders by national companies will be subject to a 20% taxation (in a second tranche) and 35% (in a first tranche) if the profits from which they come have not been subject to taxation at the level of the company. Dividends distributed among national companies are not taxed, but in the first distribution to another national company they are subject to a withholding at the source at a rate of 10%¹ transferable to the shareholder, individual or non-resident, who is the taxpayer of the tax.

- As of 2024, a "mixed taxation" is established for industrial users of free trade zones, distinguishing two scenarios for the application of the 20% rate and the general income rate for legal entities (35%). The 20% rate is applicable with respect to income obtained from the export of goods and services, and the general income rate (35%) is applicable with respect to income other than that obtained from the export of goods and services.

However, the Constitutional Court, through release 36 of October 2nd, 2023, indicated that the ruling C-384 of 2023 was promulgated, in which it decided on the constitutionality of the rule that introduced this treatment for free trade zones.

¹ Profits distributed within the business groups, which are in a situation of control or CHC are not taxed with this withholding tax.

Although the ruling has not been published, and without prejudice to what it indicates, the Court declared the conditional constitutionality of this new regime on the understanding that the 20% rate will continue to apply to those taxpayers who, as of December 13th, 2022, have fulfilled the conditions for obtaining the benefit. This is a way to protect the constitutional principles of legitimate trust and good faith and to promote legal certainty.

However, discussions persist on the reading that should be given to this rule and its constitutionality, as well as the effects that will be derived for free zone users, which should be analyzed once the ruling is known in its entirety and in the cases of the affected taxpayers.

- Colombia can be used as an investment platform for other countries, since it has a CHC regime for which neither capital gains nor dividends from investments in foreign companies are taxed, as well as the distribution of dividends to non-residents.

- The transfer pricing regime is applicable to transactions that residents have with non-resident related parties, free zone users, and non-related parties' resident in non-cooperative, low or no tax jurisdictions. In general, the transfer pricing regime follows the OECD guidelines on this matter.

For the purposes of this document, a table of defined terms is presented in the following table.

DEFINED TERMS

Income Tax	IT
Financial Transaction Tax	GMF
National Tax and Customs Directorate	DIAN
Value Added Tax	VAT
Foreign Controlled Entities	FCE
Colombian Holding Corporation	CHC
Industry and Commerce Tax	ICA
International Financial Reporting Standards	IFRS
Organization for Economic Cooperation and Development	OECD
National Consumption Tax	NCT
Free Trade Zones	FTZ

The following table provides an overview of the main attributes of the Colombian system.

CONCEPT	GENERAL TAX INFORMATION
NATIONAL TAXES	
IT and supplementary capital gain tax	<p>Taxation</p> <p>Resident individuals are taxed on their worldwide source income, non-residents are taxed exclusively on their local source income.</p>

CONCEPT	GENERAL TAX INFORMATION																								
NATIONAL TAXES																									
IT and supplementary capital gain tax	Tax Collection Tax collection for non-residents is made through withholding tax. In cases where withholding tax is not applicable, the non-resident is obliged to file an income tax return. Differential rates* <table><tr><td>Sector</td><td>%</td></tr><tr><td>Financial</td><td>40%</td></tr><tr><td>Extractive</td><td>40% - 50% - 55%</td></tr><tr><td>Hidroelectric</td><td>38%</td></tr><tr><td>Turism</td><td>15%</td></tr><tr><td>Exporters (TZF)</td><td>20%</td></tr></table> *Provided that the company complies with the legal conditions. * From 2023 to 2027, financial entities, insurance companies and stock market commission agents that obtain taxable income more than COP. 5,000 million will be subject to a 5% surtax on the income tax rate. Dividends They are subject to two tax brackets according to the taxation borne by the distributing company; (i) First bracket: 35%; (ii) Second bracket: varies according to the beneficiary shareholder; (iii) Second bracket: varies according to the shareholder. <table><tr><td>Beneficiary</td><td>Tax</td><td>Withholding</td></tr><tr><td>Individuals</td><td>0%-39%*</td><td>0%-15%</td></tr><tr><td>Legal Entity</td><td>0%</td><td>10%²</td></tr><tr><td>Permanent Establishments and non-residents</td><td>20%</td><td>20%</td></tr></table> * Entitled to a credit of up to 19%.	Sector	%	Financial	40%	Extractive	40% - 50% - 55%	Hidroelectric	38%	Turism	15%	Exporters (TZF)	20%	Beneficiary	Tax	Withholding	Individuals	0%-39%*	0%-15%	Legal Entity	0%	10% ²	Permanent Establishments and non-residents	20%	20%
	Sector	%																							
	Financial	40%																							
	Extractive	40% - 50% - 55%																							
	Hidroelectric	38%																							
Turism	15%																								
Exporters (TZF)	20%																								
Beneficiary	Tax	Withholding																							
Individuals	0%-39%*	0%-15%																							
Legal Entity	0%	10% ²																							
Permanent Establishments and non-residents	20%	20%																							
IT and supplementary capital gain tax	Capital Gains It is applicable to any gratuitous act, inheritance, and the sale of fixed assets owned for more than two years. Rate 15%. Mechanisms for the avoidance of international double taxation Colombia has a direct and indirect credit or discount for companies as a unilateral mechanism to eliminate double taxation on foreign source income obtained by residents. Agreements to avoid double taxation on income (DTAI) in force with Spain, Chile, Switzerland, Canada, Mexico, South Korea, India, Portugal, United Kingdom, Czech Republic, France, Japan, Italy, and the Andean Community of Nations (Bolivia, Ecuador, and Peru). Signed agreements in the process of internal approval United Arab Emirates (UAE), Brazil, Luxembourg, Netherlands, and Uruguay.																								

² The withholding is only assumed on the first distribution of dividends and is transferable to the individual or non-resident that ultimately receives the dividends. This withholding will not be applicable to Colombian holdings nor to distributions between entities that have a situation of control or registered group.

