



TOWER CONSULTING WORLDWIDE S.A.S

NIT. 800.180.241-1

Carrera 7 No. 127-48 - Oficina 1107 - Centro Empresarial 128

PBX: 3828085 - Cel: 3202300112 Bogotá D.C.

info@tower-consulting.com www.tower-consulting.com www.ggi.com

## DOING BUSINESS A GUIDE FOR INCORPORATION OF COMPANIES IN COLOMBIA

Updated August 2022

### FACTS ABOUT COLOMBIA

**Area:** 1,142,748 km<sup>2</sup>

**Population:** approximately 48.258.494

**Currency:** Pesos (COP)  
week

**Business hours:** In 2022. 8 hours daily, 48 hours per

**Official language:** Spanish

### PUBLIC/NATIONAL HOLIDAYS 2022

January 01 <sup>st</sup> : New Year's Day	Juny 27 <sup>l</sup> : Sacred Heart; St. Peter's Day
January 07 <sup>th</sup> : Wise Men Day	July 20 <sup>th</sup> : Independence Day
March 21 <sup>th</sup> : Saint Joseph Day	August 07 <sup>th</sup> : Battle of Boyacá
April 10 <sup>th</sup> : Holy Friday	August 19 <sup>th</sup> : Virgin Mary's Ascension
April 14 <sup>th</sup> : Holy Friday	October 17 <sup>th</sup> : Ethnic or Hispanic Day
May 1 <sup>st</sup> : Labour Day	November 07 <sup>th</sup> : All Saints Day
May 30 <sup>rd</sup> : Ascension of the Lord	November 14 <sup>th</sup> : Independence of Cartagena
June 20 <sup>th</sup> : Corpus Christi	December 25 <sup>th</sup> : Christmas Day

### LEGAL FRAMEWORK

Colombia supports business through constitutional provisions protecting the rights of association, of equality and of free enterprise. The Commercial Code was promulgated by Decree No. 410 of 1971, additionally, Law 222 of 1995, which modifies it, and the subsequent norms. Among the most important of these norms is Law 1258 of 2008, which covers some of the more notable types of business entity and for the development of companies, whether financed by national or foreign capital.

### BANKING AND FOREIGN EXCHANGE

### FINANCIAL REGULATORY AUTHORITY

SOLUCIONES INTEGRALES EN IMPUESTOS, AUDITORIA & SERVICIOS LEGALES





TOWER CONSULTING WORLDWIDE S.A.S

NIT. 800.180.241-1

Carrera 7 No. 127-48 - Oficina 1107 - Centro Empresarial 128

PBX: 3828085 - Cel: 3202300112 Bogotá D.C.

info@tower-consulting.com www.tower-consulting.com www.ggi.com

The banking authority is the Finance Superintendence “*Superintendencia Financiera*”, which performs three types of supervision on Colombian banks: inspection, monitoring and control, the latter of which is the most rigorous.

### **FOREIGN EXCHANGE REGIME**

The authority in this case is DIAN, the Superintendence of Societies “*Superintendencia de Sociedades*”, and Finance Superintendence which performs two types of supervision on Colombian banks: monitoring and control, the latter of which is the most rigorous.

In the Foreign exchange regime, there is control and the obligation of registration of the following exchange operations, which are categorized as follows:

- a. The acts, contracts and operations of acquisition, possession or disposition of goods or rights abroad made by residents and the acts, contracts and operations of acquisition, possession or disposition of goods or rights in Colombia by non-residents.
- b. Acts, contracts and transactions by a resident is or may be the creditor or debtor of a non-resident and the acts of disposition over the rights or obligations derived therefrom.
- c. The holding, acquisition or disposition of foreign currency assets by residents or, in the case of nonresidents, the holding, acquisition or disposal of assets in Colombian legal currency.
- d. The entries or exits of the country of currency or Colombian legal currency and of titles representative of those.
- e. Acts by virtue of which the extinction of obligations between residents and non-residents takes place.
- f. Guarantees and warranties in foreign currency
- g. Derivative transactions

The violation of the obligations derived from operations that must be completed through the exchange market, constitutes an infringement to the international exchange regime which may be sanctioned by the Superintendence of Societies or the DIAN considering the nature of the infringement.

