International Tax

Colombia Highlights 2023

Updated January 2023

Recent developments

For the latest tax developments relating to Colombia, see Deloitte tax@hand.

Investment basics

Currency: Colombian Peso (COP)

Foreign exchange control: According to the Exchange Code, the following transactions must be conducted through the exchange market via a foreign market intermediary and/or a compensation account:

- Imports and exports of goods;
- Foreign loans to Colombian residents and related financial costs;
- Foreign investments and expatriation of related profits;
- Colombian investments abroad and repatriation of related profits;
- Foreign investments in securities or assets located abroad, unless the investments are made with funds that do not have to be transferred through the exchange market;
- Securities and guarantees in foreign currency; and
- Derivative transactions.

The Central Bank may provide certain exceptions in regulatory guidance.

Accounting principles/financial statements: IFRS apply. Financial statements must be prepared annually.

Principal business entities: These are the joint capital stock corporation, limited liability company, simplified joint capital stock corporation, and branch of a foreign company.

Corporate taxation

Rates	
Corporate income tax rate	35%
Branch tax rate	35%, plus 20% rate on profits remitted abroad that have been taxed at branch level
Capital gains tax rate	15% (in general)

Residence: A corporation is resident if it is organized under Colombian law, it has its main domicile in Colombia, or its effective place of management is located in Colombia.

Basis: Colombian companies and entities are taxed on their worldwide income. A permanent establishment (PE) must determine its income tax based on its attributable worldwide income. Foreign companies are taxed only on their Colombian-source income.

A foreign company is deemed to have a PE in Colombia, unless the activities performed in Colombia are of a preparatory or auxiliary nature, if it:

- Carries out its corporate activities in Colombia through a fixed place of business;
- Has a dependent agent in Colombia with power to conclude contracts; or
- Has an independent agent in Colombia but the financial and commercial transactions between the agent and the enterprise differ from those that would have been made between independent enterprises or parties.

Branches are taxed at the same rates as subsidiaries on worldwide income attributable to the branch on the basis of a transfer pricing study assessing the functions, assets, risks, and personnel involved in the activities.

Taxable income: Taxable income is defined as gross income less returns, rebates, discounts, all ordinary costs incurred in deriving net income, and all allowable deductions. Corporate taxpayers may deduct costs and expenses that are "necessary and proportionate to the activities performed" in computing taxable income and directly related to the income-producing activity. Additional requirements may apply for deducting certain expenses (e.g., labor costs are deductible only where subject to withholding tax and social security contributions, subject to certain exceptions).

As from 1 January 2023, royalties paid to the government for the exploitation of nonrenewable natural resources are not a deductible expense for corporate income tax purposes; the treatment of such payments prior to this date is the subject of a judicial dispute.

Rate: The corporate income tax rate applicable to resident companies and PEs of nonresident companies is 35%.

For tax year 2023, industrial users of free trade zones (FTZs) are subject to corporate income tax at 20%. The 20% rate will continue to apply through tax year 2025 to industrial users of FTZs who had at least 60% growth in their gross income in tax year 2022 compared to tax year 2019. As from 1 January 2024, other FTZ users will be subject to a 20% corporate income tax rate on income derived from exports, while all other income will be subject to tax at the standard corporate income tax rate.

Profits remitted abroad by a branch of a foreign company that have not been taxed at the branch level are subject to the standard corporate income tax rate of 35%, plus a special rate of 20% (increased from 10% as from 1 January 2023), which applies after deducting the standard corporate income tax. Profit remittances taxed at the branch level are subject only to the 20% rate.

Surtax: An additional corporate income tax surcharge applies to financial institutions; insurance and reinsurance companies; stock exchange brokerage firms; agricultural and livestock brokerage firms; agricultural, agro-industrial, or other commodities exchanges; and stock market infrastructure with annual income exceeding 120,000 UVT (tax value units: one UVT equates to COP 42,412 for 2023). The rate is 5% (increased from 3% as from 1 January 2023) for taxable years 2023 through 2027, resulting in an effective tax rate of 40%. The 5% surcharge is payable in advance, based on the prior year's taxable income.

