

Colombia

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What's new?

Summary of updates/Changes to R&D and government incentives from 1 January 2019 through 31 October 2020

The Colombian president signed Law 2010 of 2019 (Economic Growth Law) on 27 December 2019, following approval by Congress. The legislation is effective as from that date and includes many of the provisions originally contained in the 2018 tax reform law (Law 1943 of 2018, Financing Law) that was revoked by the Constitutional Court due to procedural defects. The key research and development (R&D) provisions in the recent legislation are as follows:

- Most of the benefits existing prior to the enactment of the Economic Growth Law remain in place. Some were clarified and/or extended by the new legislation (i.e., the mega investment regime, "works for taxes," and the clean energy income tax exemption);
- The Economic Growth Law introduced, among others, a new employment deduction according to which employers may deduct 120% of the salary payments made to employees who are under 28 years of age, up to a maximum of 115 tax value units (UVT) per month, provided it is the employee's first job. (The value of 1 UVT is COP 35,607 for 2020.); and
- The list of exempt income for income tax purposes was modified with the introduction of exemptions for creative industries, and the development of the Colombian countryside.

Law 1955 of 2019 (National Development Plan) modified some aspects related to clean energy benefits, including the scope of the benefits, the time limits for making the claims, the periods for which the incentives are available, the process to obtain government authorization, and the qualifying criteria.

Featured government incentives

Incentive name	Description	Maximum percentage	Qualification standards	Key exclusions or issues
Clean energy investment	<ul style="list-style-type: none"> • Super deduction • Accelerated depreciation • Income tax exemption for income derived from the sale of electricity generated solely from wind energy, biomass, or agricultural waste • VAT exclusion and exemption from import tariffs 	<ul style="list-style-type: none"> • 50% of the cost of the investment for 15 years • Maximum annual depreciation rate of 20% • 100% income tax exemption for 15 years • 100% VAT exclusion for indefinite period 	<ul style="list-style-type: none"> • Government authorization required • Project must meet qualifying criteria 	N/A
Innovation, development, and investigation (I+D+I)	<ul style="list-style-type: none"> • Tax deduction • Tax credit 	<ul style="list-style-type: none"> • Deduction of 100% of investment • Tax credit of 25% of investment 	Government authorization required	N/A
Environmental investment	Tax credit	25% of the investment	Government authorization required	Incentive does not apply to investments made in response to an order issued by an environmental authority



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Industries most often affected by government incentives in country

Technology, Media & Telecom	Financial Services
Telecom, Media & Entertainment	● Banking & Capital Markets
● Technology	Insurance
Consumer	Investment Management
Consumer Products	Real Estate
● Retail, Wholesale & Distribution	Life Sciences & Health Care
Automotive	● Health Care
Transportation, Hospitality & Services	● Life Sciences
Energy, Resources & Industrial	Government & Public Services
● Power & Utilities	Health & Social Care
● Mining & Metals	Defense, Security & Justice
● Oil, Gas, & Chemicals	Civil Government
Industrial Products & Construction	International Donor Organizations
	Transport



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Type	National incentive?	State, provincial, regional or local incentives? ¹	Filing deadlines imposed?	Is the claim made in advance or arrears? ²	Nature of incentive	Maximum benefit available to large enterprises	Maximum benefit available to small and medium-sized enterprises
Innovation							
I+D+I income tax deduction and income tax credit	●	●	●	National: Advance/arrears Local: N/A	Tax credit of up to 25% of the investment, and deduction of 100% of the investment for all taxpayers, both entities or individuals whose investigation, technological development, or innovation project has been approved by the National Council of Tax Benefits	Tax credit of up to 25% of the investment, and deduction of 100% of the investment	Tax credit of up to 25% of the investment, and deduction of 100% of the investment
I+D+I income tax credit for MSMEs	●	●	●	National: Advance/arrears Local: N/A	Tax credit of up to 50% of the investment for all MSMEs whose investigation, technological development, or innovation project has been approved by the National Council of Tax Benefits. Tax credit also applies to wages paid to employees with doctoral degrees hired for I+D+I projects	Not available for large enterprises	Tax credit of up to 50% of the investment/qualifying wages
Creative and technological value-added industries income tax exemption	▨	▨	●	National: Arrears Local: N/A	Seven-year tax exemption for taxpayers whose gross income derived from certain business activities related to technological and creative industries is less than 80,000 UVT, provided certain requirements are met	Not applicable to large enterprises	Seven-year tax exemption

Key: ● = PERMANENT INCENTIVE ▨ = TEMPORARY INCENTIVE ▨ = NEGOTIABLE ● = NO ● = LIMITED APPLICABILITY ● = NOT APPLICABLE

Notes:

- Green means that this incentive is currently in effect. Yellow means that the incentive has limited applicability, i.e., the requirements for this incentive limit its value to most companies. Red means that there is no incentive.
- If the response is advance, this means that the government must approve the award of the incentive prior to the commencement/completion of the project/activity. If the response is arrears, this means that the award of the incentive is determined at the end of the tax period or after the completion of the qualifying project or activity. Most tax incentives are considered to be claimed in arrears because they are reported on tax returns.