SOLUCIONES INTEGRALES EN IMPUESTOS, AUDITORIA & SERVICIOS LEGALES



TOWER CONSULTING WORLDWIDE S.A.S

NIT. 800.180.241-1

Carrera 7 No. 127-48 - Oficina 1107 - Centro Empresarial 128

PBX: 3828085 - Cel: 3202300112 Bogotá D.C.

info@tower-consulting.com www.tower-consulting.com www.ggi.com

## **FOREIGN INVESTMENT**

Foreign investment in Colombia is any investment of foreign capital in the Colombian territory, this can be considered direct when you buy shares of social interest, rights or fiduciary shares, in collective portfolios or in securities listed in the securities quotation system. The acquisition of real estate by non-residents, the making of contributions through collaboration agreements, concession, administration services, license or transfer of technology, additional investments to the allocated capital of the branches; and in private equity funds.

Foreign direct investment in Colombia and Colombian direct investment abroad, imports, exports, foreign loans, endorsements and warranty bonds in foreign currency and derivatives operations. The movements associated with the operations mentioned in the previous paragraph shall be completed through foreign exchange intermediaries or compensation accounts.

The registration of a foreign investment at Banco de la República grants the holder, among others, the right to remit abroad, depending if it is a foreign investment in Colombia or a Colombian investment abroad, the amount resulting from the sale of them as well as the right to reinvest. In any case, branches of foreign companies cannot celebrate debt operations directly with their main company.

## **THE PRINCIPAL TYPES OF COMPANIES COVERED BY THE COLOMBIAN LEGISLATION**

The creation of most companies is subject to certain formalities, such as issuing public notarized documents and registry. However, with the creation of a Simplified Stock Corporation, the requirement of a public deed is superseded.

Nevertheless, for a commercial society to function, where the rules require it, a company must eventually report its operations and financial statements to the ruling bodies.

The following are the different types of incorporation in Colombia:

1. **Sociedad Limitada (Limited Liability Partnership):** The limited liability partnership has a minimum of two (2) and maximum of twenty five (25) partners whose corporate liabilities are limited to their capital participation with the exception that the partners are jointly responsible residually when upon liquidation of the company the assets do not cover payment of taxes or labor obligation, prorated to

SOLUCIONES INTEGRALES EN IMPUESTOS, AUDITORIA & SERVICIOS LEGALES



TOWER CONSULTING WORLDWIDE S.A.S

NIT. 800.180.241-1

Carrera 7 No. 127-48 - Oficina 1107 - Centro Empresarial 128

PBX: 3828085 - Cel: 3202300112 Bogotá D.C.

info@tower-consulting.com www.tower-consulting.com www.ggi.com

their capital contributions and their time of possession in the respective tax period. This company does business under its name or corporate denomination followed by the expression limitada” or LTDA (Limited)

In this type of company the capital is represented by quotas that can be transferred to another partner or partners of the company or to third parties if preference rights are not invoked.

2. **Sociedad Anónima (Stock Corporation):** The capital of this type of company is divided into negotiable shares of equal value and is made up of contribution by the shareholders who are liable only up to the amount of their contributions; the corporate name must be followed by "Sociedad Anónima” or S.A.

The corporation cannot have less than five (5) shareholders; should there be less there are grounds for dissolution of the company.

In these types of companies, the capital is broken down into authorized, subscribed capital and paid-in capital; the law requires that at the moment of incorporation at least fifty (50%) of the authorized capital must be subscribed and at least one third of subscribed capital must be paid-in.