As from 1 January 2023, domestic companies, foreign companies, and PEs of foreign companies with annual taxable income exceeding 50,000 UVT, whose activities comprise the extraction of hard coal, coal lignite, or crude oil, may be subject to a surcharge of between 5% and 15% on their corporate income tax rate for an indefinite period, depending on the nature of the activity and the price of the natural resource.

For tax years 2023 through 2026, a 3% corporate income tax surcharge applies to taxpayers whose main economic activity is the generation of hydroelectric power and whose annual taxable income exceeds 30,000 UVT.

Alternative minimum tax: As from 1 January 2023, and in accordance with the OECD/G20 Pillar Two global minimum tax rules, Colombian companies, PEs, and FTZ users are subject to a new minimum 15% effective tax rate (TTD per its acronym in Spanish), calculated based on accounting profit. The TTD is determined by dividing net tax payable by net profit.

If the TTD is less than 15%, an additional "top-up" tax must be calculated so that the TTD equals at least 15%. Taxpayers whose financial statements are subject to consolidation in Colombia must follow additional procedures to determine the group's net tax payable and the top-up tax applicable to the group and each member individually, depending on whether the group's net tax payable is less than 15%.

The TTD does not apply to: (i) companies that currently hold ZESE (special economic zone) status, for the period that their corporate income tax rate is 0%; (ii) companies that apply the tax incentive for the areas most affected by the armed conflict in Colombia (ZOMACs per the acronym in Spanish); (iii) industrial and commercial state-owned companies, and companies that are at least 90% owned by the state and that have a monopoly in the gambling industry or the selling of alcohol; and (iv) loss-making taxpayers.

Taxation of dividends: Dividends and income from profit participations are considered taxable income where they are paid from profits that have not been taxed at the level of the payer company. Dividends and income from profit participations paid from profits that already have been subject to tax at the corporate level are deemed to be nontaxable income or capital gains. See also "Dividends" under "Withholding tax," below.

Capital gains: Capital gains derived from the sale of fixed assets held for two years or more, or on the liquidation of a company incorporated for two years or more, are subject to capital gains tax. The tax rate on most capital gains is 15% (increased from 10% as from 1 January 2023). Special rules are used to determine the taxable base.

Losses: Losses generated after 2017 may be carried forward for 12 years; losses generated in 2017 or earlier may be carried forward indefinitely. The carryback of losses is not permitted.

Foreign tax relief: A taxpayer may claim a credit for foreign tax paid on foreign-source income up to the Colombian tax that would have been payable on the income. To be eligible for the credit, the taxpayer must be a company resident in Colombia, its foreign income must be taxable in Colombia, and the taxpayer must provide proof of the foreign tax paid (e.g., a certificate issued by the local tax authorities or other appropriate evidence). The tax credit may be claimed in the taxable year in which the tax was effectively paid or carried forward indefinitely. The credit may not be carried back.

Participation exemption: There is no general participation exemption but see "Holding company regime," below for details of exemptions available to holding companies.

Holding company regime: A holding company regime applies to domestic companies if one of their main activities is holding securities, investing in foreign or Colombian shares, or administering such investments, provided they comply with certain requirements. The following rules apply under the holding company regime:

- Dividends received by a qualifying holding company from nonresident entities are exempt from tax in Colombia;
- Dividends distributed from foreign-source income by a qualifying holding company to a nonresident individual or entity are considered foreign-source income and, therefore, are not taxed in Colombia; and

- Dividends distributed by a qualifying holding company to a Colombian resident individual or entity are taxed at the general rate (see also "Dividends" under "Withholding tax," below).