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Investment							
Mega investments				National: Advance/arrears	Variety of benefits for taxpayers that generate at least 400 direct jobs, and make new investments of at least 30 million UVT in a commercial, industrial, and/or service activity in Colombia. Certain industries (e.g., oil and gas) are excluded, and high investment threshold limits applicability to SMEs	Reduced income tax rate of 27%, accelerated asset depreciation, exclusion from the presumptive minimum income provisions, exemption from equity tax, and dividends tax exemption where the profits were taxed at the corporate level, or a reduced tax rate of 27% for dividends that were not taxed at the corporate level	Reduced income tax rate of 27%, accelerated asset depreciation, exclusion from the presumptive minimum income provisions, exemption from equity tax, and dividends tax exemption where the profits were taxed at the corporate level, or a reduced tax rate of 27% for dividends that were not taxed at the corporate level. High investment threshold limits applicability to SMEs
				Local: Not applicable	Benefits are a reduced 27% tax rate, accelerated depreciation regime, exclusion from presumptive income calculation, exemption from equity tax, and exemption from dividends tax where dividends are taxed at the corporate level		
Works for taxes				National: Advance/arrears	Income taxpayers with gross income exceeding 33,610 UVT in the immediately preceding year may enter into agreements with national public entities, for investment commitments in projects that may not exceed 30% of the gross fiscal equity of the preceding year, in return for negotiable securities (referred to by their Spanish acronym TRT) that can be used to settle up to 50% of the income tax liability for the current year or subsequent taxable years. The projects must have a positive social and economic effect in municipalities defined as Zones Most Affected by the Armed Conflict (ZOMAC)	TRT may be used to settle up to 50% of income tax liability	TRT may be used to settle up to 50% of income tax liability, but high investment threshold limits applicability to SMEs
				Local: Not applicable	Certain industries and taxpayers (e.g., oil and gas companies, and large taxpayers developing port concessions) are excluded, and the high investment threshold limits applicability to SMEs		

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Investment (continued)							
Old age hiring special deduction	●	●	●	National: Arrears Local: Not applicable	Enhanced expense deduction based on wages for taxpayers obliged to file income tax returns that hire individuals of pensionable age but not in receipt of a pension, provided such individuals constitute at least 2.5% of the workforce	Deduction of 120% of wages throughout the period of the individual's employment	Deduction of 120% of wages throughout the period of the individual's employment
First employee special deduction	●	●	●	National: Arrears Local: Not applicable	Enhanced deduction for salary payments made to employees who are under 28 years of age, provided it is the employee's first job	Deduction of 120% of salary costs, capped at 115 UVT per employee per month	Deduction of 120% of salary costs, capped at 115 UVT per employee per month
Other employment incentives	●	●	●	National: Arrears Local: Not applicable	Tax credit or enhanced deduction for social security and other payroll contributions in respect of certain classes of employee, including people with disabilities, and widows and orphans of military personnel	Deduction of between 120% and 200% of social security and other payroll contributions, depending on the specific benefit that applies	Deduction of between 120% and 200% of social security and other payroll contributions, depending on the specific benefit that applies
Trainees' wages and payroll contributions special deduction	●	●	●	National: Arrears Local: Not applicable	Enhanced deduction for wages, social security, and other payroll contributions in respect of students of the National Learning Services Institute (referred to by its Spanish acronym SENA)	Deduction of up to 130% of wages, social security, and other payroll contributions	Deduction of up to 130% of wages, social security, and other payroll contributions
Low income housing exemption	●	●	●	National: Arrears Local: Not applicable	Income tax exemption for gains from the sale of land on which homes are to be constructed, profits made on the first sale of low income homes, gains from the sale of land to be used for urban renewal purposes, and financial returns derived from the acquisition of low income housing	100% income tax exemption	100% income tax exemption