The shareholders’ contributions are through shares freely negotiable including on the Stock Exchange. Transfer of shares is done by endorsement of the corresponding titles and recording in the Shareholder Registry Book. The management body is the shareholder general assembly and the administrative body is the board of directors; financial supervision of the company is the responsibility of the statutory auditor.

3. **Sociedad por Acciones Simplificadas (Simplified Stock Corporation):** This type of company is characterized by light regulation. While this type of company is not authorized to negotiate shares on the stock exchange, it is an ideal instrument and recommended by Tower Consulting Worldwide S.A.S to adjust many types of companies. A wide range of capitalization modalities are permitted, determined by issued of multiple classes of shares.

This type of company is regulated by Law 1258 of 2008 which provides broad contractual liberty; this type of company can be created through an act of one person, by private document, unless the contributions included fixed assets in which this case the constitution of the company must be done through a public document. The liability of the partners is limited to corporate obligations, including those derived from taxes and labor obligations. The corporate purpose may be undetermined, the

SOLUCIONES INTEGRALES EN IMPUESTOS, AUDITORIA & SERVICIOS LEGALES





TOWER CONSULTING WORLDWIDE S.A.S

NIT. 800.180.241-1

Carrera 7 No. 127-48 - Oficina 1107 - Centro Empresarial 128

PBX: 3828085 - Cel: 3202300112 Bogotá D.C.

info@tower-consulting.com www.tower-consulting.com www.ggi.com

term of duration undefined, share classification, multiple vote, elimination of the requirement for quorum and majority decisions. There is freedom on the proportion of authorized capital and subscribed capital, a two year period to pay in the capital, use of shareholder agreements and elimination of prohibitions on company administrators. These and other characteristics make this type of company one of the most used in Colombia.

Finally, please note that there is no requirement for a Board of Directors and the Statutory Auditor will only be required in companies with gross assets as of December 31 of the preceding year which reaches or exceed the equivalent of five thousand minimum wages and/or those whose gross income for the previous year are equal to or exceed the minimum wage of three thousand.

4. **Sociedad en Comandita (“Partnership in Comandita”)**: It is considered as a joint liability company, because there are some members who only respond to the amount of their respective contributions, who are called limited partners, and there are others who are called the managing or collective partners, where their responsibility is unlimited.

The only ones could administrate this type of society are the collective partners, or to whom they would designated. Where limited partners only can do administrative functions if they are chosen by the collective partners for specific businesses, under penalty of being jointly and severally liable with the managers of the social operation they execute.

The nomination that must be given in its name is the full name or surname of one of the collective partners followed by the abbreviation & Cia. When it is in simple command, add the indication S in C, and in case of in Limited by actions the abbreviation SCA

These Type of partnerships resemble Limited Liability Partnership and Limited Liability Limited Partnership.

5. **Sociedad unipersonal (“Unipersonal Company”)**: Unipersonal Company: Through the Unipersonal Company a natural or legal person that has the qualities required to exercise the trade, may allocate part of its assets to carry out one or several activities of commercial nature.

SOLUCIONES INTEGRALES EN IMPUESTOS, AUDITORIA & SERVICIOS LEGALES





TOWER CONSULTING WORLDWIDE S.A.S

NIT. 800.180.241-1

Carrera 7 No. 127-48 - Oficina 1107 - Centro Empresarial 128

PBX: 3828085 - Cel: 3202300112 Bogotá D.C.

info@tower-consulting.com www.tower-consulting.com www.ggi.com

The Unipersonal Company forms a legal entity once its registered in the commercial register. The name must be followed by the expression "Empresa Unipersonal" or with the acronym "U.S.", under penalty that the employer must respond unlimitedly.

When a Unipersonal Company is used against the law or in the detriment of third parties, the owner of the capital contributions and the administrators who have performed, participated in or facilitated the defrauding acts shall be jointly and severally liable for the obligations arising out of such acts and for the Damages caused.