Incentives: Incentives include:

- A special FTZ regime with a corporate income tax rate of 20% for qualifying companies, and an exemption from customs duties and VAT;
- A tax credit for investment in qualifying research and development projects, as determined by the National Council of Science, and technology tax benefits equivalent to 30% of the amount invested (increased from 25% in 2022). As from 1 January 2023, expenses related to the investment are expressly nondeductible;
- A tax credit for investments to improve environmental conditions equal to 25% of the amount invested. As from 1 January 2023, this incentive is capped at 3% of net income;
- Income tax and VAT benefits for qualifying projects in the field of alternative sources of energy;
- A deduction for employers for 120% of the salary payments made to employees who are under 28 years of age, up to a maximum of 115 UVT per month, provided the Ministry of Labor has certified that the job is the employee's first job;
- An income tax credit for VAT paid on productive tangible fixed assets;
- An option for corporations to satisfy up to 50% of their tax liability through direct investment in projects of social importance or infrastructure in ZOMACs;
- Reduced tax rates for certain new companies established in ZOMACs; and
- Reduced tax rates for certain new companies established in ZESEs in certain Colombian departments (Arauca, La Guajira, and Norte de Santander) and municipalities (Armenia and Quibdó).

As from 1 January 2023, certain special deductions, nontaxable income, exempt income, and tax credits are capped at 3% of ordinary net income (taxable income before such special deductions) per year. There also is a restriction on the receipt of more than one benefit simultaneously for the same economic event, which covers special deductions, tax credits, exempt income, nontaxable income, and special corporate income tax rates.

Compliance for corporations

Tax year: The tax year is the calendar year.

Consolidated returns: Consolidated returns are not allowed. Each company must submit a separate return. There are no provisions for group relief of losses.

Filing and payment: A self-assessment system applies, under which a company must complete a tax return and compute its own liability. The corporate income tax return must be filed by a deadline that is set annually (generally between April and May) and varies depending on the type of taxpayer and the last digit of the taxpayer's tax identification (ID) number.

Penalties: The penalty for late filing is 5% per month of delay, up to 100% of the tax or withholding tax due. The penalty increases to 10% per month, with a 200% ceiling, if the late filing is made after the tax authorities have made a request. Late payment interest also is charged. The penalty for amendments to a return is 10% of the additional tax. Other penalties apply in specific circumstances.

Rulings: Advance pricing agreements (APAs) may be obtained under the transfer pricing rules.

Individual taxation

Rates

Individual income tax rate	Taxable income (UVT)	Rate
	Up to 1,090	0%
	1,091–1,700	19%
	1,701–4,100	28%
	4,101–8,670	33%
	8,671–18,970	35%
	18,971–31,000	37%
	Over 31,000	39%
Capital gains tax rate		15%

Residence: An individual (whether a Colombian or foreign national) is resident for tax purposes if the individual is present in Colombia for more than 183 days (whether or not continuously) in a 365-day period.

A Colombian citizen also may be regarded as tax resident if one of the following conditions is met:

- The individual's family (defined as their spouse or minor sons) are tax resident in Colombia;
- At least 50% of the individual's income is deemed Colombian-source;
- At least 50% of the individual's assets are located in Colombia;
- At least 50% of the individual's assets are administered in Colombia;
- The individual does not provide proof of tax residence in another jurisdiction when requested to do so by the Colombian tax authorities (the National Tax and Customs Office (DIAN per its acronym in Spanish)); or
- The individual is resident in a jurisdiction considered by the Colombian government to be a tax haven.

Basis: Resident individuals are taxed on their worldwide income and equity owned in Colombia and abroad (see "Net wealth/worth tax" under "Other taxes on corporations and individuals," below); nonresidents are taxed only on their Colombian-source income and equity owned in Colombia.

Taxable income: Most income, including capital gains, is subject to taxation. Mandatory and voluntary contributions to pension funds and/or contributions to AFC accounts (savings accounts to promote investment in housing) to purchase residential property in Colombia may be excluded from income.

Pension fund contributions, in principle, are not taxed (monthly pensions up to 1,000 UVT are exempt).

Rates: The maximum income tax rate for resident individuals is 39%. The income tax payable by individuals must be calculated by separating the income received from different sources (e.g., employment, capital, and nonemployment income; pensions; and dividends) and aggregating the tax payable for each source of income. Special rules apply for stock-based compensation.

Dividends paid to resident individuals are subject to withholding tax at source at rates of 0% to 15% (see "Dividends" under "Withholding tax," below). Prior to 1 January 2023, the highest rate of withholding tax was 10%.

