



TAXES IN AMERICA

2024

6th EDITION

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Colombia

-  **Capital city:**
Bogota
-  **Aera:**
1,138,910 km²
-  **Population:**
52,211,114
-  **Language:**
Spanish
-  **Political system:**
Presidential republic
-  **GDP/capita 2023:**
USD 20,269
-  **Currency:**
Colombian Peso (COP)
-  **ISO Code:**
COL
-  **Telephone code:**
+57
-  **National day:**
20 July



1. Taxes of legal persons

Individuals who are nationals or foreign residing in the country and the illiquid successions of persons residing in the country at the time of their death are subject to income and supplementary taxes in relation to their income and occasional earnings, both from national source and foreign source, and to the assets they own both in the country and abroad.

Natural persons only have to present income and supplementary declarations, according to the parameters established by the Government, regarding the level of income and assets.

Natural persons with assets owned abroad must submit an informative declaration on this assets.

1.1 Residence

Natural persons meeting any of the following conditions are considered residents of Colombia for tax purposes:

- To remain continuously or intermittently in the country for more than 183 calendar days, including days in and out of the country, during any period of 365 consecutive calendar days, provided that when the continuous or intermittent stay in the country falls on more than one year or taxable period, the person will be considered a resident from the second year or taxable period.
- To be founded, by its relationship with the foreign service of the Colombian State or with persons who are in the foreign service of the Colombian State, and by virtue of the Vienna conventions on diplomatic and consular relations, exempt from taxation in the country in which that are in mission with respect to all or part of their income and occasional profits during the respective year or taxable period.
- Be a national, and that during the respective year or taxable period:
 - Their spouse or permanent partner not legally separated or dependent children under age, have fiscal residence in the country; or,

- Having been required by the tax administration to do so, they fail to accredit their status as residents abroad for tax purposes; or,
- Have a tax residence in a jurisdiction qualified by the National Government as a tax haven.

1.2 Charges to non-residents

Individuals, Colombian or foreign who do not have residence in the country, are only subject to income and supplementary tax on their income and occasional profit from a national source and on their assets owned in the country.

1.3 Income categories

The income is classified as:

- Work income;
- Pension income;
- Income from capital;
- Non-labor income;
- Income from dividends and participations.

1.4 Rates

For residents

- For liquid income from work and pensions:
 - According to progressive table.
- For non-labor and capital liquid income:
 - According to progressive table.
- For Dividends and participations:
 - Taxes for natural persons are determined based on a progressive table.
- As of 2023, dividends in excess of COP 46,229,080 will have to pay a 15% tax.
- In the case of legal entities, the dividend rate is 20%.

For non-residents

- For dividends or participations received by non-resident individuals and foreign companies the rate is 20%.
- For other concepts:
 - Rate of 35%.

1.5 Capital income

- Dividends and taxed participations are established according to the procedure established by the government.
- The income from the sale of furniture or real estate may constitute:
 - Income, if the fixed asset was obtained less than two years. In this case, the utility is combined with ordinary income
 - Occasional profit if obtained more than two years. In this case the tax is calculated separately.
- The financial returns generated on investments may have a non-taxable part, according to requirements established by the government.
- The profit on sale of shares that are listed on the stock exchange is not taxed in the income tax.

1.6 Rate for dividends or shares received by foreign companies and entities and by non-resident individuals

The rate is 20%.

Shares given to employees as an incentive constitute payment in kind and are considered taxable income for the employee.

1.7 Declaration and payment

Statements are presented online. The dates of maturity for submitting and its payment depend on the last two digits of your identification document, which are made in the months of August, September and October. Payment can be made either online or at banks.

2. Corporation taxes

Corporations for tax purposes are classified as:

- Big contributors;
- Other contributors.

2.1 Types of corporations

- Societies for simplified actions;
- Limited partnerships;
- Investment trusts;
- Limited partnerships;
- Corporations;
- Limited partnership by shares;
- Associative work company;
- Agrarian transformation societies.

2.2 Residence in Colombia

Resident societies in Colombia are those legally incorporated in the country.

2.3 Taxes to non-resident companies

Foreign companies are taxpayers of income tax in Colombia on occasional income and profits from national sources and are taxed at the same rate as Colombian companies, regardless of whether they are received directly or through branches or permanent establishments.

2.4 Branches in Colombia

With regard to the activities carried out in Colombia by foreign companies, the commercial law orders that any foreign company that intends to carry out activities or permanent businesses or activities must establish a branch in Colombia. However, since Law 1607 of 2012 on tax matters, these activities are allowed to be carried out through the registration of a permanent establishment.

Branches must be taxed in Colombia on occasional income and profits from a Colombian source, regardless of whether they receive them directly, through a branch or permanent establishment. They must also present the income statement annually, be retaining agents and submit the corresponding national and departmental tax returns for legal entities, as they are associated with corporations.

2.5 Calculation of taxes on profits

Ordinary system

It includes all income, ordinary and extraordinary, made in the taxable year or period, which have been capable of producing a net increase in equity at the time of collection and which are not expressly exempt. Revenues, rebates and discounts are subtracted from the income until the net income value is obtained as a result. From the net income, the costs incurred and attributable to such income are subtracted, with which the value of the gross income is obtained. From the gross income the deductions made are subtracted, with which the value of the liquid income is obtained. Apart from legal exceptions, the liquid income will be the taxable income and the rate indicated in the law will be applied to it. The law allows certain income to be considered as not constituting income or occasional profit, as others are considered exempt income.

