



# Doing Business in Colombia

Trends and Opportunities 2026

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# Preamble



# Economic scenario Colombia 2026

## Economic data for 2026:

 **5,10%** (Anual)


Consumer Price Index

 **COP \$ 1'750.905**  
(USD 475,55 aprox.)

Minimum wage 2024

 **7,0%**  
(December 2025)

Unemployment rate

 **2,9%**  
(December 2025)

Inflation rate



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We are Forvis Mazars Group, an independent member of **Forvis Mazars Global**, a leading global professional services firm. Operating as an internationally integrated partnership in over **100** countries and territories, we specialise in audit, consulting, financial advisory, outsourcing, legal, and tax advice. We draw on the expertise and cultural understanding of over **40,000** professionals across the globe to assist clients of all sizes at every stage in their development.


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**+100**  
Countries and territories



**+1,800**  
Partners worldwide



**43%**  
Of our workforce are women

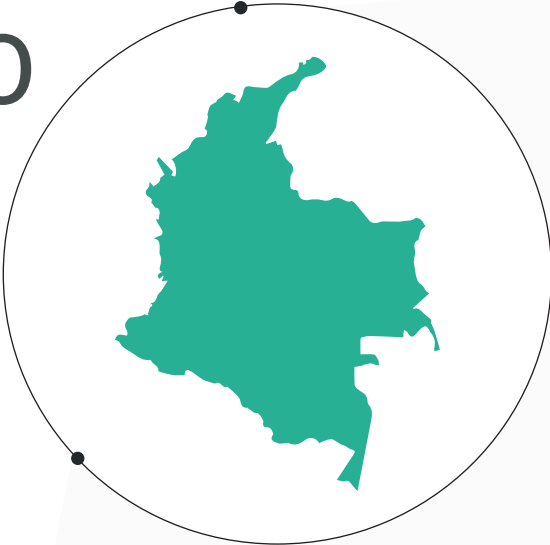


**+400**  
Offices




**+40,000**  
Professionals

## Colombia



**14** Partners



**+350**  
Professionals



**4** Cities

- Bogota
- Barranquilla
- Cali
- Medellin

# Fiscal overview



# Fiscal outlook

The Colombian tax system is composed of national and local taxes (departments and municipalities).

Additionally, the National Government issued Rule 1474 of 2025, through which temporary tax measures were adopted to address the state of exception declared under Rule 1390 of 2025 (Temporary Suspension – Press Release No. 01 of January 29, 2026), as well as Rule 0173 of 2026, establishing extraordinary tax measures concerning the Net Wealth Tax within the framework of the Economic, Social and Environmental State of Emergency declared under Legislati

The current fiscal outlook is as follows:

## National taxes



### Income tax

Individuals and legal entities will assume the **income tax**.

### Legal entities

#### Taxpayers

- Companies and entities domiciled in Colombia are subject to income tax on their worldwide source income (domestic and foreign source incomes).
- Companies domiciled abroad are subject to income tax in Colombia only on their domestic source income.
- Permanent establishments (PE) of foreign entities are subject to income tax on their worldwide source income.

A permanent establishment (PE) is considered a fixed place of business located in the country, through which a foreign company or an individual without residence in Colombia performs all or part of its activity in Colombia.

This concept includes branches, agencies, offices, workshops, mines, quarries, oil and gas wells or any other place of extraction or exploitation of natural resources.

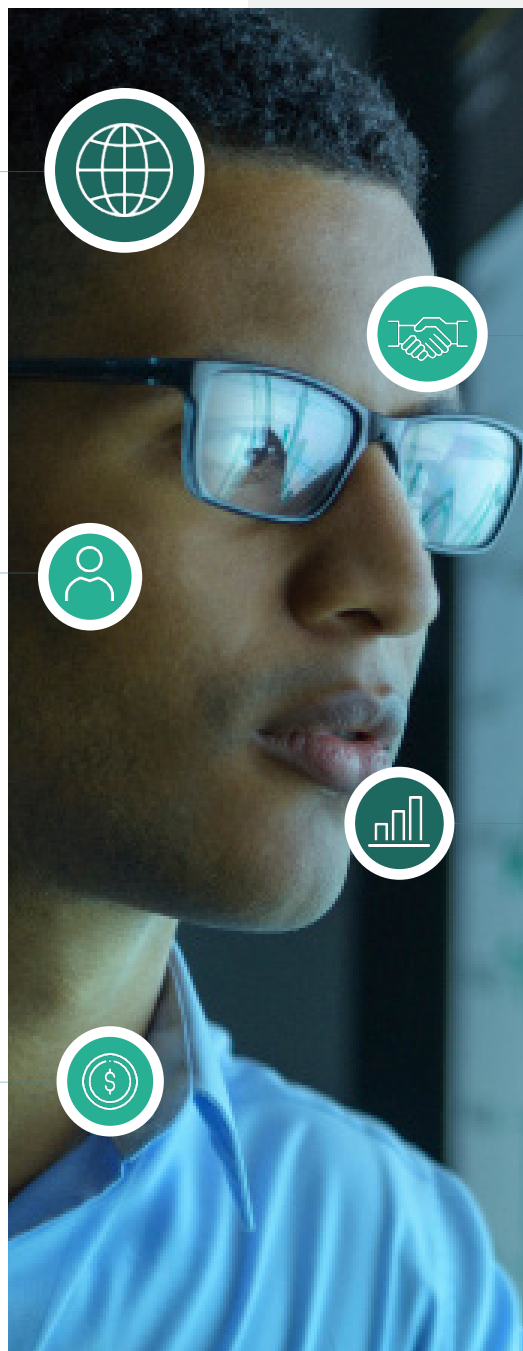
A foreign company will also be considered to have a permanent establishment when a person, other than an independent agent, acts on behalf of this company and exercises powers that allow him/her to execute acts or contracts that are binding for the company.

Additionally, for tax purposes, companies that have their effective place of management in Colombia will be understood as domestic companies and will be subject to income tax on their worldwide source income.

The effective place of administration of a company shall be understood as the place where the commercial and management decisions necessary to carry out the activities of the company are made.