Capital gains: Capital gains (e.g., inheritances, gifts, and proceeds from the sale of real estate) are subject to tax at a rate of 15% (increased from 10% as from 1 January 2023). However, gains derived from the sale of shares through a stock exchange are exempt, provided the shares sold do not represent more than 10% of the total shares of the Colombian company that issued the shares.

Deductions and allowances: Taxpayers may claim deductions for: (i) mandatory contributions to the General Health System; (ii) private medical and health expenses, and the purchase of medical insurance; (iii) economic dependents; and (iv) interest paid on residential mortgages (subject to certain limitations).

National tax legislation provides that 25% of total employment income is tax exempt, up to a maximum of 790 UVT per year; the exemption applies after the application of other tax benefits.

Foreign tax relief: A taxpayer may claim a credit for foreign tax paid on foreign-source income up to the Colombian tax that would have been payable on the income. To be eligible for the credit, the taxpayer must be an individual resident in Colombia, the foreign income must be taxable in Colombia, and the taxpayer must provide proof of the foreign tax paid (e.g., a certificate issued by the local tax authorities or other appropriate evidence). The tax credit may be claimed in the taxable year in which the tax is effectively paid or carried forward indefinitely. The credit may not be carried back.

Compliance for individuals

Tax year: The tax year is the calendar year.

Filing status: Joint filing is not permitted; each individual must file their own tax return, if required.

Filing and payment: Tax on wages is withheld by the employer and remitted to the tax authorities. A resident is required to file an income tax return annually on the date set by the tax authorities (between August and October, depending on the last two digits of the individual's tax ID number), unless the individual's income or total net assets are below an amount set annually by the government.

Penalties: The penalty for late filing is 5% per month of delay, up to 100% of the tax or withholding tax due. The penalty increases to 10% per month, with a 200% ceiling, if the late filing is made after the tax authorities have made a request. Late payment interest also is charged. The penalty for amendments to a return is 10% of the additional tax. Other penalties apply in specific circumstances.

Rulings: Colombia does not have a rulings system for individuals.

Withholding tax

Rates

Type of payment	Residents		Nonresidents	
	Company	**Individual**	**Company**	**Individual**
Dividends	35% + 10% (41.5% effective rate, dividends paid out of untaxed profits) 10% (dividends paid out of profits taxed at corporate level)	0% to 15% (dividends paid out of untaxed profits) 0% to 15% (dividends paid out of profits taxed at corporate level)	35% + 20% (48% effective rate, dividends paid out of untaxed profits) 20% (dividends paid out of profits taxed at corporate level)	35% + 20% (48% effective rate, dividends paid out of untaxed profits) 20% (dividends paid out of profits taxed at corporate level)
Interest	4%	4%	5%/15%/20%	5%/15%/20%
Royalties	2.5%	2.5%	20%	20%
Fees for technical services	11%	10%/11%	20%	20%

Dividends: Dividends paid to a resident entity from profits that have not been taxed at the corporate level are taxed at the general corporate income tax rate (35% for 2023), plus a special rate of 10% (the 10% rate applies after deducting the general income tax and was 7.5% for 2022), resulting in an effective tax rate of 41.5%. Dividends paid out of profits taxed at the corporate level are subject only to the 10% withholding tax rate. Tax at 10% will be withheld once, when payment is made to the first company receiving the dividends and is withheld by the payer company (some exceptions apply). The withholding tax is creditable by a final nonresident investor.

Dividends paid to a resident individual from profits that have not been taxed at the corporate level are subject to withholding tax at a rate of 0% to 15% depending on the amount of the dividends (the rate was 0% to 10% for 2022). The dividend income is then subject to tax in the hands of the individual at the general progressive individual income tax rates (0% to 39% for 2023). Dividends paid to a resident individual out of profits taxed at the corporate level are subject only to the 0% to 15% withholding tax rate (the rate was 0% to 10% for 2022).

Dividends paid to a nonresident from profits that have not been taxed at the corporate level in Colombia are taxed at the general corporate income tax rate, plus a special rate of 20% (the 20% rate applies after deducting the general income tax and was 10% for 2022), resulting in an effective tax rate of 48%. Dividends paid out of profits taxed at the corporate level are subject only to the 20% rate. The rates may be reduced under an applicable tax treaty.

