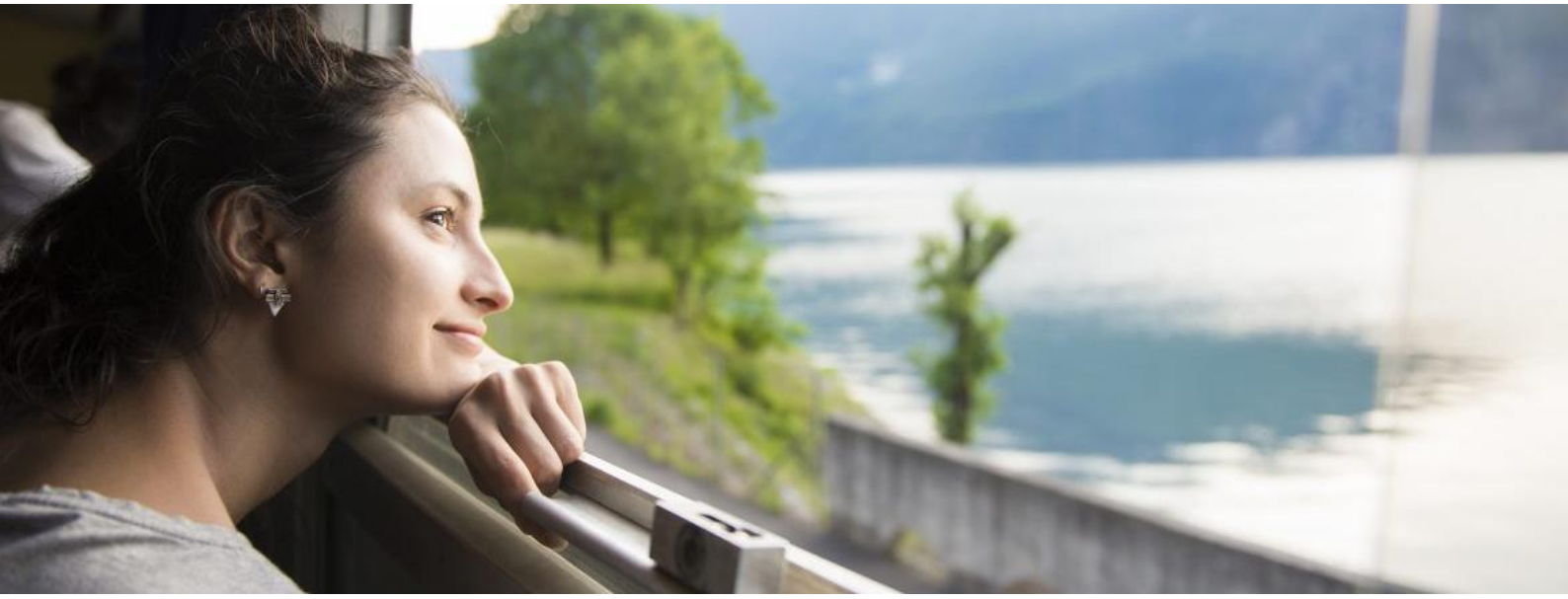
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Newsletter

Payroll Calculation of Vacations, Leaves, and Sick Leave

Vacations: Vacation entitlement is a fundamental labor right consisting of a paid rest period granted to employees after completing one year of service, with the purpose of ensuring their physical and mental well-being.

Vacation calculation basis

- **Fixed salary:** The ordinary salary in effect at the time the employee starts their vacation is taken as the basis, including all items that constitute salary.
- **Variable salary:** When the employee receives a variable salary (commissions, overtime, surcharges, variable salary bonuses, among others), the basis will be the average earnings during the last year of service, or during the period worked if it is less than one year, plus the salary being earned at the time of the calculation.

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Vacation leave compensated in cash

- Up to half of the vacation leave may be compensated in cash with written authorization.
- Upon termination of the employment contract, any pending vacation days must be paid.