**However, it is necessary to point out that in general terms, the following are considered as domestic source income:**

- i)** The transfer or exploitation of assets located in Colombia.
- ii)** The rendering of services within the country or abroad.
- iii)** Capital income from real estate located in the country.
- iv)** Profits obtained from the sale of real estate located in the country.
- v)** The exploitation of personal property located in the country.
- vi)** Interest from credits obtained in the country or linked to it.
- vii)** Labor income (salaries, commissions, fees, compensation for the rendering of services performed within the country).
- viii)** Compensation for personal services paid by Colombian State, regardless of the place where the service was rendered.
- ix)** Profits or royalties for the exploitation of any kind of industrial property, or “know how”, or for the rendering of technical assistance services, whether rendered from abroad or in the country.
- x)** Profits or royalties from literary, artistic and scientific goods exploited in the country.
- xi)** The rendering of technical services, whether rendered from abroad or in the country.
- xii)** Dividends or participations of Colombian companies.



- xiii)** Dividends or participations paid to Colombian residents, and which come from foreign companies or entities.
- xiv)** Income originated in the life annuity contract, if the beneficiaries are residents of the country or if the income is economically linked to the country.
- xv)** Profits from the exploitation of farms, mines, natural deposits and forests, located within the national territory.
- xvi)** Profits from the manufacture or industrial transformation of goods or raw materials within the country.
- xvii)** Income obtained in the exercise of commercial activities within the country.
- xviii)** For the contractor, the total value of the respective contract, in the case of “turnkey” contracts and other contracts for the preparation of material work.
- xix)** Reinsurance premiums ceded by Colombian insurance entities to foreign entities.
- xx)** Income from the sale of goods 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 or users located in the national territory.

## Taxable income

Taxpayers must pay income tax based on the net income for the period “**Net taxable income**”. The net taxable income will be determined as follows:

(+) Ordinary and extraordinary income

(-) Reimbursements, rebates and discounts

(=) Net income

(-) Costs

(=) Gross income

(-) Deductions

(=) Net income

(-) Exempt income

(=) Net taxable income

## Costs and deductible expenses

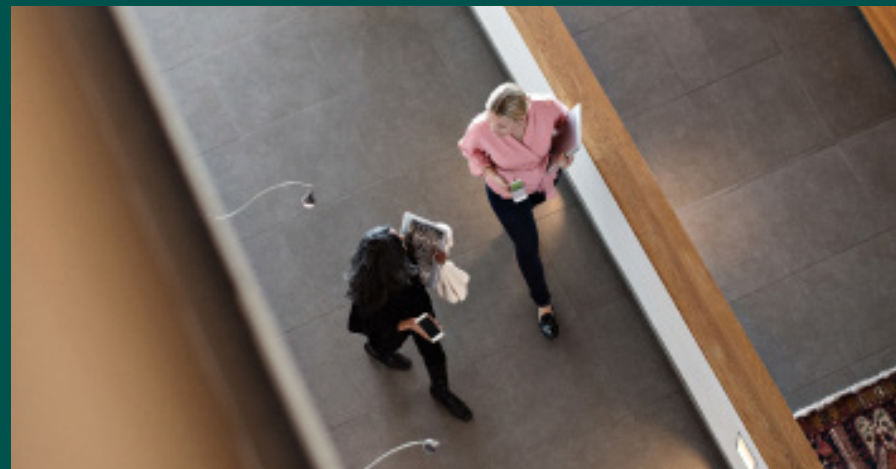
Expenses incurred during the year in the development of any income-producing activity are deductible, if they have a causal relationship with the income-producing activities and are necessary and proportionate according to each activity. The necessity and proportionality of the expenses must be determined with commercial criteria, taking into account those normally customary in each activity.

The administration may disallow any cost or expense that does not meet these requirements.

## Deductibility of labor payments

Payments made by the employer for salaries are deductible.

For the deduction of labor payments, the employer is obliged to pay family allowance and to make contributions to the National Learning Service (SENA), to the Social Security Institute (ISS), and the Colombian Institute of Family Welfare (ICBF), and must be in good standing for such concepts for the respective year or taxable period, for which the receipts issued by the



collecting entities shall constitute proof of such contributions. collecting entities shall constitute proof of such contributions.

Additionally, to accept the deduction of the payments corresponding to paid breaks, it is necessary to have made the payments to SENA and the Family Compensation Funds. In order to proceed with the deduction for payments to independent workers, the contracting party must verify the affiliation and payment of contributions and social protection contributions corresponding to the contractor.

## Deductibility of taxes paid

100% of the taxes effectively paid during the year by the taxpayer, which have a causal relationship with its economic activity, except income tax, are deductible.

In the case of the tax on financial movements - GMF, 50% that has been effectively paid by the taxpayers during the respective year will be deductible, regardless of whether or not it has a causal relationship with the economic activity of the taxpayer, provided that it is duly certified by the withholding agent.



## Expenses abroad

The costs or deductions for expenses abroad for obtaining source income within the country may not exceed **15%** of the taxpayer's net income, except in the case of the following payments:

- 1.** Those in respect of which withholding tax is mandatory.
- 2.** Income that is not considered to be of national source.
- 3.** Payments or credits on account for the acquisition of any kind of tangible property.
- 4.** Those incurred in compliance with a legal obligation, such as customs certification services.
- 5.** Interest on credits granted to taxpayers resident in the country by multilateral credit organizations, to whose constitutive act Colombia has adhered, as long as it is in force and it is established therein that the respective multilateral organization is exempt from income tax.

## Corporate income tax rate

Domestic corporations and entities will be taxed at the general income tax rate of 35%. In addition, the regulation provides for the following differential rates:



**20%** rate for entities that are part of the Special Tax Regime (RTE).



New companies created in Barrancabermeja and Buenaventura will have a special rate of **0%** of the ordinary income tax rate for the first 5 years of creation, and **50%** of the ordinary rate for 5 more years, for new companies that are incorporated in these territories and generate direct jobs. After the first 10 years, they will be taxed at the ordinary income tax rate (companies incorporated until December 31, 2024 may apply to this benefit).



Special rate of **9%** for industrial and commercial companies of the state and mixed economy companies.



Special rate of **15%** on income received in the provision of hotel services, ecotourism theme parks and / or agrotourism (that meet the conditions set forth in the Law).



Rate of **15%** for publishing companies, whose economic activity is exclusively the edition of books.



Special rate of **20%** for free trade zone users, whose activities are linked to exports.



## Income tax surcharge

A surtax of 5 additional points will be applied to income tax (total rate **40%**) from 2023 to 2027, to financial institutions, insurance and reinsurance companies, stock exchange brokerage companies, agricultural brokerage companies, agricultural, agro-industrial or other commodities goods and products stock exchanges and stock market infrastructure providers.

The surtax will only apply to legal entities that, in the corresponding fiscal year, have a taxable income equal to or higher than **120,000 UVT (COP 5.975.880.000) for the year 2025**.