Interest: Interest paid to a Colombian resident is subject to a 4% withholding tax.

Interest paid to a nonresident is subject to a 20% withholding tax, unless the interest relates to a loan with a term of one or more years, in which case the rate is 15%. Interest payments made to nonresidents on loans granted for the development of infrastructure programs that meet certain requirements are subject to a reduced withholding tax rate of 5%. The rates may be reduced under an applicable tax treaty.

Royalties: Royalties paid to a resident are subject to withholding tax at the 2.5% rate applicable to "other payments."

Royalties paid to a nonresident generally are subject to a final withholding tax of 20%, unless the rate is reduced under an applicable tax treaty.

Fees for technical services: Fees for technical services, technical assistance, or advisory services paid to a resident entity are subject to an 11% withholding tax. A 10% rate applies to fees and commissions paid to resident individuals not required to file an income tax return. An 11% rate applies to fees and commissions paid to resident legal entities, or resident individuals where the value of the contract or income exceeds 3,300 UVT.

The withholding tax rate on fees for technical services, technical assistance, or advisory services paid to a nonresident is 20%, unless the rate is reduced under an applicable tax treaty.

Branch remittance tax: Profits remitted abroad by a branch of a foreign company that have not been taxed at the branch level are subject to the standard corporate income tax rate (35% for 2023), plus a special rate of 20% (the 20% rate applies after deducting the standard corporate income tax and was 10% in 2022), resulting in an effective rate of 48%. Profit remittances taxed at the branch level are subject only to the 20% rate.

Other: Management fees paid directly or indirectly to a head office for services rendered within or outside Colombia are subject to a 33% withholding tax.

The government is authorized to establish a list of noncooperative low- or no-tax jurisdictions and preferential tax regimes. Payments made to companies located in such jurisdictions or benefiting from such regimes may be deductible for income tax purposes only if the transactions comply with the arm's length principle and were subject to withholding tax at the standard corporate income tax rate (35% for 2023), if applicable.

Corporate taxpayers that are “self-withholding agents” (generally, those with employees who earn less than 10 times the minimum monthly wage and that are exempt from payroll tax) must self-assess a special self-withholding income tax on all the income they receive. The rate is 0.4%, 0.8%, or 1.6%, depending on the taxpayer’s main economic activity.

Anti-avoidance rules

Transfer pricing: The transfer pricing regime is based on the OECD guidelines, with the arm's length principle applying in setting base prices and profit margins on transactions with related parties. Taxpayers engaged in transactions with related parties located abroad, in FTZs, or in tax havens must file an annual transfer pricing information return and, once they have reached certain total income or liquid equity thresholds, supporting documentation that includes a local file and master file.

Certain multinational enterprise groups with a Colombian resident parent, another Colombian resident group entity, or a PE in Colombia are required to file a country-by-country report.

APAs may be negotiated with the local tax authorities.

Interest deduction limitations: The thin capitalization rules apply to interest on debt incurred with related parties (resident or nonresident in Colombia) that exceeds a debt-to-equity ratio of 2:1. Interest exceeding this ratio may not be deducted for income tax purposes.

Controlled foreign companies: A Colombian tax resident that holds a direct or an indirect participation of at least 10% in the capital or profits of a foreign vehicle that is considered a controlled foreign company (CFC) is taxed on its proportionate share of the CFC’s passive income for the current year (regardless of whether the income has been distributed), less associated costs, expenses, and deductions. A foreign entity is considered a CFC if it: (i) is controlled by one or more entities or individuals resident in Colombia; (ii) satisfies specified subordination and economic conditions; and (iii) is not resident in Colombia.

Hybrids: There is no anti-hybrid legislation.

Economic substance requirements: A resolution issued by the DIAN provides that an act or agreement lacks economic substance where any of the following three criteria apply: (i) the economic or commercial terms of the act or agreement are “unreasonable”; (ii) the transaction results in a significant tax benefit that is disproportionate to the economic or commercial risks assumed by the taxpayer; or (iii) the structure of the transaction is designed to obscure the intent of the parties. The tax authorities also must prove that the intention of the act or agreement is to obtain a tax benefit. Where this can be shown, the DIAN may recharacterize the transaction and impose additional tax, plus interest and penalties, where appropriate.