CONCEPT	GENERAL TAX INFORMATION
NATIONAL TAXES	
Wealth tax	<ul style="list-style-type: none"> It is payable by individuals, unliquidated estates and foreign companies or entities that do not file income tax returns. It is caused by the possession of liquid assets equal or higher than 72,000 UVT (approx. USD 864,459) as of January 1st of each year. From 2023 to 2026, the marginal rate will range between 0.5% and 1.5%. As of 2027, the maximum rate will be 1%. In principle, non-residents are not taxed on direct investments held in Colombia, such as those held in companies, but they are taxed on investments in real estate.
Tax on Financial Movements (acronym in "GMF")	<p>It taxes financial transactions at a rate of 0.4%.</p> <p>It is collected through financial entities that manage deposit accounts in Colombia.</p>
VAT	<p>The following events are taxed (normally at 19%), without prejudice to express exclusions:</p> <ul style="list-style-type: none"> The sale of movable and immovable tangible property. The sale or assignment of rights over intangible assets associated with industrial property (trademarks, patents, and industrial designs). The rendering of services in Colombia or from abroad. The importation of tangible goods. The circulation, sale or operation of games of chance, with the exception of lotteries and games of chance operated exclusively by internet. <p>The deductible VAT is established by the VAT paid which is carried against the VAT generated, for the goods and services acquired necessary to carry out the taxable activity.</p> <p>VAT paid on the acquisition of fixed assets does not give rise to deductible VAT.</p>
National Consumption Tax (NCT)	Taxes the provision of mobile telephony, internet and mobile navigation services, data services, the sale and importation of vehicles, the sale of food and beverages prepared in restaurants, cafeterias, self-service stores, ice cream parlors, greengrocers, pastry shops and bakeries for on-site consumption.
National Carbon Tax	<p>Taxes the sale, withdrawal, importation for own consumption or importation for sale of fossil fuels (including all petroleum derivatives and all types of fossil gas).</p> <p>The rate is determined depending on the carbon dioxide (CO₂) emission factor for each given fuel, expressed in volume unit (kilogram of CO₂eq) per energy unit (Terajoules) according to the volume or weight of the fuel given in ton, gallons or cubic meters for rates varying between COP \$36 and COP \$238.</p>

CONCEPT	GENERAL TAX INFORMATION
LOCAL TAXES	
Property Tax – Real Estate Tax	This municipal tax is levied annually on the ownership, usufruct, or possession of real estate in Colombia. The rate is between 0.5% to 1.6% of the value of the property, depending on the municipality in which the property is located.
Registration tax	This is a departmental tax generated by the registration of acts, contracts, and legal business in the Public Instruments Registry Offices and/or in the Chambers of Commerce. The rate and taxable base vary according to the type of act to be registered.
Industry and Commerce Tax (ICA)	<p>It is generated by the development of industrial, service, and commercial activities in the respective municipal or district jurisdictions.</p> <p>The rates vary depending on the activity developed and established by each municipality. The taxable base is formed by the gross income received by the taxpayer.</p>

The following table summarizes the tax rates and, where applicable, the withholding tax rates for foreign payments:

Tax	Rate	Foreign payment withholding
Income tax (Corporate)	35%³	1%-5%-10%-15%-20%-33%-35%⁴
Income tax (Individuals)	0%-19%-28%-33%-35%-37%-39%	
Capital Gains	15%	10%
VAT	0%-5%-19%	19%⁵
GMF	0,4 %	0,4%⁶
ICA	0,2% to 1,4%	--
Consumption Tax	4%, 8%, 16%	--
Property Tax – Real Estate Tax	0,5% to 1,6%	--
Registration tax	0,1% to 1%	--
Stamp Tax	0% to 3%	--

The main elements that you should consider as a foreign investor will be further elaborated below.

7.1. Income Tax

This tax is calculated on the net income obtained by taxpayers in the taxable period from 1 January to 31 December of each year, except in extraordinary cases in which a shorter period is accepted by law.

Unless the tax regulations establish a different recognition, the determination of the taxable base of the income tax for companies and individuals obliged to keep accounting records must consider the value of assets, liabilities, equity, income, costs and expenses, in accordance with the technical accounting regulatory frameworks in force in Colombia.

7.1.1. Personal taxation criterion (residence)

A legal person shall be deemed to be resident when it meets any of the following requirements in Colombia:

- Incorporation
- Principal place of business; or
- Effective place of administration in Colombia.

The effective seat of management of a company is the place where the business and management decisions necessary to carry out the company's day-to-day activities are taken.

A resident for tax purposes is a natural person who meets any of the following conditions:

- Remaining in the country continuously or discontinuously for more than 183 calendar days, including days of entry into and exit from the country, during any period of 365 consecutive calendar days.
- Nationals who during the taxable year or period have their center of vital, economic, or business interests in the country, unless the majority of their income has its source in the jurisdiction in which they are domiciled, or the majority of their assets are located in this jurisdiction or:

- Having been required by the Tax Administration to do so, they do not prove their status as residents abroad for tax purposes; or,
- They have tax residence in a jurisdiction classified by the National Government as a tax haven.

³ From 2023, surcharges of 3%, 5%, 10% and 15% were included for the financial and extractive sectors.

⁴ The rates may be reduced for transactions with residents of countries with which Colombia has signed double taxation treaties, provided they are in force.

⁵ The provision of services from abroad between companies (B2B) is subject to the collection mechanism known as the "reverse charge mechanism", whereby the "withholding" is assumed by the resident-payer in Colombia without affecting the gross value of the payment.

⁶ GMF is debited by the bank from the account of the payer resident in Colombia, this withholding should not affect the flow received by the non-resident.

7.1.2. Income source taxation

As a rule, Colombian legislation establishes the following as income considered as income from national sources:

- Those derived from the exploitation of tangible and intangible goods within the country.
- Those derived from the rendering of services within the Colombian territory.
- Those obtained from the alienation of tangible and intangible assets that are in the country at the time of their alienation.

Likewise, there are other events that qualify as Colombian source income:

- Interest from credits owned or economically linked to the country.
- Income from the rendering of technical services, technical assistance services, consulting services, administration or management services rendered by related companies in favor of a resident in Colombia, regardless of whether they are rendered in the country or from abroad.
- Income from the sale of goods and/or rendering of services made by non-resident persons or entities not domiciled in the country with significant economic presence in Colombia, in favor of clients and/or users located in the national territory (as from the year 2024).

7.1.2.1. Significant Economic Presence – PES

The concept and regulation of Significant Economic Presence (acronym in Spanish “PES”) was introduced by Law 2277 of 2022 as a criterion of real subjection to income tax for legal entities and individuals not resident in Colombia when they meet certain conditions that make them have, precisely, a significant economic presence in the country.

The conditions for the configuration of the PES are:

- That deliberate and systematic interaction is maintained in the Colombian market, that is, with client(s) and/or user(s) located in the national territory; and
- That during the previous taxable year or in the current taxable year, it has obtained or obtains gross income of thirty-one thousand three hundred (31,300) UVT (USD \$372,197) or more for transactions involving sale of goods with client(s) and/or user(s) located in the national territory.