Insofar as not provided for in the law, the provisions relating to commercial companies and, in particular, those governing the limited liability company will be applied as soon as they are compatible.

Similarly in Colombia there are different legal figures as mechanisms of association which are named below:

1. Joint venture: Collaboration agreement through which two or more people put their abilities in the achievement of a common goal, assuming in it the risks and the profits agreed by the contract.
2. Consortium and Temporary Union of Companies: They are associations without legal status that are created in order to take advantage of the resources and expertise of each of the parties in the execution of specific projects, the difference between the figures lies in the responsibility of the members, in the consortiums all respond equally, while in the temporary union only those who have incurred in the punishable conduct and only up to the amount of their responsibility within the figure.
3. Joint Operating Agreement: It consists of two or more people, natural or legal that join forces through a contract in order to provide a service or develop a project.

### **Reporting and auditing**

Corporations by shares and branches of foreign companies must have a fiscal auditor. However, there are also cases where companies are required to audit, particularly when the regulatory authority expresses that need. A company will definitely require auditing and review if its gross assets as of December 31 of the immediately preceding year are or exceed the equivalent of five thousand (5,000) minimum legal monthly wages in force and / or whose gross income during the immediately preceding year is or exceeds to the equivalent of three thousand (3,000) legal monthly minimum wages in force

SOLUCIONES INTEGRALES EN IMPUESTOS, AUDITORIA & SERVICIOS LEGALES





TOWER CONSULTING WORLDWIDE S.A.S

NIT. 800.180.241-1

Carrera 7 No. 127-48 - Oficina 1107 - Centro Empresarial 128

PBX: 3828085 - Cel: 3202300112 Bogotá D.C.

info@tower-consulting.com www.tower-consulting.com www.ggi.com

In addition to the companies mentioned above, the following are some entities that must also have fiscal reviewer:

1. Joint-stock companies
2. Home public service companies.
3. Mixed or commercial horizontal properties.
4. Family compensations boxes.
5. Livestock funds.
6. Associations of authors.
7. Agricultural trade associations.
8. Mutual investments funds.
9. Chamber of commerce.
10. Associations, foundations and institutions of common utility.
11. Non-formal educational institutions.
12. Community undertakings.
13. Regional autonomous corporations.

## **INCORPORATION A BRANCH OF A FOREIGN COMPANY IN COLOMBIA**

Branches are a vehicle through which a foreign company can undertake permanent business in Colombia, for it must comply with all formal and substantial requirements, to guarantee the economic, financial and legal conditions necessary for the foreign company and the branch to be understood as the same person.

The branch objective is to carry out the specific activities related to the main object of the parent company, and it's also part of its assets, which is why the acts performed by the branch can benefit or harm the parent.

The requirements that must be observed for its constitution are described below:

### **Documents**

1. Certificated of incorporation and legal representation of the parent company, issued by the competent authority of the country of incorporation. In case of a natural person, a copy of the passport must be provided.
2. Power of attorney authorizing a representative to act on behalf of the parent company.
3. Bylaws of the parent company.

SOLUCIONES INTEGRALES EN IMPUESTOS, AUDITORIA & SERVICIOS LEGALES



TOWER CONSULTING WORLDWIDE S.A.S

NIT. 800.180.241-1

Carrera 7 No. 127-48 - Oficina 1107 - Centro Empresarial 128

PBX: 3828085 - Cel: 3202300112 Bogotá D.C.

info@tower-consulting.com www.tower-consulting.com www.ggi.com

4. Resolution from the relevant organ of the parent company authorizing the opening of its branch in Colombia, indicating at least the following information: i) Main business purpose of the branch; ii) The amount of capital allocated to the branch; iii) Address; iv) Duration; v) The grounds for termination of the business; vi) The appointment of a legal representative and powers; vii) The appointment of an auditor, which is mandatory.