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Investment (continued)							
Incentives for development in ZOMAC areas	●	●	● ●	National: Arrears Local: Not applicable	Reduced corporate income tax rates for companies that have their principal residence in and commence activities in ZOMAC areas, and meet certain investment and employment criteria	Corporate income tax rate of 50% of the standard rate from 2017 to 2021, and 75% of the standard rate from 2022 to 2027	Micro and small enterprises: corporate income tax rate 0% from 2017 to 2021, 25% of the standard rate from 2022 to 2024, and 50% of the standard rate from 2024 to 2027 Medium-sized enterprises: corporate income tax rate 50% of the standard rate from 2017 to 2021, and 75% of the standard rate from 2022 to 2027
Holding company regime	●	●	● ●	National: Arrears Local: Not applicable	Tax exemption for dividends received from a nonresident entity, dividends distributed to a nonresident individual or foreign company are considered foreign-sourced income and not taxed in Colombia, and the proceeds from the placement of shares are subject to the same treatment as ordinary dividends for resident companies whose main activities consist of holding securities, investing in foreign or Colombian shares, or administering such investments, and that comply with certain additional requirements	100% tax exemption for dividends	100% tax exemption for dividends
Tax credit for VAT paid on the acquisition, import, creation, or construction of real fixed productive assets	●	●	● ●	National: Advance Local: Not applicable	Credit against income tax for VAT paid on the acquisition, import, creation, or construction of real fixed productive assets for all VAT taxpayers	VAT may be claimed as a credit in the year the VAT is paid or carried forward to subsequent years	VAT may be claimed as a credit in the year the VAT is paid or carried forward to subsequent years

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Environmental Sustainability							
Clean energy exempt income	●	●	● ●	National: Advance/ arrears Local: Not applicable	Income tax exemption for energy generators in respect of income derived from certain types of energy (e.g., wind, solar, etc.)	Income tax exemption	Income tax exemption
Tax incentives related to the usage of non-conventional sources of energy and energy efficiency management	●	●	● ●	National: Advance/ arrears Local: Not applicable	Various incentives for investments in non-conventional energy sources, including a special income tax deduction, an accelerated depreciation regime, a VAT exclusion, and a tariff rate exemption	Special income tax deduction, accelerated depreciation regime, VAT exclusion, and tariff rate exemption	Special income tax deduction, accelerated depreciation regime, VAT exclusion, and tariff rate exemption
Tax relief for investments to conserve, control, and improve the environment	●	●	●	National: Advance/ arrears Local: Not applicable	Tax credit for all legal entities for investments made to conserve, control, and improve the environment which are approved by the national or regional environmental authorities	Tax credit of 25% of the investment made during the tax year	Tax credit of 25% of the investment made during the tax year
VAT exclusion for equipment and elements intended for the construction, installation, assembly, and operation of control and monitoring systems, necessary to comply with environmental laws	●	●	● ●	National: Arrears Local: Not applicable	VAT exclusion for equipment and components intended for the construction, installation, assembly, and operation of control and monitoring systems, required to comply with current environmental regulations. Systems must be accredited by the Environment and Sustainable Development Ministry	Unlimited VAT exclusion on qualifying expenditure	Unlimited VAT exclusion on qualifying expenditure
VAT exclusion for importation of machinery or equipment intended to recycle and process refuse or waste	●	●	● ●	National: Arrears Local: Not applicable	VAT exclusion for machinery or equipment not produced in Colombia, intended to recycle and process refuse or waste, or purify or treat sewage, atmospheric emissions, or solid waste, for the recovery of rivers or basic sanitation, provided the program is approved by the Environment Ministry. VAT exclusion also applies to equipment for environmental control and monitoring	Unlimited VAT exclusion on qualifying expenditure	Unlimited VAT exclusion on qualifying expenditure

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Other							
Exempt income/ revenue that does not constitute income or capital gains	●	●	●	National: Arrears Local: Not applicable	Certain income is considered nontaxable. Eligibility is determined on a case-by-case basis	All qualifying income is nontaxable	All qualifying income is nontaxable
Tax credits for donations to non-profit entities under the special tax regime	●	●	●	National: Arrears Local: Not applicable	25% tax credit for donations to non-profit entities	Tax credit of 25% of donation	Tax credit of 25% of donation

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Country background

The corporate income tax rate in Colombia is 32% for the taxable year 2020, 31% for 2021, and 30% for 2022 and subsequent years. An additional surcharge of 3% for 2020 and subsequent years applies to financial entities with annual income exceeding 120,000 UVT.