The consequence of having PES in Colombia for these foreigners would be the obligation to pay income tax with respect to the income from the sale of goods and/or rendering of services in favor of clients and/or users located in the

national territory. For this purpose, the foreigner with PES would have the option of subjecting himself to the corresponding withholding according to paragraph 8 of article 408 of the Tax Statute (as a general rule 10% on the total value of the payment), or declare and pay a rate of 3% on the gross income derived from the sale of goods and/or provision of digital services, from abroad, sold or rendered to users located in the national territory.

In addition, the entry into force of the PES may have consequences for nationals who are withholding agents, since they may be obliged to withhold the withholding tax.

7.1.3. Minimum tax rate

The income tax of resident legal entities may not be less than 15% of the “Tax Rate Depurated” (TTD). In this sense, the TTD refers to the minimum percentage on which legal entities resident in the country must contribute, established at 15%. For this purpose, the law establishes that the TTD is calculated by dividing the Imputed Tax (ID) by the Imputed Profit (UD).

In general terms, to verify the TTD, the taxes paid by the legal entity or the entities of the group in Colombia must be considered and divided over the accounting profit of the individual or the consolidated financial statements of the corporate group. However, the adjusted tax and the adjusted profit are based on certain formulas, not on their natural concept.

The adjusted tax is made up of the income tax calculated by the companies, plus the discounts or tax credits applied by virtue of Agreements to avoid double taxation and article 254 of the ET practically, the taxes paid abroad. In addition, the formula to establish the adjusted tax provides for the subtraction of income tax on passive income from controlled entities abroad, which will be calculated by multiplying the net passive income by the general rate of Article 240 of the ET (15%).

The tax thus obtained will be weighed against a profit, which is not the same as the one used for the calculation of the tax, but a weighted profit. The adjusted profit is equivalent to the accounting or financial profit before taxes with some adjustments:

Accounting Income (Before Taxes)

- (+) Permanent differences established in the law that increase net income
- (-) Income that does not constitute income or occasional profit.
- (-) Income equity method income for the taxable year
- (-) Income from capital gains net value
- (-) Exempt income by application of treaties to avoid double taxation - CAN, income received by the Colombian holding companies’ regime -CHC and

external income referred to in paragraphs a) and b) of numeral 4 and numeral 7 of article 235-2.

(-) Offsetting of tax losses or excess presumptive income

The permanent differences that increase the tax and the temporary differences will be the decisive elements to determine the decrease of the "Depurated Tax Rate" below 15%. When a company or a group of companies is below the minimum tax indicated, they must add the necessary tax to reach the minimum indicated.

7.1.4. Corporate reorganizations, mergers, and acquisitions M&A

Contributions in cash or in kind made to Colombian companies, as well as mergers and spin-offs carried out between Colombian companies, or in which the beneficiary or acquiring company is Colombian, are subject to the tax neutrality regime provided that the legal requirements are met.

Mergers and spin-offs between foreign entities whose value of assets located in Colombia is less than 20% are also, as a rule, subject to the tax neutrality regime.

Transactions carried out under the tax neutrality regime are not considered disposals for tax purposes and, consequently, are not subject to income tax.

Since 2019, indirect disposals are taxed. Indirect alienation is understood as the transfer of shares or rights of foreign entities in any title that in turn own assets in Colombia, the assets owned in Colombia are considered indirectly alienated as long as the value of the assets owned in Colombia represents at least 20% of the book value or commercial value of the total assets registered by the alienated foreign company.

The sale of shares in a stock exchange recognized by a governmental authority is not considered as an indirect disposal if they are not controlled by more than 20% by the same beneficial owner.

7.1.5. Income not subject to income tax

The law establishes some special tax treatments that allow the exclusion of certain income for the determination of the taxable base.

Among such income are, among others: indemnifications for damage insurance; indemnifications for destruction or renewal of crops, and pest control; donations to political parties, movements, and campaigns; profit in the sale of shares listed in the Colombian Stock Exchange, owned by the same beneficial owner, when such sale does not exceed 3% of the outstanding shares of the respective company, during the same taxable year.

Notwithstanding the foregoing, the application of income not constituting income or occasional gain must be verified in each case to determine its applicability and compliance with the tax requirements.

7.1.6. Limitation on deductible costs and expenses (corporations)

Costs and expenses are all expenditures that contribute to the development of the taxpayer's taxable activities. Despite their accounting recognition, some costs and expenses are not accepted or have limitations for their recognition for income tax purposes:

-Law 2277 of 2022 introduced the prohibition of deductibility of royalty payments made in cash for the exploitation of non-renewable natural resources, however this rule was recently declared unconstitutional by the Constitutional Court. Thus, there is currently the possibility of deducting these payments but its application to the taxable year 2023 and 2024 will have to be studied, taking into account that the Court did not modulate the effects of its ruling and a procedure to evaluate the decision based on its economic impact on the country is currently before the Court.

-Interest is limited to the usury rate certified annually by the Superintendence of Finance.

-Undercapitalization: only the interest generated by debts, contracted directly or indirectly with economic related parties, that do not exceed twice the taxpayer's net worth determined as of December 31 of the immediately preceding taxable year, are deductible.

-Costs and expenses abroad related to obtaining taxable income of Colombian source limited to 15% of the taxpayer's net income, computed before deducting such costs or deductions.

-The deduction of royalty payments to foreign economic partners and free trade zones for the exploitation of an intangible formed in the Colombian territory is prohibited.

-Expenses originated in technology import contracts are deductible as long as they are registered before the DIAN. Amortization expenses not deductible for exceeding the limit of 20% in the year or taxable period will generate a difference that will be deductible in subsequent periods at the end of the useful life of the intangible asset, without exceeding 20% of the fiscal year cost of the asset.

-Intangible assets arising from business combinations, in general terms, may have limitations for their amortization. Capital appreciation, goodwill, commercial goodwill, or mercantile credit will in no case be amortizable for tax purposes.

7.1.7. Depreciation

For income tax purposes, those who are required to keep accounting records may deduct reasonable amounts for depreciation caused by the wear and tear of property used in business or income-generating activities, if they have rendered services in the taxable year or period.

The tax cost of property, plant and equipment and investment property will be the acquisition price plus directly attributable costs until the asset is available for use.

The annual depreciation rate will be the lower of the rate determined for accounting purposes and the rate established by the National Government. In the absence of such regulation, the following annual rates shall be applied as the basis for calculating depreciation.