Presumptive income system

It constitutes an alternative method to determine the income tax, so that the taxable base is not less than 0.5% of the net equity of the previous year by 2020, at 0% by 2021. In other words, presumptive income is the minimum estimated amount of profitability of a taxpayer on which the law expects to quantify and collect the income tax. The presumptive income is not a real income generated by the activity of the taxpayer but operates by legal presumption and under the parameters established by it.

2.6 Income tax rates

The rate on the taxable income of corporations, limited companies and other entities similar to each other, in accordance with the relevant standards that have the status of Nationals, including companies and other foreign entities of any nature that obtain their rents through branches or permanent establishments, is 35% for the taxable year 2022 and subsequent taxable years.

Legal entities that are financial institutions, insurance companies, stock exchange brokers and agricultural product brokers, whose taxable income exceeds 120,000 UVT will be charged an additional 5 points, their rate will then be 40% for the years 2023, 2024, 2025, 2026 and 2027 (UVT 2023 is 40,412 pesos).

2.7 Dividends

Dividends and encumbered interests are established according to the procedure determined by the government. Be part of the liquid income of the company, subtracting the taxes generated, adding dividends obtained and other deductions.

The entity certifies to the shareholder the value encumbered and not taxed.

2.8 Capital income

- Dividends and taxed participations are established according to the procedure determined by the government.
- The income from the sale of furniture or real estate may constitute:
 - Income, if the fixed asset was obtained less than two years. In this case, the utility is combined with ordinary income;
 - Occasional profit if obtained for more than 2 years. In this case the tax is calculated separately;
 - The profit on sale of shares that are listed on the stock exchange is not taxed in the income tax;
 - Inheritances, bequests, donations of chattels and real estate constitute occasional profit for the beneficiary. The rate is 10% of the taxable occasional profit.

2.9 Wealth Tax

Wealth tax on liquid assets above 72,000 UVT (UVT \$42,412) up to 122,000, rate of 0.5%, above 122,000 UVT up to 239,000, rate of 1% and above 239,000 rate of 1.5%.

2.10 Declaration and payment

Statements are presented online. The expiration dates of the presentation depend on the last digit of your tax identification number, which are made in the month of February for large taxpayers and April for the rest. Payment can be made online or in banks. Large taxpayers can make their payments in three installments (February, April and June); all other taxpayers in two installments only (April and June).

2.11 Simple system

From the year 2019 the simple tax regime is established, to which both natural persons and companies could paid taxes on a fixed percentage of the debts according to their activity, making periodic advances, which collect income taxes and industry and commerce.

3. Retention system at the source

3.1 Types of withholdings at the source

Withholding at the source for the concept of income, which is applied to suppliers of goods or services according to their activity, at national level.

VAT retention at the source (Value Added Tax) that is practiced in 2.4% of VAT, by large taxpayers to other taxpayers who invoice VAT.

Retention in the source of ICA (Industry and Commerce) that is practiced to the supplier of goods or services according to the activity, in the municipalities whose tax status contemplates it.

4. Value added tax (VAT)

4.1 Principles

The tax is applied to:

- Sale of tangible chattels that has not been expressly excluded;
- Provision of services in domestic territory;
- Importing tangible chattels that has not been expressly excluded;
- Circulation, sale or operation of games of chance and luck with the exception of lotteries.

Goods and services are classified as taxable, excluded and exempt. Exporting goods causes no value added tax.

4.2 Tax rates

The general rate is 19%.

There are several differential rates, ranging from 1.6% to 35%.

4.3 Declaration and payment of VAT

Taxpayers declare the tax according to the level of income obtained in the immediately preceding year, in bimonthly or quarterly terms.

5. Departmental and municipal taxes

5.1 Departmental taxes

- Taxes on the consumption of beers, siphons, refajos (beer & soda cocktails) and mixtures; cigarettes and elaborate tobacco; liquors, wines, appetizers and similar, and monopoly of distilled liquors and drinkable alcohols;
- Registration Tax;
- Extra rate to Gasoline and ACPM;
- Tax on motor vehicles;
- Departmental stamps.

5.2 Municipal taxes

Each municipality has its own legislation according to the concept of income. The following are municipal taxes:

- Industry and commerce;
- Notices and boards;
- Property tax;
- Vehicles;
- Other taxes.

6. Taxes on stamps

It is a territorial tax applied on civil works contracts and supervision of them, which are subscribed with the entities that make up the annual budget of the respective municipality, district or department, under the terms of this law.

Rate. The stamp tax rate ranges from 0.1% to 3% of the tax base.

7. Contributions to social security

Contributions to social security or parafiscal contributions are:

- Health: 12.5% of salary. The employer is responsible for 8.5%, and the employee 4%. If the worker earns less than 10 minimum wages, the employer does not contribute;
- For pensions: 16% of salary. The employer is responsible for 12%, and the

- employee 4%;
- For the Compensation Fund, the Colombian Family Welfare Institute and the National Apprenticeship Service: The employer is entirely responsible for 9% of the salary. If the worker earns less than 10 minimum wages, the rate is 4%;
 - For the professional risk system: According to the employee's risk, it ranges between 0.522 and 6.9% .

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