Colombia's tax regulatory framework provides for a wide range of tax benefits or tax incentives to enable the government to comply with various constitutional principles through the tax system, such as keeping the economy on track, creating jobs, and protecting vulnerable communities. The tax benefits may be in form of credits, special deductions, income tax exemptions, etc.

Innovation Incentives

Research & development (R&D)

Colombia offers benefits for qualified research, technological development, and innovation, which may be in the form of a deduction or a tax credit.

Income tax credit plus income tax deduction for research, technological development, and innovation (I+D+I)

Investments in these areas may be fully deducted in computing the corporate income tax liability for the relevant year. In addition, a tax credit equal to 25% of the investment is available. Companies

in all industries are eligible for these tax incentives. To qualify, the National Committee of Tax Benefits in Science and Technology must approve the project. Costs must meet certain specified criteria to qualify as eligible investment.

The tax credit, when combined with other tax credits (e.g., the credit for conservation and improvement of the environment, and the tax credit for donations), may not exceed 25% of the income tax due for the relevant taxable year, and the tax due may not be lower than 75% of the presumptive income tax before any tax credit.

Income tax credit for investments made in research, technological development, and innovation by micro, small, and medium-size enterprises (MSMEs)

All MSMEs whose investigation, technological development, or innovation project has been approved by the National Committee of Tax Benefits in Science and Technology are eligible for a tax credit of up to 50% of the investment. The credit also is available for wages paid to employees with doctoral degrees working on I+D+I projects, provided the project also is approved by the National Council of Tax Benefits.

Companies in all industries are eligible for the benefit. Costs must meet certain specified criteria to qualify as eligible investment.



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Investment Incentives

Low income housing

The following income related to low income housing is exempt from tax if certain requirements are met:

- Gains from the sale of land on which the homes are to be constructed;
- Profits made on the first sale of low income homes;
- Gains from the sale of land to be used for urban renewal purposes; and
- Financial returns derived from the acquisition of low income housing.

Some income tax exemptions are available to all industries (i.e., gains from the sale of land on which the homes are to be constructed), while others apply only to specific industries (e.g., the financial returns income tax exemption which applies only to the financial services industry, and the tax exemption for gains on the first sale of low income homes, which is restricted to the construction industry).

There are no time limits for claiming the exemption.

Employment benefits

Companies may apply a tax credit or enhanced deduction for wages, and in some cases social security and other payroll contributions in respect of certain classes of employee, including people with disabilities, widows and orphans of military personnel, people less than 28 years old, and those of pensionable age.

All industries qualify for these kinds of benefit and generally no special procedures must be followed to apply them.

Tax credit for VAT related to real fixed assets

VAT payers are entitled to claim a credit in their income tax return for the VAT paid on the importation, creation, construction, or acquisition of fixed real productive assets (referred to by the Spanish

acronym AFRP), including the VAT paid on services necessary to bring such assets into operational condition. The tax credit generally is available in the year of the VAT payment or in any subsequent taxable year. However, in the case of created or constructed AFRP, the credit only may be applied as from the year in which the asset is capitalized, and is first depreciated or amortized.

All industries qualify for the benefit and no special procedures must be followed.

To qualify as an AFRP, an asset must be:

- A fixed asset, as defined in article 60 of the Colombian Tax Code;
- Tangible or corporal goods under the terms of the Tax Code;
- Acquired, built, created, or imported for the taxpayer's own use;
- Used directly in the taxpayer's income-producing activity; and
- Capable of being depreciated or amortized.

Mega investments regime

A special tax regime applies to taxpayers that generate at least 400 direct jobs and make new investments of at least 30 million UVT in a commercial, industrial, and/or service activity in Colombia.

The regime provides the following benefits for 20 years: (i) a reduced income tax rate of 27%, (ii) accelerated asset depreciation, (iii) exclusion from the presumptive minimum income provisions, (iv) exemption from the equity tax, and (v) an exemption from dividends tax where the profits were taxed at the corporate level, or a reduced tax rate of 27% for dividends that were not taxed at the corporate level.

In general terms all industries may qualify for this regime, however the hydrocarbon sector expressly is excluded, and the aeronautic industry expressly included.

To claim the benefit, taxpayers must submit a formal application to the Industry, Commerce, and Tourism Ministry requesting



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confirmation that the project is a qualifying project. If approved, a stability agreement is entered into with the Colombian state under which the tax benefits are fixed for 20 years.

Costs must meet certain specified criteria to qualify as eligible investment.