- Surcharge of 5 to 10 points on income tax (rate varies between **40%** and **45%**) for companies engaged in the extraction of hard coal and lignite coal.
- 5, 10 and 15 points surtax on income tax for companies engaged in oil extraction activities (rate of **40%**, **45%** and **50%**).
- Surcharge of 3 points (**38%** rate) on income tax for companies whose main activity is the generation of electricity. It will be applicable from 2023 to 2026.

## Minimum tax rate

After the approval of Law 2277 of 2022, a minimum tax rate was established in Colombia for legal entities taxpayers of income tax, which will be calculated based on the adjusted financial profit.

This minimum rate will be known as the Tax Rate (TTD) which may not be less than 15% and will be the result of dividing the Tax (ID) over the Profit (UD)

$$(UD) TTD= ID/UD$$

## Income tax return

National companies, branches of foreign entities, permanent establishments of foreign entities and foreign companies without a branch in Colombia that are not subject to withholding tax, are required to file the annual income tax return.

## Statute of limitation of tax returns

When we talk about the finality of the tax returns is when the time established by law for the Tax Administration to question or modify the tax return filed by a taxpayer has expired.

The statute of limitation time is **3 years**.

The tax returns for taxable years 2022, 2023, 2024, 2025 and 2026, that are filed with the benefit of the audit will have a statute of limitation of **6 or 12 months**. For these purposes, a net income tax over **25%** or **35%** of the tax liquidated in the previous period must be liquidated.

The tax returns that were liquidated with tax losses will have a statute of limitation of **5 years**, as well as the returns filed by taxpayers subject to the transfer pricing regime.

The VAT and withholding tax returns will have the same statute of limitation of the income tax return corresponding to the taxable year, except in case the audit benefit applies.

## Taxable Year

The tax period begins on January 1st and ends on December 31st of each year.

In case of liquidation of the company, the tax return must be filed for a fraction of a year, counted from January 1st, until the date on which the liquidation is recorded.

## Simple Taxation Regime

The Simple Tax Regime - SIMPLE is a system for the payment of taxes that are declared annually and paid with bimonthly advances through the electronic systems of DIAN.

This system can be accessed voluntarily by individuals and legal entities that comply with the following requirements:



Individuals who develop business including liberal professionals, or legal persons of corporate nature, whose partners or shareholders are natural person resident in Colombia.



That in the previous taxable year have obtained gross income, ordinary or extraordinary, less than 100,000 UVT. In the case of new companies or legal entities, the registration in the unified tax under the simple taxation regime - SIMPLE will be conditioned to the fact that the income for the year does not exceed these limits.



That comply with national and local tax obligations.

The triggering event of SIMPLE tax Regime is the obtaining of income susceptible to producing an increase in the patrimony.

The taxable base is made up of the total gross income, ordinary and extraordinary, received in the respective taxable period.

The following taxpayers cannot belong to the SIMPLE regime:

- Foreign legal entities or their permanent establishments.
- Individuals without residence in the country or their permanent establishments.
- Individuals residing in the country that in the exercise of their activities configure the elements of a labor contract or legal and regulatory relationship under the regulations in force.
- The companies whose partners or administrators have in substance an employment relationship with the contracting party because they are personal services, rendered habitually and subordination.
- Entities that are affiliates, subsidiaries, agencies, branches of national or foreign legal entities, or non-resident foreigners.
- Companies that are shareholders, subscribers, participants, trustees or beneficiaries of other companies or legal entities, in Colombia or abroad.
- Companies that are financial entities.
- Companies that are the result of the segregation, division or spin-off of a business, which has occurred in the 5 years prior to the time of application for registration.
- Individuals or legal entities engaged in the economic activities 4665 (Wholesale trade of waste, scrap and scrap metal), 3830 (processing of metallic and non-metallic waste, scrap metal and other items into secondary raw materials) and 3811 (Collection of recyclable materials, collection of used cooking oils and fats) that obtain net profits of more than **3%** of gross income.



Individuals or legal entities engaged in any of the following activities:

1. microcredit activities;
2. Asset management activities, intermediation in the sale of assets, leasing of assets or activities that generate passive income representing **20%** or more of the total gross income of the natural or juridical person.
3. Factoring or factoring.
4. Financial advisory services and/or credit structuring.
5. Generation, transmission, distribution or commercialization of electric power.
6. Automobile manufacturing, importing or commercialization activities.
7. Fuel import activity.
8. Production or commercialization of firearms, ammunition and gunpowder, explosives and detonators.

## Withholding tax

Withholding tax is an advance tax collection mechanism.

Generally, all legal entities are obliged to make the corresponding withholding tax, for payments made to third parties.

The withholding agents must collect the tax via withholding tax and pay these amounts to the tax authority.

The tax return must be filed monthly and the responsible party must certify the withholdings made.

Foreign companies that are not fiscal resident in Colombia are subject to withholding taxes in the cases established by law.

## Withholding for payments abroad

SA foreign payment is defined as a payment made to a non Colombian tax resident. Some examples are:

Income earned for technical services, technical assistance or consulting rendered from abroad, royalties paid to non-resident foreign licensees, and interest on foreign loans paid to foreign companies for less than one year are subject to a withholding tax of **20%**.

Interest on foreign loans paid to foreign companies for a period equal to or longer than one year is subject to a **15%** withholding tax.

Payments for management services are subject to a **35%** withholding tax.

Payments made to jurisdictions with low or no taxation or with preferential tax regimes are subject to a **35%** withholding tax.

## Dividends

### Dividends distributed among domestic companies



Dividends distributed among national companies are taxed with a withholding tax of **10%**.

If the receptor of dividends is a Colombian holding company, this withholding is not applicable.

Dividends distributed between companies belonging to the same business group, registered at Chamber of Commerce, will be exempt from this tax.

### Dividends distributed to non-resident individuals and foreign companies and entities



Dividends received by entities domiciled abroad are subject to withholding tax at a rate of **20%**, if the profits have been taxed by the company.

If the profits were not taxed by the company, a **35%** withholding tax will be applied, and on the remainder, an additional **20%** withholding tax must be applied.

In the case of foreign shareholder companies, the tax is paid through the withholding tax mechanism.

## Dividends distributed to individuals

Dividends and participations paid to resident individuals and illiquid successions of deceased persons who at the time of their death were residents of the country, from distribution of profits that have been considered as income not constituting income or Capital Gain will integrate the taxable income tax base and will be subject to the progressive rates of **0%** up to **39%**. In addition, a 15% withholding will be applied to the amount distributed as untaxed dividends whenever the amount to be paid exceeds **1,090 UVT (COP 57.987.660.850 for 2026)**.