Concepts and Assets to Depreciate	Maximum Annual Depreciation Rate
Constructions and Buildings	2,22%
Aqueducts, Silver, and Networks	2,50%
Communication Routes	2,50%
Fleet and Aircraft Equipment	3,33%
Fleet and Railway Equipment	5,00%
Fleet and River Equipment	6,67%
Armament and Surveillance Equipment	10,00%
Electrical Equipment	10,00%
Land Transport Fleet and Equipment	10,00%
Machinery and Equipment	10,00%
Furniture and Fixtures	10,00%
Medical and Scientific Equipment	12.50%
Bottles, Packaging, and Tools	20.00%
Computer Equipment	20,00%
Data Processing Networks	20,00%
Communication Equipment	20,00%

7.1.8. Tax loss carryforwards

Tax losses liquidated in a period may be offset with the ordinary net income obtained in the following twelve (12) taxable periods.

In the case of merger and spin-off processes, the absorbing company or company resulting from these processes may offset with the ordinary net income obtained, the tax losses incurred by the merged or spun-off companies up to a limit equivalent to the percentage of participation of the assets of the merged or spun-off companies within the assets of the absorbing company or company resulting from the merger or spin-off process, provided that the entities carry out the same economic activity.

The tax losses suffered by the absorbing or spun-off company before the reorganization would also be limited according to the percentage of participation of the assets and liabilities.

7.1.9. Tax Credit

The legislation has contemplated some concepts that can be directly subtracted from the income tax. In each concept, the scope of the discount must be reviewed and in no case may tax discounts exceed the value of the basic income tax.

Some of the main discounts are the following:

- Resident individuals who receive foreign source income subject to income tax in the country of origin, are entitled to deduct IT in Colombia, the tax paid abroad, whatever its denomination, liquidated on those same incomes.
- In the case of income from dividends received from abroad, the tax to be deducted corresponds to the result of multiplying the tax rate to which such profits have been subject in the head of the entity that distributes them or in the head of its subsidiaries when the company that distributes the dividends in turn has received dividends from them (indirect tax credit), by the amount of the dividends or profits at the time of their distribution.
- The VAT paid on the acquisition, importation, construction or formation of the aforementioned assets can be deducted from income tax.
- Donations made to non-profit entities that have been qualified in the special income tax regime and to non-taxpaying entities referred to in Articles 22 and 23 of the Tax Statute shall give rise to a discount of the income tax equivalent to 25% of the value donated in the taxable year or period. In no case shall the donations give rise to deductions.
- Discount of 30% for investments in projects qualified by the National Council of Tax Benefits in Science and Technology in Innovation as research, technological development, or innovation.
- Discount of 25% for investments made in the control, conservation, and improvement of the environment.

Finally, Colombian law establishes a limit of 3% per year of the taxpayer's ordinary net income for the origin of certain non-income income, special deductions, exempt income and tax discounts.

7.1.10. Foreign Controlled Entities (FCE)

Regime applicable to individuals and legal entities resident in Colombia that have, directly or indirectly, an interest equal to or greater than 10% in the capital of the foreign controlled entity (FCE or ECE for its acronym in Spanish) or in its results.

ECEs are investment vehicles such as companies, autonomous patrimonies, trusts, collective investment funds, among others, that meet the conditions to be considered as a related party/related entity for purposes of the transfer pricing regime and that are not resident in Colombia; specifically, to be considered controlled by the Colombian tax resident.

Taxpayers subject to the ECE regime must, for income tax purposes, immediately recognize the profit derived from the passive income obtained by the ECE, in proportion to their participation in the capital of the ECE or in the results of the ECE, without having to wait for any type of distribution to Colombia.

For purposes of this regime, the following are considered passive income:

- Dividends from companies or investment vehicle;
- interest and financial yields;
- income from the exploitation of intangibles;
- income from the sale of assets;
- income from the sale or lease of real estate;
- income from the rendering of technical, technical assistance, administrative, engineering, architectural, scientific, qualified, industrial and commercial services.

The Colombian resident who must recognize taxable income in application of the ECE regime may request tax credit for taxes paid abroad in relation to such income.

7.1.11. Colombian Holding Companies

The Colombian Holding Companies (CHC) regime is applicable to national companies that have as one of their main activities the realization and administration of investments in Colombian or foreign companies. To be eligible for this regime it is necessary:

- i. have direct investments representing at least 10% of the capital of two companies;
- ii. have sufficient human and material resources for the realization of the corporate purpose; and
- iii. communicate to the DIAN the intention to be included in the regime.

Among the benefits of this regime are the following:

- Dividends received by CHC from foreign entities are exempt from income tax.
- Dividends and premiums distributed by the CHC are considered foreign source income for the shareholder, provided they come from income attributable to activities carried out by non-resident entities.
- Dividends received from investments in foreign entities and covered by the CHC regime will not be subject to ICA. However, other activities where the generating event takes place within the territory of a Colombian municipality will be subject to such tax.
- CHCs are Colombian residents for the purposes of the Double Taxation Avoidance Agreements signed by Colombia.
- Income derived from the alienation of foreign shares will be exempt from income tax in Colombia.
- The profit obtained by residents in Colombia derived from the alienation of shares of a CHC will be exempt in the proportion equivalent to the activities carried out abroad. In this same proportion, it will be considered foreign source income for non-resident shareholders of the CHC.

7.1.12. Transfer pricing

Taxpayers subject to the transfer pricing regime are income taxpayers and complementary taxpayers who:

- i. Carry out operations or transactions with foreign economic related parties;
- ii. Enter into operations with related parties located in a free zone;
- iii. Carry out operations with persons resident in non-cooperating jurisdictions of low or no taxation or in preferential tax regimes; and
- iv. Permanent establishments of non-residents and branches in operations or transactions with related parties.

Consequently, obligated taxpayers must determine their income, costs, deductions, assets and liabilities considering the conditions that would have been used in comparable transactions with or between independent parties, i.e., their transactions must respond to market value criteria and comply with the arm's length principle.

For income tax and complementary tax purposes, and in particular for purposes of the application of the transfer pricing regime, the law considers that there is a linkage in the following cases:

- i. Subordinates;
- ii. Branches;
- iii. Agencies;
- iv. Permanent establishments; and
- v. Other cases of economic linkage, which include cases in which the operation is developed between related parties through unrelated third parties, when more than 50% of the gross income comes individually or jointly from their partners or shareholders or when there are consortiums, temporary unions, joint ventures, and other forms of association that do not give rise to legal entities, among others.