The aforementioned documents must have the legalization or authentication process established according to Colombian legislation, which must have to be verified by the Colombian Consul, and they have to be recognized by the Ministry Of Affairs. In case that the documents would be in other idiom, they would have to make the translation of these documents into Spanish, by an official translator certified in Colombia.

### **Step 1: Formalize a public document**

All the aforementioned documents will be required for this step. The public deed must be signed by the representative of the foreign company in Colombia.

The notary fee for signing the public deed is 2.7 and 3.0 per every thousand COP of the assigned capital value plus 19% for VAT and additional notarial costs may be generated for the issuance of copies.

### **Step 2: Acceptance letters of the representatives of the branch**

The persons, who will assume the representation of the company (principal and deputy) and the auditors approved in the bylaws of the company, will have to sign a letter of acceptance, which must be accompanied by the copy of the identification documents. If they are Colombian, the document will be the copy of Colombian Identification, and if they are foreigner, with the copy of their passports.

This letters should include the full name of the person accepting the position, title, document, identification number and signature.

### **Step 3: Get a Unique Tax Registry**

This procedure ay be done personally or through a representative at the Tax Office, in order to obtain the NIT (taxpayer identification number) of the branch.

SOLUCIONES INTEGRALES EN IMPUESTOS, AUDITORIA & SERVICIOS LEGALES





TOWER CONSULTING WORLDWIDE S.A.S

NIT. 800.180.241-1

Carrera 7 No. 127-48 - Oficina 1107 - Centro Empresarial 128

PBX: 3828085 - Cel: 3202300112 Bogotá D.C.

info@tower-consulting.com www.tower-consulting.com www.ggi.com

The bylaws, letters of acceptance, and additional forms for tax purposes (RUT and NIT if any) must be filled out indicating the taxes to which the company is subject to and must be registered with the Chamber of Commerce assigned to the address where the branch is located.

Every new branch must have accounting books, which would have to register at the Chamber of Commerce on the same address than the Branch, including: i) Daily Journal Entries; ii) Balance sheet.

#### **Step 4: Open a bank account at the bank of your choice**

Every new branch must open a bank account. Investors will deposit the capital in this account.

#### **Step 5: Register the foreign investment with the Central Bank**

Once the investment is made, that is, once the initial capital assigned is registered by the company, any subsequent capital increases must be registered with the Central Bank.

The registry varies according to the destination of the funds.

The branch is only obliged to pay the taxes for the income attributed to Colombia.

The investors may decrease or increase the allocated capital as their desires, provided he registers with the Central Bank.

### **PROCESS FOR INCORPORATION OF A COMPANY IN COLOMBIA**

The incorporation of a commercial company in Colombia is made through a corporate contract which must contain the corporate bylaws including the name, corporate purpose, corporate bodies, legal representatives and alternates, staff, general functioning of the company, among others.

For certain companies, the process of incorporation implies a public deed, while for others a private notarized document is sufficient. The Simplified Shares Company does not require an authenticated or public deed unless the capital contributions include real estate. Additionally, the incorporation documents must be registered, in each case, in the Chamber of Commerce corresponding to the corporate domicile.

SOLUCIONES INTEGRALES EN IMPUESTOS, AUDITORIA & SERVICIOS LEGALES



TOWER CONSULTING WORLDWIDE S.A.S

NIT. 800.180.241-1

Carrera 7 No. 127-48 - Oficina 1107 - Centro Empresarial 128

PBX: 3828085 - Cel: 3202300112 Bogotá D.C.

info@tower-consulting.com www.tower-consulting.com www.ggi.com

If the future partners or shareholders cannot be present in the country for the incorporation procedures, they must authorize by a written power of attorney one of our attorneys from Tower Consulting Worldwide S.A.S. to proceed with the incorporation of the company and related procedures.

Generally, all documents issued outside Colombia, including the power to incorporate, must have the appropriate chain of authenticity such as authentications Notary stamps and the Colombian Consulate apostille stamp from the country where the document was issued. If there is no Notary stamp, the document will be authenticated by the Consulate and the signature will then be accredited by the Ministry of Foreign Relations in Colombia or apostilled.