If the dividends are not taxed by the company, a withholding tax of **35%** will be applied. The remaining balance will be included in the taxable income tax base.

## Tax discount for dividends

Resident individuals and unliquidated successions that have received income from dividends or participations may deduct from their income tax, the value determined from the following operation:

**(Liquid income for dividends (-) 1,090 UVT) x 19%.**

## Significant economic presence

Non-resident individuals and entities not domiciled in the country with significant economic presence in Colombia are subject to income tax on incomes derived from the sale of goods or rendering of services in favor of clients or users located in the national territory.

Individuals and entities with a significant economic presence in Colombia may choose to declare and pay in the income tax form, a 3% rate on the total gross income derived from the sale of goods or provision of digital services, from abroad, sold or provided to users located in the national territory.

When the non-resident individuals or entity not domiciled in Colombia opts for this mechanism, it may request the non-application of withholding tax for payments abroad.

## Foreign controlled entities regime - ECE Regime

The ECE Regime seeks to promote tax transparency at the international level and to prevent that, through the use of entities abroad that receive passive income, Colombian tax residents defer the payment in Colombia of income tax about such income.

Foreign controlled entities without tax residence in Colombia (ECE) are those that comply with all of the following requirements:

**1**

The ECE is controlled by one or more Colombian tax residents.

**2**

The ECE has no tax residence in Colombia.

ECEs are comprised of investments such as corporations, autonomous estates, trusts, collective investment funds, other fiduciary businesses and private interest foundations, incorporated, operating or domiciled abroad, whether they are entities with or without legal personality, or whether they are transparent for tax purposes or not.

Tax residents are presumed to have control over ECEs that are domiciled, incorporated or operating in a non-cooperative or low or no tax jurisdiction or entities subject to a preferential tax regime.

For purposes of determining the existence or not of control, it will be understood that the criteria of linkage are the holding of call options on shares or participations in the capital of the ECE, which is assimilated to the holding of shares or participations directly.

The ECE regime establishes that the passive income is understood to be realized in the head of the Colombian tax residents who are income taxpayers, who directly or indirectly control the ECE, in the year or taxable period in which the ECE obtain them.

The distribution of benefits by an ECE as income or Capital Gain from the sale of shares or participations in the same originated in profits that were subject to taxation, are considered as income not constituting income or Capital Gain at the time of their realization for tax purposes.

## Thin Capitalization

According to the thin capitalization rule, interest paid on debts, loans acquired directly or indirectly from related parties is deductible only when the total average amount of interest does not exceed twice the taxpayer's net equity in the previous year. The proportion of interest that exceeds the limit is not deductible.

## Non-cooperating jurisdictions with low or no taxation and preferential tax regimes.

Colombia will issue a list of countries that will be considered as low or zero tax jurisdictions or non-cooperating jurisdictions.

Additionally, it establishes the rules to define when a jurisdiction has a preferential tax regime. A jurisdiction is considered to have a preferential regime when it complies with 2 of the following assumptions:



**a.** Nonexistence of tax rates or existence of low nominal rates, concerning those that would be applied in Colombia in similar transactions.



**b.** Lack of effective exchange of information or existence of legal norms or administrative practices that limit it.



**c.** Lack of transparency at the legal, regulatory or administrative operation level.



**d.** Non-existence of the requirement of a substantive local presence, of the exercise of real activity with economic substance.



**e.** Those regimes to which only persons or entities considered non-residents of the jurisdiction in which the preferential tax regime operates may have access.

If operations are executed with companies located in these jurisdictions, the Colombian company shall:

- Apply withholding tax at a 35% rate on payments made to that jurisdiction.
- Comply with the provisions of the transfer pricing regime.

## Double Taxation Treaties

Colombia currently has double taxation treaties in force with the following countries: Chile - Spain - Switzerland - Canada - Mexico - Portugal - the Republic of Korea - the Czech Republic - India - France - the United Kingdom and Northern Ireland - Italy - Japan.

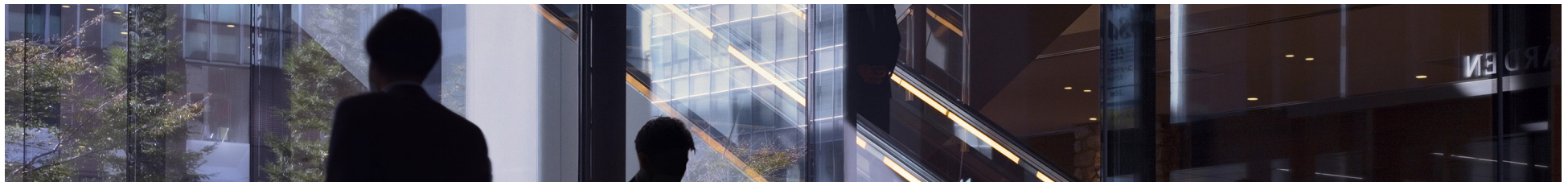
Additionally, there is Decision 578 of 2004 as an effective mechanism to avoid double taxation and prevent tax evasion among the member countries of the Andean Community of Nations - CAN (Colombia, Ecuador, Peru and Bolivia).

## Individuals

### Tax rate

**Progressive rates of 0%, 19%, 28%, 33%, 35%, 37% and 39% for residents.**

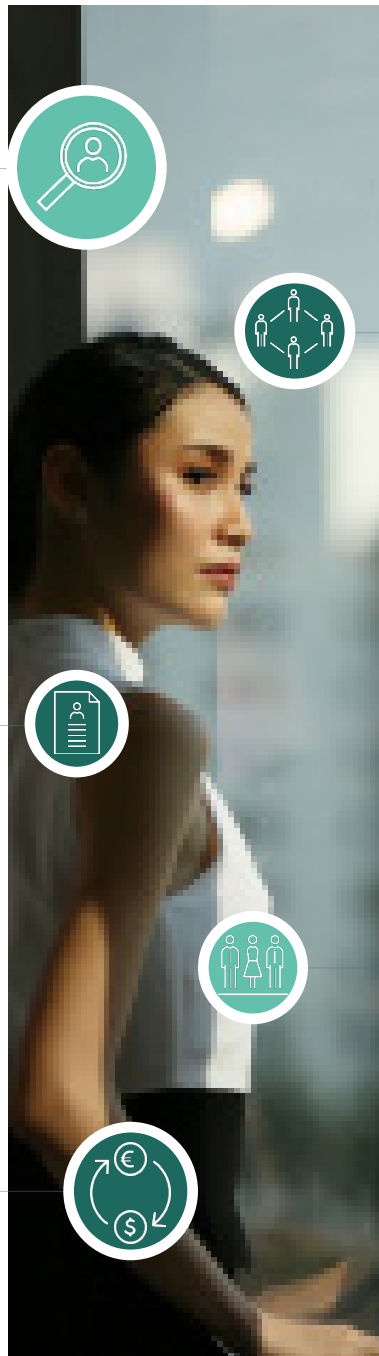
Residents are subject to income tax on income received from worldwide sources. Non-residents are subject to domestic source income.