The Colombian regulations on transfer pricing that came into force as from taxable year 2004 follow in general terms the OECD pricing guidelines.

7.1.12.1. Analysis methods and comparability criteria

Colombian law establishes that taxpayers may use any of the following methods to determine the price or profit margin in transactions between related parties:

- **Comparable uncontrolled price**
- **Resale price**
- **Added cost**
- **Transactional operating profit margins**
- **Profit sharing**

The selection of the method will depend on the most appropriate method according to the functions, available information, and degree of comparability. Notwithstanding the foregoing, the legislation has established a particular application of transfer pricing methods for the purchase of used fixed assets, unlisted stock purchase and sale transactions and commodity transactions.

Used fixed assets: The application of the comparable uncontrolled price method is established through the presentation of the invoice for the acquisition of the new asset and the calculation of its depreciation up to the date of the transaction must be applied, in accordance with the accounting regulations applicable in Colombia.

Purchase and sale of unlisted shares: Colombian regulations establish that commonly accepted financial valuation methods must be used. Under no circumstances is the use of equity value or intrinsic value as a valuation method allowed.

Commodities: The comparable uncontrolled price method is established by reference to comparable transactions between independent parties or national or international quoted price references, considering essential elements such as the date or period of quotation agreed between the parties.

7.1.12.2. Penalty regime

Regarding penalties, the transfer pricing regime establishes penalties with respect to the formal obligations of supporting documentation (local report and master report) and informative declaration.

In relation to the supporting documentation, penalties are generated for: (i) untimely submission; (ii) inconsistencies in the information submitted (errors, content that does not correspond to what was requested or that does not allow verifying the application of the regime); (iii) failure to submit; (iv) omission of information; and (v) correction.

Regarding the information return, penalties are generated for: (i) untimely filing; (ii) inconsistencies with respect to the transactions subject to the transfer pricing regime; (iii) omission of information; and (iv) failure to file.

Finally, non-compliances associated with the country-by-country report and its notification will be punishable in accordance with the provisions of article 651 of the Tax Statute in relation to the failure to submit information within the established deadlines or the submission of information whose content is incorrect or does not correspond to what was requested.

7.2. Income Tax self-withholding

Taxpayers who meet the following conditions are considered as self-withholding taxpayers for income and complementary taxes:

- That they are national companies or permanent establishments, and;
- That they are exempt from the payment of social security contributions and parafiscal contributions, with respect to their workers who earn a salary of less than 10 SMMLV.

This self-withholding must be liquidated on each payment or payment on account made to the taxpayer liable for income tax, and the rate may range between 0.55%, 1.1%, 1.9%, 2.2%, 3.6% and 4.5% according to the type of economic activity.

Those responsible for the self-withholding must declare and pay the self-withholdings made in each month, within the deadlines established by the national government for such purpose.

The self-withholding shall be applied independently of the withholding tax.

7.3. Wealth tax

It is caused by the possession of liquid assets, as of January 1 of each year, whose value is equal to or greater than 72,000 UVT (approx. USD 864,459).

The liquid patrimony, which is the taxable base of the tax, results from taking, from the total gross patrimony of the taxpayer owned on the same date, minus the debts payable by the taxpayer in force on that date.

They are subject to this tax:

- Individuals and illiquid successions, taxpayers of income tax and complementary taxes or income tax substitute regimes.
 - Individuals, nationals, or foreigners, who do not have residence in the country, with respect to their assets owned directly in the country, except for the exceptions provided for in international treaties and in domestic law.
 - Individuals, national or foreign, who do not have residence in the country, with respect to their assets held indirectly through permanent establishments in the country, with the exceptions provided for in international treaties and domestic law.
 - The illiquid successions of deceased persons without residence in the country at the time of their death with respect to their patrimony owned in the country.
 - Foreign companies or entities that are not income tax filers in the country, and that own assets located in Colombia other than shares, accounts receivable and/or portfolio investments.
- From the year 2023 to 2026, the rate of this tax will oscillate between 0.5% and 1.5%. As of 2027, the maximum rate will be 1%.
- To determine the value of the net worth, the following rules are highlighted:
- Shares or quotas of social interest listed on the stock exchange: updated tax cost. If the intrinsic value is lower, this value is taken.
 - Shares or quotas of interest of companies or entities that are not listed on the stock exchange: average market quotation value.
 - Shares in "ventures" or "innovative emerging companies": tax cost, provided that the companies (i) have not been incorporated for more than 4 years and have main R&D&I activities, (ii) have received less than \$4,400MM during the

the previous 4 years in exchange for at least 5% participation, (iii) have no taxable net income in the previous year, (iv) the tax cost of the shares of one or more non-founding shareholders is at least three times their intrinsic value based on the net worth of the previous year.

7.4. Value added tax

VAT is a national indirect tax levied on the following items, without prejudice to those expressly excluded:

- The sale of real and personal property.
 - The sale or assignment of rights over intangible assets associated with industrial property.
 - The rendering of services in Colombia or from abroad.
 - The importation of tangible goods.
 - The circulation, sale, or operation of games of chance, except for lotteries and games of chance operated exclusively through the internet.
- Services rendered from abroad are subject to VAT when the recipient and/or beneficiary is located in the national territory, for which there are specific rules that allow determining when the beneficiary is located in the national territory.

VAT is not levied on the sale of fixed assets, with the exception of automobiles and other fixed assets that are habitually sold in the name and on behalf of third parties.

There are operations classified as exempt (0% rate) or excluded (no VAT is levied, but VAT paid on inputs must be treated as a higher value of the cost or expense of the input).

7.4.1. VAT Payers

Persons who carry out sales, services rendered, or imports operations are responsible for the payment of VAT, as follows:

- In sales, traders, whether distributors or manufacturers.
- Whoever renders a service that is not catalogued as excluded from VAT.
- Importers of movable tangible goods that have not been expressly excluded.
- Service providers from abroad defined by resolution by the Tax Administration

Two VAT regimes are contemplated:

- Not liable, which contemplates natural persons: traders, farmers, artisans and service providers, provided they meet certain conditions of income, net worth and form of operation established in the regulation, and,
- Responsible, which covers persons who cannot be included in the non-responsible regime.

7.4.2. Taxable Income

It is comprised of the total value of the transaction, including the goods and services required for its rendering. Additionally, there are special taxable bases for certain sales or service rendering operations.

7.4.3. Rate

The general VAT rate is 19%, but there are reduced rates of 5% and 0% for certain goods and services.