Disclosure requirements: See “Transfer pricing,” above. Colombia has committed to the adoption of the OECD common reporting standard between tax authorities and US Foreign Account Tax Compliance Act (FATCA) reporting.

Exit tax: There is no exit tax.

General anti-avoidance rule: A general anti-avoidance rule applies to combat transactions and structures that lack economic substance or a business purpose.

Value added tax

Rates	
Standard rate	19%

Reduced rate	0%/5%

Taxable transactions: VAT is imposed on the sale and import of tangible goods, the sale or transfer of rights over intangible assets associated with industrial property, and the provision of services (including the acquisition or the exploitation of intangibles from abroad in Colombia), regardless of whether the services are rendered in Colombia or overseas, provided the beneficiary of the services is located in Colombia.

A consumption tax (which is separate from VAT) applies when certain services or goods are provided or sold to, or imported by, the final consumer (see "Other" under “Other taxes on corporations and individuals,” below).

Rates: The standard VAT rate is 19%, with a preferential rate of 0% applying to exports and certain domestic supplies. A reduced rate of 5% applies to certain goods and services.

Registration: VAT taxpayers must register with the local tax authorities and obtain a VAT identification number. There is no threshold for registration purposes.

Filing and payment: VAT is computed bimonthly or quarterly, depending on the gross income of the previous taxable year. The subtraction method is used to compute VAT, crediting taxes paid on purchases against tax liabilities arising from sales.

Special rules apply to small taxpayers and foreign services providers.

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the national level.

Social security contributions: The employer's contribution to the social security system is as follows: (i) 8.5% of salary for health insurance; (ii) 12% for the general pension scheme; and (iii) a percentage (from 0.522% to 8.7% depending on the company’s level of risk) for the labor risk system. Employee contributions are 4% of monthly salary for health insurance and 4% for the general pension scheme. The employer withholds and remits the employee’s share of the contributions to the government.

Payroll tax: An employer must contribute 9% of monthly payroll, with 3% allocated to the Institute for Family Welfare (ICBF), 2% to the National Apprenticeship Service (SENA), and 4% to the Family Subsidy Fund. An employer is exempt from contributions to the ICBF and SENA for employees earning less than 10 times the minimum monthly wage; in which case, the employer is subject to self-withholding income tax (see “Other” under “Withholding tax,” above), subject to certain conditions.

Capital duty: There is no capital duty, but see “Registration tax” under "Other," below.

Real property tax: Real estate is subject to municipal taxation, which usually is charged at rates within a band based on the value of property, without regard to the number of owners, or the taxpayer's personal wealth.

Transfer tax: There is no transfer tax.

Stamp duty: The stamp duty rate currently is 0%, except for a few cases established in the relevant law (see also “Registration tax” under “Other,” below). A stamp tax was reintroduced as from 13 December 2022 on the sale of real estate with a value in excess of 20,000 UVT at rates of 1.5% or 3%, with the 3% rate applying where the value exceeds 50,000 UVT.

Net wealth/worth tax: As from 1 January 2023, an annual wealth tax applies to individuals whose net worth as at 1 January of the relevant tax year exceeds 72,000 UVT. Net worth is calculated as the aggregate value of assets owned (real estate, investments, vehicles, financial products, accounts with financial institutions, etc.) less liabilities and debts. The tax applies to the worldwide assets of resident individuals; nonresident individuals are subject to wealth tax only on their Colombian assets. For tax years 2023 through 2026, the marginal tax rates are 0%, 0.5%, 1%, and 1.5%, with the temporary marginal rate of 1.5% applying in place of the 1% rate to individuals with net worth in excess of 239,000 UVT.

There is no net wealth tax or net worth tax for companies.

Inheritance/estate tax: Inheritances and gifts received by individuals are treated as capital gains and are subject to tax at 15% (increased from 10% for 2022). The recipient of the gift or inheritance must report the inheritance or gift on their income tax return and calculate the tax payable on the capital gain.