The Colombian Supreme Court has established that, for cash compensation of vacation leave, all salary components used to determine the employee's salary must be included.

When there is a variable salary, the corresponding salary average shall be used.

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Sick leave: Sick leave corresponds to the economic benefit received by an employee when temporarily unable to work due to health-related reasons.

Sick leave due to general illness

- Days 1 and 2: Paid by the employer (100% payment according to applicable employer policies).
- From Day 3 onward: Recognized by the EPS (Health Insurance Provider) according to the percentages established by current regulations (66.67%).

Sick leave due to workplace accident or occupational disease

- Benefit recognized by the ARL (Occupational Risk Administrator).
- Payment equivalent to 100% of the Contribution Base Income (IBC).

Payroll treatment

- The company may pay the employee directly and subsequently recover the amount from the corresponding entity.
- Sick leave must be properly recorded to avoid discrepancies in social security and accounting.

Calculation of sick leave for employees with variable salaries

When salary is not fixed, the basis is the average salary of the previous year. This is established by Article 228 of the Colombian Labor Code.

If the employee does not earn a fixed salary, the basis for calculating the sickness benefit shall be the average earnings during the year preceding the date on which the incapacity began, or during the entire service period if it is less than one year.

For the EPS to calculate benefits based on the average salary, the employer must report the temporary salary variation each month through the PILA system.

Leaves of absence

Maternity leave

Legal Basis

- Law 1822 of 2017 and complementary regulations.

Duration

- 18 paid weeks.

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Payment

- Benefit recognized by the EPS.

Maternity leave calculation

- Paid at 100% of the Contribution Base Income (IBC) reported to the Health System at the start of the leave.
- The economic benefit is assumed by the EPS, provided that legal requirements are met.

In Colombia, when an employee has a variable salary (composed of commissions, bonuses, surcharges, overtime, etc.), the basis for calculating maternity leave is the average monthly salary earned during the year immediately preceding the start date of the leave, or during the entire period worked if less than one year.

Paternity Leave

Legal Basis

- Law 2114 of 2021.

Duration

- Two weeks (14 days).

Payment

- Benefit recognized by the EPS.
- Calculated based on the IBC reported to the Health System.
- The economic benefit corresponds to 100% of the contribution base income and is assumed by the EPS.

Shared Parental Leave: The economic benefit is recognized based on the employee's IBC, according to the weeks and conditions agreed upon between the parents.

Bereavement Leave

Legal Basis

- Law 1280 of 2009.

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Duration

- Five (5) paid working days.
- This corresponds to a paid leave of five working days.
- It is paid based on the salary earned by the employee at the time the leave is taken, as if the employee had worked normally.

Paid Leave (Domestic Emergency, Medical Appointments, or Other Employer-Authorized Absences)

- Must be evaluated and approved by the employer.
- Duration depends on the circumstances.
- It is recommended to have an internal policy and supporting documentation.

It is calculated based on the employee's ordinary salary in effect at the time of the leave.

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Unpaid Leave

- These are agreements between the employer and employee.
- They temporarily suspend certain labor obligations.
- They impact social security contributions and accruals.
- No salary is paid during the authorized period.
- They do not constitute a salary basis for social benefits during the suspension period, except where otherwise agreed or required by law.

Leave Type	Calculation Basis
Maternity Leave	100% of the IBC reported to the EPS
Paternity Leave	100% of the IBC reported to the EPS
Shared Parental Leave	Employee's IBC
Flexible Parental Leave	IBC and actual leave time taken
Bereavement Leave	Employee's ordinary salary
Paid Leave	Employee's ordinary salary
Unpaid Leave	No Payment generated

For payroll purposes, the main difference is that leaves recognized by the Social Security System (maternity, paternity, and parental leaves) are calculated based on the IBC, while paid leaves granted by the employer are paid based on the employee's current ordinary salary.

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