Documents issued in other languages different than Spanish must be presented to the authorities in the original language, with a translation made by an official translator authorized by the Ministry of Foreign Relations, which must comply with the process of legalization before the mentioned Ministry.

## **STEPS FOR INCORPORATION OF COMPANIES IN COLOMBIA**

### **Required Documents:**

- The incorporation process requires duly apostilled documents verifying the existence and legal representation of each one of the partners or shareholders if these are legal entities. For people, it is required a copy of the passport or his/her foreigner's ID card, in case is a foreigner or the citizenship ID card if is made by a colombian citizen.
- Copy of the shareholders, directors and legal representatives ID (citizenship ID card, foreigner's ID card, Passport) in the company to be incorporated.
- Authenticated or apostilled power of attorney for the incorporation of the company.
- Authenticated or apostilled power of attorney for the registration of the company in the RUT.
- Certification of the financial entity of the savings or current account to formalize the RUT.
- Duly completed checklist for the incorporation of the company (which our firm will send to you for completion).

SOLUCIONES INTEGRALES EN IMPUESTOS, AUDITORIA & SERVICIOS LEGALES





TOWER CONSULTING WORLDWIDE S.A.S

NIT. 800.180.241-1

Carrera 7 No. 127-48 - Oficina 1107 - Centro Empresarial 128

PBX: 3828085 - Cel: 3202300112 Bogotá D.C.

info@tower-consulting.com www.tower-consulting.com www.ggi.com

## **RUT Registration**

The RUT (Tax Registry) is managed by the National Taxes and Customs Department – DIAN, to identify, locate and classify taxpayers. When registering, a Tax Identification Number (NIT) will be assigned to the company.

When registering for the RUT, a savings or current account is required in the event of tax refunds.

## **Documents requested by the Chamber of Commerce:**

Tower Consulting Worldwide S.A.S will process all documents and forms required by the Chamber of Commerce, including:

- Single Business and Corporate Registration (RUES)- a new form required since January 2<sup>nd</sup>, 2014.
- Carátula única empresarial (Sole business identification) and related annexes.
- An additional form for registration with other entities; with this form, the Chamber of Commerce sends the information to the Bogota Department of Finance for registration in the RIT-City Tax Registration when the business activities are to be carried out in Bogota and subject to the Industry and Commerce Tax-ICA
- Book registration forms.

## **Formalization before the Chamber of Commerce:**

Tower Consulting Worldwide S.A.S will carry out all procedures to formalize the above documents with the Chamber of Commerce.

## **Procedures with the City's Secretary of Finance (Secretaria de Hacienda)**

The RIT is done by registering the company in the Chamber of Commerce. In the event this has not occurred yet, Tower Consulting Worldwide S.A.S. will handle the respective procedure with the City's Secretary of Finance of the city where the company is domiciled.

## **TAX FRAMEWORK IN COLOMBIA**

### **Corporate tax**

#### **Income and capital gains tax**

SOLUCIONES INTEGRALES EN IMPUESTOS, AUDITORIA & SERVICIOS LEGALES



TOWER CONSULTING WORLDWIDE S.A.S

NIT. 800.180.241-1

Carrera 7 No. 127-48 - Oficina 1107 - Centro Empresarial 128

PBX: 3828085 - Cel: 3202300112 Bogotá D.C.

info@tower-consulting.com www.tower-consulting.com www.ggi.com

Income tax is a national tax aimed at taxing income and profits derived from day-to-day operations (ordinary income). The capital gains tax is applied to extraordinary income (occasional gains). The general rate of income tax applicable to national companies and their assimilated, permanent establishments of foreign entities and foreign legal entities with or without residence in the country, required to submit the annual income tax declaration and complementary, will be thirty five percent (35%) On the other hand, the capital gains tax as of the date of this guide is ten percent (10%).