7.4.4. VAT Recovery

The person liable for VAT may deduct from the VAT generated on the provision of taxable goods or services, the VAT paid on the acquisition of goods, services or imports other than fixed assets (deductible VAT) that give rise to the recognition in income tax of costs and/or expenses.

The VAT paid may be deducted:

- In the case of taxpayers who must declare bimonthly, deductions and deductible taxes may only be accounted for in the tax period corresponding to the date of their causation, or in one of the three immediately following bimonthly periods, and requested in the declaration of the period in which their accounting has been made.
- In the case of taxpayers who must file quarterly returns, deductions and deductible taxes may only be accounted for in the tax period corresponding to the date of their causation, or in the immediately following quarterly period, and requested in the return of the period in which they have been accounted for.

VAT credit balances arising from excess of deductible taxes due to rate difference that have not been imputed to VAT during the taxable year or period in which they were generated, may be requested in compensation or refund once the obligation to file the income tax return corresponding to the taxable income tax period in which the excesses were generated is complied with.

In the case of taxpayers who carry out exempt operations (0% rate), the balances in favor determined in their VAT return may be requested in refund every two months.

The VAT paid for the acquisition or importation of capital goods may be taken as a deduction in the IT, in the period of acquisition or importation, provided that such benefit is not used concurrently as a discount in the IT (article 258-1 of the

E.T). It also applies to goods acquired under the financial leasing modality with exercise of the purchase option at the end of the contract.

The person obliged for the collection and payment of the tax is the one who performs any of the generating events, even when the final consumer is the one who economically supports this tax.

7.4.5. VAT Exclusions

The following transactions do not cause the tax, but do not entitle to deductible VAT on purchases:

(i.) Excluded goods

Most live animals of species used for human consumption, vegetables, seeds, fruits, and other agricultural products, fresh or frozen.	Goods such as cereals, flour, cocoa, artisanal products, salt, natural gas, vitamins.
Certain machinery for the primary sector, some medical items, among others.	Personal computers of less than 50 UVT (approx. USD 498) and smart mobile devices (cell phones, tablets) whose value does not exceed 22 UVT (approx. USD 2019).
Domestic or imported equipment and elements for the construction, installation, assembly and operation of control and monitoring systems necessary to comply with environmental regulations and standards in force.	Foodstuffs for human and animal consumption imported from countries neighboring the departments of Vichada, Guajira, Guainía and Vaupés, provided they are intended exclusively for local consumption in those departments.
Food for human consumption donated to legally constituted food banks, in accordance with the regulations issued by the National Government.	Real Estate Sales

<p>Food for human and animal consumption, clothing, toiletries, and medicines for human or veterinary use, construction materials; bicycles and their parts; motorcycles and their parts; and motorcycles and their parts that are introduced and marketed in the departments of Amazonas, Guainía, Guaviare, Vaupés and Vichada, provided that they are intended exclusively for consumption within the same department and the motorcycles and motorcycles and motorcycles are registered in the department. The national government will regulate the matter to ensure that the VAT exclusion applies to sales to the final consumer.</p>	<p>Aviation fuel supplied for domestic passenger and cargo air transportation services to and from the departments of Guainía, Amazonas, Vaupés, San Andrés Islas y Providencia, Arauca, and Vichada.</p>
<p>Products purchased or introduced to the department of Amazonas within the framework of the Colombian-Peruvian agreement and the agreement with the Federative Republic of Brazil.</p>	

(ii.) Excluded services

<p>Public or private, national, and international cargo transportation.</p>	<p>Public passenger transportation in the national territory, by land, sea or river.</p>
<p>Agricultural activities related to the adaptation of land for agricultural exploitation or related to the production and commercialization of its by-products.</p>	<p>Domestic air transportation of passengers to domestic destinations, where there is no organized ground transportation.</p>
<p>Transportation of gas and hydrocarbons.</p>	<p>Interest and financial yields from credit operations and leasing or financial leasing.</p>

Medical, dental, hospital, clinical and laboratory services for human health. Public utilities of energy, water and sewage, public cleaning, garbage collection and household gas.	Residential internet connection and access services for strata three.
Hotel and tourism services rendered in the municipalities that are part of certain special customs regime zones.	Education services provided by preschool, primary, middle, and intermediate, higher, special or non-formal education establishments, recognized as such by the Government, and education services provided by individuals to such establishments.
Virtual education services for the development of digital content, in accordance with the regulations issued by the ICT Ministry, provided in Colombia or abroad.	Provision of web pages, servers (hosting) and cloud computing.
Acquisition of software licenses for the commercial development of digital content, in accordance with the regulations issued by the ICT Ministry.	Repair and maintenance services for vessels and naval artifacts, both maritime and fluvial, under the Colombian flag.

(iii.) Excluded imports

Imports excluded from the tax are specifically indicated by law. Imports not subject to VAT include the import of machinery for waste treatment and environmental control and monitoring, imports to special customs regime zones, arms and ammunition for national defense and those mentioned in paragraph a) above.

7.5.5. Exempt Operations

There are operations that have a 0% VAT and, therefore, grant the right to deductible VAT on the acquisition of taxed goods or services that are directly associated with such exempt operations. The following are highlighted:

- The export of goods and services, with the conditions established in the law and regulations, including goods sold to international marketing companies.
- Tourist services rendered to residents abroad that are used in Colombia, sold by agencies or hotels registered in the National Tourism Registry.
- Raw materials, parts, inputs and finished goods that are sold from the national customs territory to industrial users of goods or services of free zone or among them, if they are necessary for the development of the corporate purpose of such users.

- Internet connection and access services from fixed networks of residential subscribers of strata one and two.

- The sale of bovine, pork, ovine, caprine meat, certain poultry, eggs, milk, fish, fresh or refrigerated, carried out by the producers of such goods.

Likewise, services rendered in Colombia to be used or consumed exclusively abroad by companies or persons with no business or activities in the country are considered exempt from VAT. Certain substantive and formal requirements must be met to access the exemption.