## Exempt labor income

The following payments or credits on account of the labor or legal relationship are exempt from income tax:

- Compensations for work accident or illness.
- Compensations that imply maternity protection.
- The received burial expenses of the worker.
- Severance payment and interest on severance payments, provided they are received by workers whose average monthly income in the last 6 months of employment does not exceed **350 UVT (COP 17.429.650)**.
- Death insurance, death compensations and social benefits in activity and retirement of the members of the Military Forces and the National Police.
- The excess of the basic salary received by Officers, Non-Commissioned Officers and Professional Soldiers of the Military Forces and Officers, Non-Commissioned Officers, Executive Level, Patrolmen and Agents of the National Police.
- Representation expenses of rectors and professors of public universities, which may not exceed **50%** of their salary.
- In the case of the Magistrates of the Courts, their Prosecutors and Judicial Attorneys, a percentage equivalent to **50%** of their salary shall be considered as exempted representation expenses.
- For the Judges of the Republic the exempted percentage will be **25%** of their salary.
- Retirement, disability, old age, survivors and professional risk pensions, until the taxable year 1997. As of January 1, 1998, they will be taxed only on the part of the monthly payment that exceeds **11,000 UVT (COP 49.799.000)**.



The same treatment will have the Substitutive Indemnifications of Pensions or refunds of pension savings balances. For this purpose, the value exempted from the tax shall be the result of multiplying the amount equivalent to **1,000 UVT**, calculated at the time of receiving the indemnity, by the number of months to which it corresponds.

**25%** of the total value of the labor payments is limited annually to **790 UVT (COP 37.181.350)**.

The calculation of this exempt income will be made after subtracting from the total value of the labor payments received by the employee, the income not constituting income, the deductions and the other exempt income different from those mentioned above.

## Tax Residence

A tax resident is a natural person who fulfils one or more of the following conditions:

- Remain continuously or discontinuously in Colombia for more than 183 calendar days (including the days of entry and exit of the country), during any period of 365 consecutive calendar days.
- Additionally, Colombian nationals who, during the taxable year or period, comply with any of the following conditions, shall be tax residents:
  1. Having a spouse or permanent partner not legally separated or dependent children under 18 years of age, with tax residence in the country.
  2. That **50%** or more of their income comes from a national source.
  3. That **50%** or more of its assets are managed in the country.
  4. **50%** or more of their assets are located in the country.
  5. They cannot prove their status as a foreign resident for tax purposes when the Tax Administration requires it.
  6. They have tax residence in a jurisdiction qualified by the National Government as a jurisdiction of low or no taxation or preferential tax regime.

## Capital gain tax

According to Colombian tax Code, the following income is considered as capital gain:

- Income from the sale of fixed assets that have been owned for more than 2 years.
- Income derived from the liquidation of a company with 2 or more years of existence.
- Income received by inheritances, legacies, donations and what is received by marital portion.
- Profits generated by lotteries, prizes, raffles, games of chance and similar activities.

## Capital Gain Tax Rate

The rate will be **15%** for all individuals or legal entities with or without tax residence in Colombia.

The income produced by lotteries, raffles, bets and similar is subject to a rate of **20%**.

## Wealth Tax

Wealth tax is levied on national or foreign individuals, illiquid inheritances and foreign companies or entities that own assets located in Colombia.

By 2026, on a temporary basis, Those, who have a liquid equity (assets-liabilities) on January 1st of each year, equal to or higher than **40.000 UVT (COP 2.094.960.000)** will be liable for the tax, **This obligation applies exclusively for fiscal year 2026, in accordance with Article 4 of section 1474 of 2025.**

Individuals may exclude the first 12.000 UVT (COP 628.488.000) of the equity value of their house or apartment in the tax return.

The applicable rates vary from **0.5%** to **5.0%**. **This obligation applies exclusively for fiscal year 2026, in accordance with Article 4 of section 1474 of 2025.**

For the year 2027 onwards, the 1.5% rate is eliminated. Therefore, the maximum rate will be 1%.

## Legal Entities

The Net Wealth Tax for fiscal year 2026 applies to legal entities and de facto partnerships that are Corporate Income Tax taxpayers and required to file income tax returns.

Entities not subject to the Net Wealth Tax include companies in the healthcare sector, companies intervened by the State in the exercise of inspection, supervision and control functions, and public utilities companies located in municipalities that have declared a public calamity within the emergency-affected area.

The tax is triggered by the possession of net equity equal to or exceeding **200,000 UVT (COP 10,474,800,000) as of March 1, 2026.**

Additionally, the Rule establishes anti-avoidance measures, pursuant to which, in spin-off processes carried out between the entry into force of the Rule and March 1, 2026, the net equity of both the spun-off and beneficiary entities must be aggregated to determine whether the tax threshold is met.

The general tax rate applicable to legal entities is set at **0.5%** on the net equity held as of March 1, 2026. However, a differential rate of 1.6% applies to financial institutions, insurance and reinsurance companies, brokerage firms and agricultural brokerage firms, commodity exchanges, securities market infrastructure providers, and legal entities engaged in coal extraction (CIU 0510 and 0520) and crude oil extraction (CIU 0610), calculated on the net equity held as of March 1, 2026.





## Special Tax Regime -RTE

It corresponds to a set of tax rules applicable to a group of entities, whose purpose is the development of its meritorious activity and the absence of a profit motive.

The following entities may belong to the RTE:

 <b>Associations</b>	 <b>Corporations</b>	 <b>Foundations</b>
 <b>Cooperatives</b>	 <b>Higher Education Institutions approved by the ICFES</b>	 <b>Legal entities performing health activities operating with the operating permit of the Ministry of Health and Social Protection</b>
 <b>Hospitals are constituted as non-profit legal entities</b>	 <b>Consumers' leagues</b>	 <b>Non-profit entities</b>

The benefit of belonging to the RTE is reflected in the income tax since its special rate of **20%** on the net profit or surplus determined in a taxable period.

