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Newsletter

Recalculation of Withholding Tax – June 2026 Cut-off

What is the withholding tax recalculation?

Withholding tax is an advance collection mechanism for income tax, through which the employer deducts a monthly amount from the employee's salary and transfers it to the tax authority (DIAN) as a prepayment of the annual tax.

In the case of employees under Procedure 2, regulations establish the obligation to perform a periodic recalculation in order to adjust the applicable percentage to the employee's actual economic situation.

Why is the recalculation performed in June?

The recalculation is a mandatory process carried out twice a year:

- **June:** defines the percentage for July–December.
- **December:** defines the percentage for January–June of the following year.

This exercise allows for the calculation of a fixed withholding percentage based on the income earned over the last 12 months.

How is the new percentage determined?

For the recalculation, the following analysis is generally performed:

1. Income from employment over the past 12 months is considered.
2. The following items are deducted:
   2.1. Mandatory social security contributions.
   2.2. Allowed deductions (dependents, prepaid medicine, etc.).
   2.3. Exempt income.
3. An average monthly income is determined.
4. The current withholding table is applied (Article 383 of the Colombian Tax Code).
5. A fixed percentage is calculated, which will apply during the following semester.

Who does the recalculation apply to?

The recalculation applies to employees who:

- Have an employment relationship.
- Are subject to withholding tax Procedure 2.
- Have chosen this method for tax determination.

It is important to note that: Procedure 2 is based on the average income of the last 12 months, unlike Procedure 1, which analyzes each month independently.

Impact of the recalculation

The new percentage may result in:

- An increase in withholding if average income has increased.
- A decrease in withholding if income has decreased or deductions have increased.
- Greater tax accuracy, avoiding overpayments or underpayments.

What you should keep in mind

- The percentage defined in June does not change month to month; it remains fixed throughout the semester.
- Withholding continues to apply a monthly adjustment to the taxable base.
- The objective is to ensure fairness in tax payments according to the employee’s economic capacity.

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