7.5.6. Tax assessment

The tax is determined by the difference between the tax generated by the taxable operations and the legally authorized deductible taxes, as follows:

Income from taxable operations by rate

Tax generated (limited to the same rate as VAT generated)

(-) Taxes deductible

= Tax determined as payable

7.6. National Consumption Tax

The NCT has as a generating event the rendering or sale to the final consumer or the importation by the final consumer of the following services and goods:

- The provision of mobile telephony service, internet and mobile navigation, and data services.
- Sales of some movable tangible personal property domestically produced or imported (automobiles).
- The sale of food and beverages prepared in restaurants, cafeterias, self-service stores, ice cream parlors, greengrocers, pastry shops and bakeries for consumption on site, to be taken by the buyer or delivered at home, food services under contract, and the sale of food and alcoholic beverages for consumption in bars, taverns, and discotheques.
- The NCT is caused now of the nationalization of the imported good by the final consumer, of the material delivery of the good, of the rendering of the service or of the issuance of the collection account, cash register ticket, invoice, or equivalent document by the responsible party, to the final consumer. The following are responsible for the NCT: the mobile telephone service provider, the food and beverage service provider, the importer as final user, the seller of the goods subject to the consumption tax and in the sale of used vehicles the professional intermediary.

The national consumption tax does not generate taxes deductible in the VAT.

The rates range between 4%, 8% and 16%, depending on the corresponding activity or the good sold.

7.7. Industry and commerce tax and complementary tax on notices and billboards

7.7.1. Industry and Commerce Tax

It is a territorial tax levied on gross income obtained from industrial, commercial, and service activities carried out, directly or indirectly, by individuals, legal entities or partnerships in the respective municipal jurisdictions. There are rules to determine when an activity is understood to be carried out in a territorial jurisdiction.

The ICA taxable base is constituted by the total ordinary and extraordinary income received in the respective taxable year. Income corresponding to exempt, excluded or non-subject activities, as well as refunds, rebates and discounts, exports and the sale of fixed assets are not part of the taxable base.

The rate of this tax is defined by each of the municipalities within the following ranges, delimited by law:

- For industrial activities, from 0.2% to 0.7%.
- For commercial and service activities, from 0.2% to 1.4%.

This tax is 100% deductible, if it has a causal relationship with the taxpayer's income-producing activity.

7.7.2. Complementary tax on notices and boards

It is a territorial tax, complementary to the ICA, whose generating fact is the placement of billboards, notices, and boards in the public space. The tax is liquidated and collected from all individuals, legal entities or partnerships that carry out industrial, commercial, and service activities in the corresponding municipal jurisdictions, who use public space to advertise or publicize their business or trade name through billboards, notices, or boards.

The taxable base of this tax is the amount payable for ICA and the rate is 15%.

7.8. Unified property tax – Real Estate Tax

This tax is levied on the ownership, possession or usufruct of real estate located in urban, suburban, or rural areas, with or without buildings.

Owners, possessors or usufructuaries of real estate in the respective municipal jurisdiction must pay this tax.

The taxable base of the Unified Property Tax will be the cadastral appraisal, or the self-assessment when the annual declaration of the unified property tax is established.

The applicable rate depends on the conditions of the property, which in turn depends on factors such as its built area, location, and destination. The rate ranges between 0.5% and 1.6%, considering the economic destination of each property.

This tax is 100% deductible, if it has a causal relationship with the taxpayer's income producing activity.

7.9. Registration Tax

This tax is levied on the registration of acts, contracts or legal business before the chambers of commerce and before the offices of registration of public instruments.

Generally, the taxable base corresponds to the value incorporated in the document containing the act, contract or legal business. However, this may vary depending on the act. For example, in the case of acts that imply the increase of the subscribed capital of a company, the taxable base is constituted by the total value of the respective increase.

On the other hand, in documents containing acts without amount, such as the consolidation of branches of foreign companies, the taxable base is determined according to the nature of the act to be registered. Likewise, in the case of acts involving real estate, particular rules will be followed depending on the act and the value, having as a rule, as a minimum value, the cadastral appraisal.

The tax rate depends on the type of act (with or without amount) and the entity where the registration is made (Public Instruments Registry Office or Chamber of Commerce). Thus, the rates are in the range of 0.1% to 1%.

When an act, contract or legal business must be registered both at the public instruments registry office and at the chamber of commerce, the tax must be settled and paid at the public instruments registry office and will be imputed to the tax payable for the commercial registry administered by the Chamber of Commerce.

7.10. Stamp tax

The stamp tax is caused by the subscription of documents elevated to public deed in which the sale of real estate whose sale value exceeds 20,000 UVT (approximately USD \$240,127 for 2024) is recorded.

The tax establishes rates of 0%, 1.5% and 3%, depending on the value of the sale of the real estate, and its taxable base is comprised by the value of the real estate, from 20,000 UVT (approximately USD \$240,127 for 2024) onwards.

7.11. Unified tax under the simple taxation regime – SIMPLE REGIME

To boost formality and simplify compliance with tax obligations, Law 2010 of 2019 created the Unified Tax under the Simple Taxation Regime - SIMPLE ("Unified Tax").

The Unified Tax is an optional system of integral determination that replaces the income tax and complementary taxes, consumption tax, industry and commerce tax and complementary taxes, for taxpayers who voluntarily join this regime. Companies and individuals who decide to apply the Unified Tax must make the request before February 28 of each year by updating their RUT.

Taxpayers of the Unified Tax are individuals and legal entities that obtain income susceptible of increasing their equity and that meet all of the following conditions:

<p>Be a natural person that develops a business activity or a legal entity whose shareholders are natural persons, national or foreign, who are tax residents in Colombia.</p>	<p>To have obtained in the previous taxable year gross ordinary or extraordinary income of less than 100,000 UVT (approx. - USD 1,200,637).</p>
<p>If one of the individual person shareholders has one or several companies or participates in one or several companies, registered in the Tax, the maximum income limits will be revised on a consolidated basis and in proportion to its participation.</p>	<p>If one of the individual shareholders has a shareholding of more than 10% in a company registered in the Unified Tax, the maximum income limits will be revised on a consolidated basis and in proportion to its shareholding.</p>

If a shareholder is a director of other companies, the maximum income limits will be reviewed on a consolidated basis with the companies managed by the shareholder.

The company must be up to date with its national, departmental, and municipal tax obligations and its obligations to contribute to the comprehensive social security system. They must also be registered in the Single Tax Registry (acronym in Spanish "RUT") and have electronic signature and electronic invoice mechanisms.

Foreign legal entities or their permanent establishments, companies engaged in factoring, asset management, financial consulting, certain energy activities, among others, are not eligible for this system.

The Unified Tax rate would depend on the annual gross income and the business activity as observed, ranging between 2.0% and 14.5% on the gross, ordinary, and extraordinary income received during the corresponding taxable year. The rate will depend on the activity developed and the level of income.

Additionally, taxpayers of the Unified Tax may be liable for VAT or NCT.