Additionally, their income may be exempt from income tax when it is directly or indirectly used in the following year for programs that develop their corporate purpose.

## Value Added Tax (VAT)

VAT tax is applied to the sale of tangible goods in the country, to the sale of intangible goods related to industrial property, to the rendering of services in Colombia or abroad, to the importation of goods, and games of chance.

As the tax is designed to cover the added value of the goods and services in circulation, it is the end user who pays the cost of the tax.

While those who sell goods and provide services are legally responsible for collecting the tax.

## VAT taxpayers

Merchants and those who perform similar acts to them and importers, who perform the following operations, are liable for the VAT tax:

- Merchants, whatever the phase of the production and distribution cycles in which they act and those who, without possessing such character, habitually execute similar acts.
- In the sales of aircraft, both traders and occasional sellers thereof.
- Those who provide services.
- Importers.
- The purchase or acquisition of goods and services taxed at the rate of **5%**, when these are sold or rendered by natural persons who are not merchants.

The tax caused in these operations will be assumed by the purchaser or acquirer and must be declared and consigned in the month corresponding to the date of payment or credit on account.

- Consortiums and temporary unions when they directly carry out taxable activities.

Those responsible for VAT may offset, with the VAT generated, the VAT paid at the time of acquiring raw materials, supplies and goods.

- The liability also extends to the sale of movable tangible goods, even if they are not disposed of in the ordinary course of business but in respect of the acquisition or importation of which the right to the discount has been generated.

Services rendered by non-resident companies are subject to VAT, but the Colombian tax resident must collect the corresponding VAT through reverse charge mechanism.

However, if the service is rendered to a client who is not a withholding agent, the service provider will have to register in Colombia and declare the corresponding VAT generated by the rendering of its service.

## VAT Tax Rate

The general rate is **19%**. However, there are certain goods and services subject to differential rates.

- There will be goods and services taxed at **5%**.
- There are also goods and services taxed at **0% (Exempt)**.
- Finally, there are goods and services that will be excluded from the tax.
- In games of chance and gambling activities operated exclusively online.



## Export

The export of goods is exempt from VAT.

The export of services is exempt from VAT if:

- i) The services are rendered from Colombia.
- ii) The services are used exclusively abroad, by companies or persons with no business in Colombia.
- iii) The documents proving the existence of the operation must be kept.

## Periodicity

Tax returns must be filed every 2 or 4 months, depending on the taxpayer's gross income as of December 31st of the previous tax year.

## Tax refund

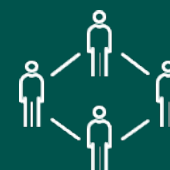
Taxpayers or responsible parties who liquidate balances in favor in their tax returns may request a refund, provided that the balance in favor is due to the rendering of services exempted or taxed at 5% and for balances in favor caused by excess withholding tax.

## Electronic information

According to Ruling No.162 of 2023 issued by DIAN, the following are obliged to provide information to the DIAN:

- Public or private entities that enter into cooperation and technical assistance agreements for the support and execution of their programs or projects with international organizations.
- Entities supervised by the Colombian Financial Superintendence.
- Savings and credit cooperatives.
- Higher level cooperative organizations.
- Cooperative auxiliary institutions, multi-active and integral cooperatives and employee funds.
- Stock exchanges and stockbrokers.

- Individuals and their assimilated that during the year 2025, have obtained gross income exceeding \$587,367,200 and that the sum of the gross income obtained from capital income or non-labor income during the year 2025 exceeds \$119.517.600.
- Taxpayers of the simple taxation regime, who during the taxable year 2025, have obtained gross income exceeding \$ 587,628,200, regardless of the type of income.
- Legal entities and their assimilated and other public and private entities that in the taxable year 2025 have obtained gross income in excess of \$125,758,475.
- Those obliged to make withholdings and self-withholdings at source for income tax, VAT and Stamp Duty during the year 2024 to be reported.
- Permanent establishments.
- The persons or entities that enter into contracts of Consortiums, temporary unions, Joint Ventures, participation accounts or cooperation agreements with public entities and those who enter into other contracts of mandate, delegated administration or exploration and exploitation of hydrocarbons, gases and minerals.
- National and territorial public entities.
- The general secretaries or those acting in their stead of the financial bodies with resources from the national treasury.
- Those obliged to present consolidated statements.
- The chambers of commerce.
- The national registry of civil status.
- Notaries in relation to the operations carried out.
- Persons who prepare sales invoices or equivalent documents.
- Those responsible for the national carbon tax.
- Entities that recognize, register, cancel or suspend legal entities.



## Stamp Tax

When a public deed is executed for the sale of real estate whose value is equal to or greater than **20,000 UVT (COP 1.047.480.000)**, the applicable rate may vary between **n 1.5% (20,000 UVT up to 50,000 UVT) and 3% (50,000 UVT an above)**. Additionally, starting February 22, 2025, the Stamp Tax will also apply to public and private documents generating obligations in Colombia with a value exceeding 6,000 UVT, provided that the issuer, acceptor, or subscriber is a public entity, legal entity, or merchant with gross income or assets exceeding 30,000 UVT in the previous year.

## Tax on Financial Movements - GMF

- The taxable event is the realization of financial transactions defined by law, at a rate of **0.4%**.
- Some operations and transactions are exempt from the tax.
- The tax must be withheld by the financial entities.

## Tax incentives

The most important tax incentives granted to foreign investment are the following:



## Free Trade Zone Regime

Free zones are geographical areas within the national territory that have special legislation that establishes that they are not part of the national customs territory to promote employment and capital investment.

A special income tax rate of **20%** is applied to the users of the industrial and service-free zones for the activities that are linked to exports.

The general income tax rate of **35%** will be applicable for income not derived from the export of goods and services.

Only the industrial users of free trade zones that, in the year **2023 or 2024**, make an annual internationalization plan of sales, in which maximum objectives of net income from operations of any nature in the national customs territory and the other income obtained by the industrial user different to the development of its activity for which it was authorized, recognized or qualified, during the corresponding taxable year, could apply to the income rate of **20%**. It is important to mention that Colombian Constitutional Court through judgement C-384 of 2023 decided that free trade zone users that have complied with all the requirements to be qualified as industrial users of goods and services before December 13th, 2022, will keep the benefit of 20% income tax rate.

In addition, free zone users do not have to pay customs duties and import taxes when goods from the rest of the world arrive in the free zone, nor are tax payments deferred until the goods enter the national customs territory.