Other

Registration tax

Registration tax applies to documents (e.g., legal acts, bylaws) registered with the Chamber of Commerce (at 0.3% to 0.7%), or the Registry of Public Deeds (at 0.5% to 1%), calculated on items such as subscribed capital, transaction amounts stated in the document to be registered, or the appraisal value of immovable property. Relief is available if a document or act is subject to both registration tax and stamp duty (stamp duty will not be levied), or to registration with both the Chamber of Commerce and the Registry of Public Deeds (where the public deeds levy only is imposed).

Financial transactions tax

A 0.4% financial transactions tax is imposed on withdrawals from checking and savings accounts in financial institutions, as well as on accounts held with the Central Bank.

Consumption tax

Corporate entities also may be subject to a consumption tax applicable when the following services or goods are provided or sold to, or imported by, the final consumer:

- Mobile phones and internet services;
- Certain movable goods, such as vehicles (domestically produced or imported);
- Vehicles considered fixed assets for the seller, when the sale is made on behalf of a third party;
- Food and beverages prepared in restaurants, cafes, supermarkets, etc. for onsite consumption or home delivery;
- Alcoholic beverages; and
- Real estate with a value greater than 26,800 UVT.

The applicable consumption tax rates range from 2% to 16%, depending on the service/goods.

“SIMPLE” tax regime

The SIMPLE regime is a voluntary regime available to corporate taxpayers satisfying certain conditions that simplifies and facilitates meeting the tax compliance obligations of taxpayers. It is an optional taxation model that replaces the income tax, and integrates the national consumption tax and the municipal industry and trade tax. The taxable base is the gross ordinary and extraordinary income received in the taxable period, excluding capital gains. The tax rates depend on the type of activity conducted by the taxpayer and the gross income received and vary between 1.2% and 8.3% for 2023. SIMPLE taxpayers are not subject to withholding taxes, other than VAT withholding.

Industry and commerce tax

A municipal industry and commerce tax is imposed on corporate entities at rates ranging from 0.2% to 1%, on gross receipts derived from carrying out industrial, commercial, and service activities within a municipal territory in Colombia. A supplementary billboards tax of 15% of the industry and commerce tax payable applies on the placing of billboards and other advertising boards in public spaces.

Carbon tax

Corporate entities may be subject to a carbon tax based on the carbon content of fossil fuels, including all derivatives of petroleum that are used for energy purposes. The rate of carbon tax depends on the greenhouse gas (GHG) emission factor for each specific fuel, expressed in unit weight (kilogram of carbon dioxide equivalent (CO_2e)) per energy unit (terajoule), according to the volume or weight of the fuel. The person responsible for paying the tax varies.

Tax on single-use plastics

As from 13 December 2022, a tax applies to the sale, withdrawal for own consumption, or import for own consumption of single-use plastic packaging at a rate of 0.00005 UVT per gram of packaging. The tax is payable by the producer or importer.

Tax on ultra-processed sugary drinks

As from 1 November 2023, the import, production, sale, appropriation from stock, or any act resulting in the transfer of sugary ultra-processed drinks is taxed based on the grams (g) of sugar per hundred milliliters (100ml) of drink. For 2023 the tax rate is COP 18 for drinks with 6g to 10g of sugar per 100ml of drink and COP 35 for drinks with more than 10g of sugar per 10ml of drink. The taxpayer is the importer or the producer, as appropriate. The tax effectively increases the cost of the drinks and may be treated by the purchaser as a deductible expense for income tax purposes.

Tax on ultra-processed foods

As from 1 November 2023, the import, production, sale, appropriation from stock, or any act resulting in the transfer of industrially ultra-processed edible products with a high proportion of added sugars, sodium, or saturated fats is taxed based on the added sugars, salt or sodium, and/or fats. The taxpayer is the importer or the producer. The tax base is the purchase price of the goods. The tax rate is 10% for 2023, 15% for 2024, and 20% as from 2025.

Tax treaties: Colombia has concluded around 20 tax treaties. Colombia signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI) on 7 June 2017. For information on Colombia's tax treaty network, visit Deloitte International Tax Source.

Tax authorities: National Tax and Customs Office (DIAN)

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