Taxpayers of the Unified Tax are not subject to withholding at the source and are not obliged to make withholdings and self-withholdings, except for withholdings for labor payments, and must pay a bimonthly advance payment of the Unified Tax.

7.12. GMF

The GMF is a tax that is caused by the realization of financial transactions through which resources deposited in checking or savings accounts, as well as in deposit accounts in the Banco de la República and the drawing of cashier's checks are disposed of. Since it is an instantaneous tax, it is caused at the moment in which the resources subject to the financial transaction are disposed of and it is directly debited by the bank or financial entity that manages the bank account.

The rate is 0.4% of the total value of the financial transaction through which the resources are disposed of.

The GMF is deductible from the taxpayer's income tax at 50% of the amounts paid for this tax, regardless of whether or not they have a causal relationship with the taxpayer's income-producing activity.

The collection of this tax is made through withholding at the source, which oversees Banco de la República and the entities supervised by the Financial Superintendence of Colombia or of Solidarity Economy, in which the respective checking, savings, deposit, collective portfolio accounts are located or where the accounting movements that imply the transfer or disposition of resources are made.

The law establishes a series of operations or transactions that are exempt from this tax, therefore the analysis must be individualized.

Regulatory Framework

STANDARD	SUBJECT
National Tax Statute (Extraordinary Decree 624 of 1989).	<p>It establishes the elements of the tax (active subject, passive subject, taxable event, taxable base, rate, tax exemptions).</p> <p>Income and Complementary Tax: regulates the admissible deductions; tax residence; the transfer pricing regime; the occasional gains regime, among others.</p> <p>Value Added Tax VAT: establishes the persons responsible for VAT, the rate applicable to certain goods and services, exemptions and exclusions, the requirements to present deductions, the common regime, the simplified regime, the regime for import and export of goods, the calculation of proportionality, among others.</p> <p>Tax on financial movements GMF: determines the generating events, applicable exemptions and withholding agents.</p> <p>It also contains the main formal (procedural) aspects associated with compliance with tax obligations:</p> <ul style="list-style-type: none"> • Withholdings • Tax procedure • Penalties for non-compliance with tax obligations
Law 223 of 1995	<p>It contains the main rules related to tax rationalization, pointing out among others:</p> <ul style="list-style-type: none"> • Goods that do not cause VAT; • Goods that are excluded from VAT; • Imports exempt from VAT.
Law 14 of 1983	<p>Law 14 of 1983 It establishes detailed rules on the essential elements of the main territorial and departmental taxes, such as:</p> <ul style="list-style-type: none"> • Property Tax. • Industry and Commerce Tax (ICA). • Excise tax on liquor. • Cigarette tax
Law 84 of 1915	Regulates the powers granted to the Municipal Councils and Departmental Assemblies in the management of territorial taxes.
Law 633 of 2000	Modifies national taxes (income tax, VAT, GMF).

Regulatory Framework

STANDARD	SUBJECT
Law 788 of 2002	Establishes modifications to the tax procedure regime (tax regimes, penalty procedures, VAT exempt goods, tariffs, among others).
Law 1430 of 2010	Modifies the generating event and the GMF exemptions. Modifies aspects related to taxpayers in territorial taxes.
Law 1607 of 2012	Introduces several changes to the entire National Tax Statute. It modifies the registration tax; creates the consumption tax and modifies the gasoline and ACPM tax regime, among others.
Decree 3026 of 2013	Introduces regulations on permanent establishments in Colombia.
Decree 3027 of 2013	Introduces thin capitalization regulations in Colombia.
Decree 3028 of 2013	It introduces the regulations regarding tax residency for individuals and foreign entities considered nationals because they have their effective administrative headquarters in Colombia.
Decree 3030 of 2013	Introduces amendments to the transfer pricing regulations.
Law 1739 of 2014	Introduces some modifications to the GMF; creates the wealth tax; introduces some modifications to the income tax.
Law 1753 of 2015	Whereby the National Development Plan 2014-2018 "Todos por un Nuevo País" (All for a New Country) is issued.
Decree 1050 of 2015	By which errors in articles 21,31,41,57,70 of Law 1739 of 2014 are corrected.

Regulatory Framework

STANDARD	SUBJECT
Decree 1123 of 2015	Whereby Articles 35, 55, 56, 57 and 58 of Law 1739 of 2014 are regulated, for application before the U.A.E. National Tax and Customs Directorate (DIAN).
Decree 2452 of 2015	Whereby Articles 53 and 54 of Law 1739 of 2014 are regulated.
Decree 1625 of 2016	<p>Sole regulatory decree on tax matters (it has been amended and supplemented by nearly 27 decrees to date).</p> <p>Some relevant amending decrees are:</p> <ul style="list-style-type: none"> • D. 2201/2016: New special income self-withholding. • D. 1998/2017: Regulates tax reconciliation, the purpose of which is to control the differences that may arise between the new accounting frameworks and what is provided for in the Tax Statute. • D.2150/2017: Special tax regime and tax benefit for donations.
Law 1819 of 2016	Whereby a structural tax reform is adopted, the mechanisms for the fight against tax evasion and avoidance are strengthened, and other provisions are enacted.
Law 2010 of 2019	Whereby rules are adopted for the promotion of economic growth, employment, investment, strengthening of public finances and the progressiveness, equity, and efficiency of the tax system, in accordance with the objectives that on the matter drove Law 1943 of 2018 and other provisions are enacted.
Law 2155 of 2021	Whereby the social investment law is enacted, and other provisions are enacted.
Law 2277 of 2022	Whereby a tax reform for equality and social justice is adopted and other provisions are enacted.

Regulatory Framework

STANDARD	SUBJECT
FREE TRADE ZONES	
<p>Decree 2147 of 2016, Decree 1165 of 2019 and Decree 278 of 2021.</p>	<p>The Ministry of Commerce, Industry and Tourism issued Decree No. 2147 of December 23, 2016, whereby the free zones regime is modified and other provisions on customs matters are issued. This new regulation repeals Decrees 1767 of 2013, 753 of 2014, 2682 of 2014, 1300 of 2015, 2129 of 2015, 1275 of 2016 and 1689 of 2016, as well as several articles of Decree 2685 of 1999.</p> <p>It points out the special procedures for users within the free zones.</p> <p>It establishes the necessary requirements for the declaration of existence of free zones, among other provisions.</p>
<p>Decree 780 of 2008</p>	<p>Whereby Article 97 of Law 489 of 1998 is regulated.</p>

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