## Hotel services

Companies who render hotel services will be subject to income tax at the general rate of 35%.

Exceptionally, the income tax rate of these companies will be 15% for a term of 10 years, if the hotel services are provided in:

- New hotel, ecotourism theme park or agrotourism projects to be built.
- Hotels, ecotourism theme parks or agrotourism theme parks that are remodeled and expanded, as long as it is not less than 50% of the acquisition value of the remodeled and/or expanded property.

To access this tax benefit the following conditions must be met:

- 1** That the construction, expansion or remodeling is carried out in municipalities with up to 200,000 (as certified by National Administrative Department of Statistics - DANE until December 31st, 2022) inhabitants and municipalities listed in the development programs with the territorial approach -PDET. (Development Programs with a Territorial Approach).
- 2** In the case of a new hotel or theme park project, a construction license issued by the competent authority must be obtained.
- 3** In case of expansion or remodeling, the project must have prior approval from the Urban Curator's Office or, failing that, the Municipal Mayor's Office.
- 4** The hotel or theme park must have the authorization of the national tourism registry.
- 5** That the construction, expansion or remodeling is carried out in its entirety within the following 5 years from the entry into force of Law 2277 of 2022.

It should be noted that this rate will not apply to motels and residences.

Hotel services that at the end of 2022 had met the requirements to enjoy the preferential rate of 9%, will apply this same rate for the term granted before the modification made by Law 2277 of 2022 (tax reform), that is, for the remaining time until reaching 10 or 20 years, depending on the Municipality in which the hotel activity is carried out.

## Colombian Holding Companies - CHC

The "CHC Regime", is applicable for those Colombian companies whose main purpose is the "holding of securities, the investment or holding of shares or participations in Colombian or foreign companies, or the administration of such investments", provided that:

- The company owns 10% or more of the shares, either directly or indirectly, of at least two domestic or foreign companies.
- The CHC must make appropriate management decisions concerning its investments and assets.
- Create at least 3 jobs in Colombia.

### The tax benefits are as follows:

- Dividends distributed by non-resident entities in Colombia to a CHC are exempt from income tax.
- Dividends distributed by a CHC to non-resident individuals or entities are considered foreign source income.
- The sale of shares held by a CHC in a non-resident company is exempt from income tax or Capital Gain in Colombia.
- The sale of shares of a CHC by a non-resident shareholder is considered a foreign source of income for foreign companies or entities.
- The CHC regime does not apply when the beneficiary of the dividends distributed by the CHC is resident or domiciled in a tax haven.



## Investment in energy generated from non-conventional sources

Investment in energy generated from non-conventional sources will have the following benefits:

- Exempt income for the company generating the energy.
- VAT exemption for the goods or services that will be used for the exploitation.
- Income tax deduction of **50%** of the investment made in a term not exceeding **15** years.
- Tariff benefit on the importation of goods or services destined for the project.
- Accelerated depreciation of up to **33.33%** per year.

To apply for these tax benefits, the project must be certified by the Mining and Energy Planning Unit (UPME).

## Tax credit for taxes paid abroad

Section 254 of the Colombian Tax Code has provided for a tax credit for taxes paid abroad.

This Section allows taxpayers to take as a tax discount in Colombia the taxes paid abroad and related to the income-producing activity of the company, up to the income tax payable by the Colombian company related to the same income.

## VAT discount paid on the acquisition of fixed, real and productive assets.

VAT paid on the acquisition of fixed, real and productive assets may not be imputed as deductible VAT in VAT returns.

This VAT may be taken **100%** as a tax discount, which may be offset against the income tax payable by the taxpayer.

## Investments in research and technological development and innovation

**30%** of the investment made will be deductible against income tax payable.

The project must be certified by the national board of tax benefits. The investment may also be deductible for income tax purposes.

## Tax credit for donations

Donations made by a company to an entity qualified under the special tax regime will generate a tax credit attributable to the income tax payable, corresponding to **25%** of the amount donated.

## Special deduction for hiring workers with disabilities

Employers who hire workers with a certified disability higher than **25%** of their working capacity are entitled to deduct from their income tax **200%** of the value of salaries and payroll taxes paid related to these workers.

## “First employment” special deduction

Income taxpayers may deduct **120%** of the total remunerations paid to workers under 28 years of age, who are hired by the company when they prove that it is the worker’s first employment. This deduction will only be applied in the fiscal year in which the worker is hired by the company.

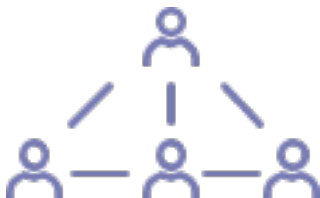


## Limit to tax benefits

For legal entities that are income taxpayers, the value of income not constituting income or occasional profit, special deductions, exempt income and tax discounts may not exceed **3%** per year of their ordinary net income before subtracting the special deductions contemplated in this Section.

Only the income not constituting income or Capital Gain, special deductions, exempt income and tax discounts listed below shall be limited:

- Deductions for employee education contributions.
- Deductions for investments made in control, conservation and improvement of the environment.
- Tax scholarships.
- Financing of employees' studies in higher education institutions.
- Stimulus to the cultural heritage of the nation.
- Deductibility of capitalization of profits that become stock options for employees.
- Over deduction for employing women victims of violence.
- Deduction for investment in infrastructure projects for enabled scenarios.
- All benefits that are not listed in this Section will not have any limitations.



## Transfer pricing rules

Colombia's Transfer Pricing Rules was developed based on guidelines established by the Organization for Economic Cooperation and Development (OECD) and has been applicable since 2004. In 2016, tax reform was enacted to incorporate the 3 levels of documentation requirements recommended by OECD BEPS Action 13.

According to local legislation, Colombian pricing obligations are triggered upon transactions with:



i) Foreign-related parties;



ii) Local related parties located in free trade zones; or



iii) Entities located in "non-cooperative jurisdictions with low effective tax rates or preferential regimes".

Thus, any taxpayer engaging in transactions subject to the transfer pricing regime must comply with the substantive duty, which is to carry out such transactions on an arm's length basis.

Colombian transfer pricing legislation contemplates three types of formal transfer pricing duties:



i) Informative return form.



ii) Local report.



iii) Master file.

# Local taxes



## Registration Tax

This tax is levied on the registration of certain acts or contracts or any other legal instrument before the Colombian Chamber of Commerce or the Public Instruments Registry Office.

The tax rate varies between **0.3%** and **1%**.