Tax exemption for creative and technological added-value industries

A seven-year tax exemption is available to taxpayers whose gross income derived from certain business activities related to technological and creative industries is below 80,000 UVT where the following requirements are met (among others):

- The entity's main residence is in Colombia;
- The entity's exclusive purpose is the development of creative and technological added-value industries;
- The entity creates at least three jobs;
- The entity invests at least 4,400 UVT within a period of three taxable years; and
- The entity is incorporated and commences economic activities by 31 December 2021.

Industries qualifying for this exemption are limited, and the regulations establishing the exemption include a specific list of economic activities (by clasificación industrial internacional uniforme (CIIU) code) that exclusively may be undertaken by companies in the creative and technological value-added industries.

Taxpayers wishing to apply for the exemption must request approval for the project from the Culture Ministry's "Orange Economy Committee."

Works for taxes payment mechanism

Income taxpayers with gross income exceeding 33,610 UVT in the immediately preceding year may enter into agreements with national public entities for investment commitments that may not exceed 30% of the gross fiscal equity of the preceding year, in return for negotiable securities (referred to by their Spanish acronym TRT) that can be used to settle up to 50% of the income tax liability for the current year or subsequent taxable years until the TRT are fully utilized.

The purpose of the agreements is to encourage direct investments that will have a positive social and economic effect in the

municipalities defined as Zones Most Affected by the Armed Conflict (ZOMAC). Projects in other areas of Colombia also may access the works for taxes benefit with the prior approval of the Territory Renewal Agency stating that the projects are strategically important to the economic and social reactivation of ZOMAC areas.

The National Congress expressly excluded from the works for taxes benefit projects that are executed by taxpayers by virtue of a legal order, administrative executive order, or judicial decision; projects involving the exploration and exploitation of hydrocarbons where that is aligned with the company's main purpose, and projects carried out by large taxpayers developing port concessions.

Incentives for development in ZOMAC areas

Companies that have their principal residence in and commence activities in ZOMAC areas, and that meet certain investment and employment criteria may be able to benefit from reduced corporate income tax rates, as follows:

- Micro and small enterprises:
 - 0% from 2017 to 2021;
 - 25% of the normal rate from 2022 to 2024;
 - 50% of the normal rate from 2024 to 2027; and
 - The full corporate income tax rate as from 2027.
- Medium-sized and large enterprises:
 - 50% of the normal rate from 2017 to 2021;
 - 75% of the normal rate from 2022 to 2027; and
 - The full corporate tax rate as from 2027.

Taxpayers in all industries may qualify for this benefit other than oil, mining, and gas companies, and large taxpayers developing port concessions.

Holding company regime

A holding company regime was introduced by Law 1943 of 2018 (and ratified by Law 2010 of 2019) for resident companies whose main activities consist of holding securities, investing in foreign or Colombian shares, or administering such investments, and that comply with certain additional requirements.

This regime is available only for taxpayers within the financial services industry, specifically the investment management sector. The following rules apply under the regime:

- Dividends received by a Colombian holding company from a nonresident entity are exempt from tax in Colombia;

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- Dividends distributed by a Colombian holding company to a nonresident individual or foreign company are considered foreign-source income and, therefore, are not taxed in Colombia (but dividends distributed by a holding company to a resident individual or Colombian entity are taxed at the normal rate); and
- The proceeds from the placement of shares are subject to the same treatment as ordinary dividends, i.e., as exempt income when the beneficiary is a Colombian holding company, as foreign-source income if distributed by the holding company to a nonresident, or as taxable income if distributed to a Colombian resident.

Environmental Sustainability Incentives

Clean energy exempt income

The sale of electric energy based on wind energy, biomass or agricultural waste, solar, geothermal, or wave energy is exempt from income tax for a 15-year period as from 2017.

The exemption applies only to energy generators, so the industries eligible for the benefit are limited to energy, resources, and industrial, specifically in the power and utilities sectors.

To qualify for the exemption, the taxpayer must process, obtain, and sell carbon dioxide emission certificates in accordance with terms set by the government, and at least 50% of the resources obtained from the sale of such certificates must be invested in projects that will benefit the region where the taxpayer operates.

The certificates must be issued in accordance with rules to be established by the national government.