## Industry and trade tax

- This is a territorial tax applicable to the gross income of individuals and legal entities that carry out industrial or commercial activities or provide services within a Colombian municipality or district.
- Industrial activities generate this tax in the municipality or district where the company has its production center.
- Commercial activities generate this tax in the municipality or district where the company agreed on the essential elements of the contract (agreement between price and thing).
- Service activities generate this tax in the municipality where the service has been rendered.
- The Municipal Councils determine the rates of the tax.

## Property Tax

It is a municipal and district tax applicable to the value of any real estate property located in the corresponding municipality or district.

This tax is levied on the owner or the holder of the property.

The tax base will be the cadastral appraisal determined by the territorial entities.

For purposes of calculating the tax rate, the following will be taken into account:



The socioeconomic level of the property (stratum).



The use of the land.

Finally, the tax rate will be determined by each municipality or district.

## Other temporary tax effects of Decree 1474 of 2025

### In terms of consumption:

- During the 2026 fiscal year, the national consumption tax rate for automobiles, high-displacement motorcycles, yachts, vessels, and aircraft increases from 8% to 19%
- By 2026, liquors, wines, aperitifs, and similar products will be taxed with a specific component of COP \$750 per degree of alcohol in 750 ml (or its equivalent) and an ad valorem rate of 30%, compared to the previous values of COP \$342 per degree and 25%.
- By 2026, the consumption of cigarettes, manufactured tobacco, and their derivatives will be taxed with a specific component of COP \$11,200 per pack of 20 units and an ad valorem rate of 10%. Additionally, derivatives, substitutes, or imitators—including vapes—will be subject to a specific component of COP \$2,000 per milliliter and a 30% ad valorem rate. Artisanal ‘chicote’ remains excluded.

### In terms of consumption:

For the 2026 fiscal year, a temporary tax is created that levies the extraction within the national territory of hydrocarbons and coal classified under certain tariff headings. This tax is triggered upon the first sale or upon export, applies at a 1% rate, and will remain in force until December 31, 2026. In practice, the measure extends the Special Tax for the Catatumbo region established on a transitional basis under Decree 175 of 2025.

### Fiscal normalization:

By 2026 fiscal year, taxpayers of the income tax or substitute regimes who, as of January 1, 2026, hold undeclared assets or nonexistent liabilities may regularize them by applying a 19% rate. The tax base will be, in the case of undeclared assets, their tax cost or the technical or commercial self-appraisal determined by the taxpayer with technical support, which may not be lower than the tax cost. For nonexistent liabilities, the base will correspond to their tax value or the amount reported in the most recent income tax return. Additionally, the equity increase derived from

including undeclared assets will not generate taxable income nor penalties under the income tax and complementary taxes, nor will it have effects for VAT, transfer pricing, exogenous information reporting, or the annual foreign asset return.



# Our team



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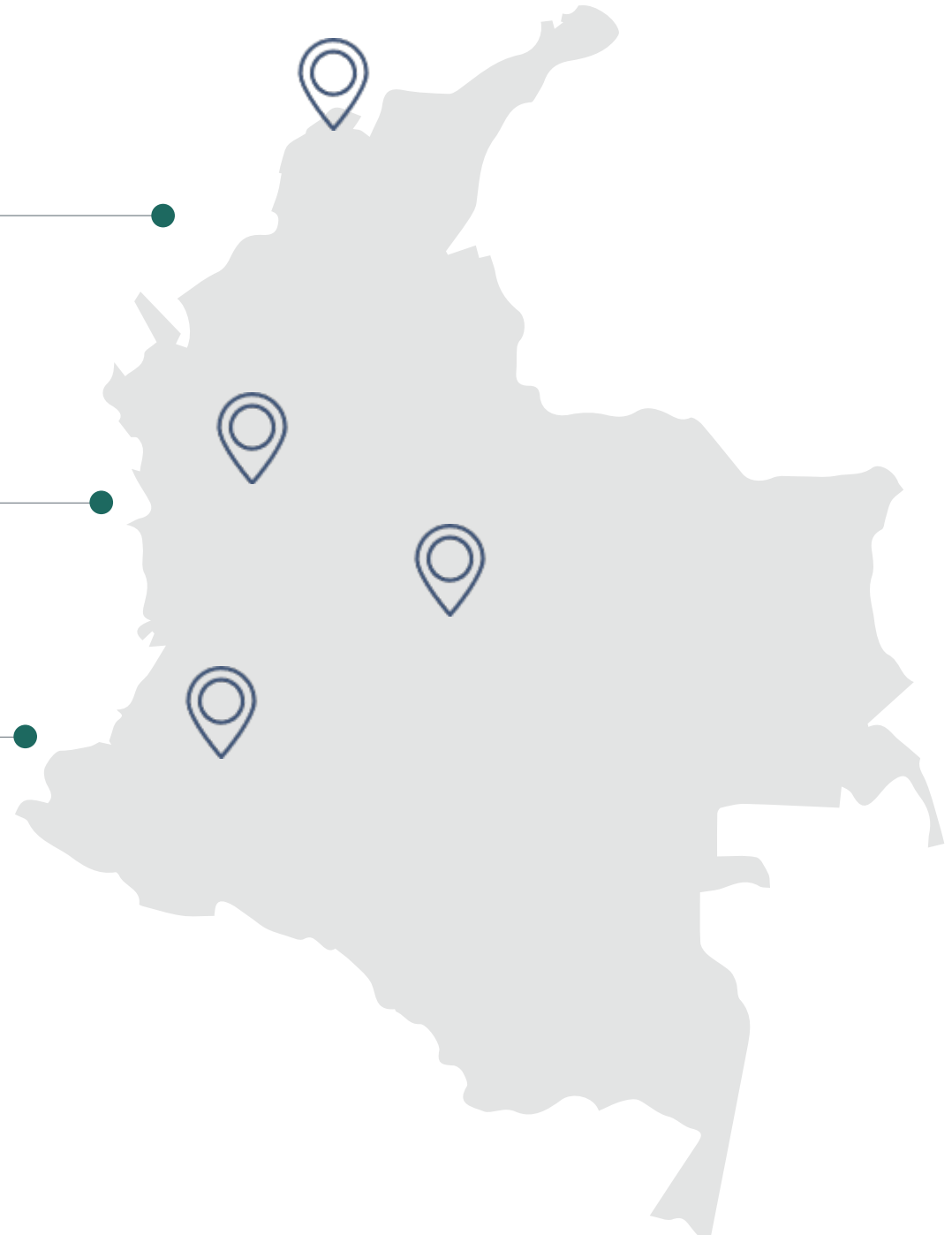
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