Tax incentives related to use of non-conventional sources of energy

Tax relief is granted for activities that promote research, development, and investment in the production and use of energy generated from non-conventional sources (referred to by the Spanish acronym FNCE), and energy efficiency management. The benefits are as follows:

- Equipment, machinery, and services included on a list issued by the government and used in the pre-investment phase, or for investment in FNCE projects are excluded from the scope of VAT;
- The import of goods used in the pre-investment phase, or investment in FNCE projects is not subject to customs duties, but the goods imported must not have been produced in Colombia;

- A special deduction is granted for investment in R&D for the production or use of FNCE and energy efficiency management. The taxpayer is entitled to an annual deduction equal to 50% of the amount invested for 15 years following the year in which the operations commence; and
- An accelerated depreciation regime for new investments in machinery and equipment for FNCE and energy efficiency management purposes, under which the assets are depreciated at 20% per annum on a straight-line basis over five years.

The benefits are not restricted to specific industries but in practice most applicants are involved in the power and utilities sector.

To claim the benefits, taxpayers must obtain approval for the investment from the Colombian Mining Authority (UPME).

Tax relief for investments to conserve, control, and improve the environment

Taxpayers may be entitled to a tax credit for investments made to conserve, control, and improve the environment. The credit is equal to 25% of the investment made during the tax year.

Investments to conserve and improve the environment are those necessary to develop processes for implementing projects for the preservation and restoration of biological diversity, natural renewable resources, and the environment. Investments in environment control relate to the implementation of environmental control systems, intended to achieve measurable and verifiable results of reduced demand for natural renewable resources, or to prevent and/or reduce the generation of liquid or solid waste, or atmospheric emissions.

Companies in all industries are eligible for this incentive. The investment must be approved by the Colombian environmental authorities.

This tax credit, when combined with other tax credits (e.g., the credit for investment in research, technology, and innovation projects, and the credit for donations) may not exceed 25% of the income tax due for the relevant taxable year, and the tax due may not be lower than 75% of the presumptive income tax before any tax credit.

Investments made in response to an order issued by an environmental authority are not eligible for the incentive.

Colombia

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VAT benefits related to machinery for conservation, control, and improvement of the environment

Equipment manufactured in Colombia or abroad that is used for the construction, installation, and operation of control and monitoring systems necessary to comply with environmental laws is not subject to VAT. The following also is not subject to VAT:

- Equipment and elements that are intended for the construction, installation, assembly and operation of control and monitoring systems, necessary for compliance with enforceable environmental regulations and standards, and accredited by the Environment and Sustainable Development Ministry;
- Imported machinery or equipment that was not produced in Colombia, intended to: (i) recycle and process garbage or waste (e.g., by washing, separating, recycling, etc.), (ii) purify or treat sewage, atmospheric emissions or solid waste, or (iii) recover rivers or provide basic sanitation to improve the environment, as part of a program approved by the Environment Ministry; and
- Equipment for environmental control and monitoring, including that required to comply with the commitments of the Montreal protocol.

There are no restrictions on the industries that may qualify for these benefits. In some cases national government certifications are required for the benefit to apply.

Other Incentives

Exempt income

Income derived from the following activities is exempt from corporate income tax:

- Utilization of new forest plantations;
- Donations from governments or foreign entities intended for common utility programs protected under intergovernmental agreements;
- Sale of electrical energy generated from wind, biomass, or agricultural waste for 15 years;
- Provision of inland waterway transport services; and

- Income arising as a result of the application of the Andean Community Agreement.

Exempt income benefits may be reserved for certain industries (e.g., retail, the construction sector, and the power and utilities sector), and eligibility for the specific exemption must be verified in each case.

Depending on the income tax exemption, several processes or activities may be carried out.

Revenue that does not constitute income or capital gains

The following income is not considered taxable income or capital gains:

- Profits derived from the sale of shares listed on the Colombian stock exchange provided the sale does not involve more than 10% of the company;
- Dividends distributed to shareholders;
- Distributions of profits as shares, or the distribution of partnership interest nontaxable/exempt profits or reserves; and
- The inflationary component of financial returns.
- Broadly, the benefit applies regardless of the industry and sector in which the taxpayer operates.

Tax credit for donations to nonprofit entities

A 25% tax credit may be available for donations made to non-profit entities that are subject to the special lower income tax rate regime.

The credit is available to taxpayers in all industries and sectors. Approval from the national government is not required to obtain the credit, merely a certificate issued by the relevant non-profit entity.

This tax credit, combined with other tax credits (e.g., for investment in conserving and improving the environment; and investments in research, technological development, and innovation) may not exceed 25% of the income tax due by the taxpayer in the taxable year, and the tax due may not be lower than 75% of the presumptive income tax before any tax credit.