### **Permanent establishments**

Previously no such definition existed in Colombian domestic tax law. The definition is Model of Double Taxation on Income, OECD-based and refers to a fixed place of business located in Colombia through which a non-resident enterprise or an individual wholly or partially conducts their business, including a branch, an office or agent, a factory, a workshop, an oil or gas mine, a quarry, or any other place of extraction of natural resources.

Note that Law 1607 diverges from the OECD-based definition of a permanent establishment by not including a reference to building sites for construction/installation projects.

### **VAT**

This is a national tax generated in (i) The sale of movable tangible property with the exception of those expressly excluded; (ii) The sale or assignments of rights over intangible assets, only associated with industrial property; (iii) The provision of services in the national territory, or from abroad, with the exception of those expressly excluded; (iv) The importation of tangible assets that have not been expressly excluded; (v) The circulation, sale or operation of games of chance, with the exception of lotteries and games of chance operated exclusively by internet (vi) services for the sale of foods and beverages prepared in restaurants, cafeterias, self-service stores, ice cream shops, greengrocers, bakeries and bakeries for consumption in the place, to be taken away or delivered to the home, provided in the development of franchise agreements.

In Colombia, this tax is structured as a value-added tax, which means that, for VAT calculation purposes, the taxpayer is allowed to credit the VAT that is levied on the sale of the goods it produces and / or the services it provides, in the production of operating income in the taxable VAT. The general rate is 19% Special rates are 0% and 5%

### **Consumption Tax**

SOLUCIONES INTEGRALES EN IMPUESTOS, AUDITORIA & SERVICIOS LEGALES



TOWER CONSULTING WORLDWIDE S.A.S

NIT. 800.180.241-1

Carrera 7 No. 127-48 - Oficina 1107 - Centro Empresarial 128

PBX: 3828085 - Cel: 3202300112 Bogotá D.C.

info@tower-consulting.com www.tower-consulting.com www.ggi.com

The national consumption tax is generated by the provision or sale to the final consumer or the importation by the final consumer of the following services and goods: (i) the provision of mobile telephony, internet and mobile navigation services, and data service; (ii) Sales of some movable tangible, domestic production or imported goods; (iii) The service of sale of foods and drinks prepared in restaurants, cafeterias, self-service stores, ice cream shops, greengrocers, bakeries and bakeries for consumption in the place, to be taken by the buyer or delivered to home, the services of food under contract, including the catering service, and the service of sale of food and alcoholic beverages for consumption within bars, taverns and discos except those developed through franchise agreements; (iv) the disposal of any new or used real property whose value exceeds 26,800 UVT, that is, the nine hundred and eighteen thousand four hundred thirty-six thousand pesos (COP \$ 918,436,000) equivalent to approximately two hundred and eighty one thousand dollars (USD \$ 281,000) including assignment of fiduciary rights or funds that are not listed on the stock exchange. The rates for the consumption tax are: 2%, 4%, 8% and 16%.

This tax is also generated for the delivery to any title of plastic bags whose purpose is to load or carry products alienated by the commercial establishments that deliver them, which will be fifty-three pesos (\$ 53) per bag in the year 2022.

### **Tax on financial movements (GMF)**

The Tax on Financial Movements is the realization of financial transactions, through which resources deposited in current or savings accounts are available, as well as in deposit accounts in the Bank of Colombian Republic, and the management of checks of management. The rate is 4 pesos for every 1,000 pesos of the financial movement.

## DEPARTMENTAL TAXES

### **Industry and Commerce tax**

The industry and commerce tax is a territorial tax that is generated by the exercise or direct or indirect realization of any industrial, commercial or service activity in the jurisdiction of a given municipality, whether they are fulfilled permanently or occasionally, in real estate determined, with establishment of commerce or without them. For the specific case of Bogotá D.C. the rate of this tax according to the activity corresponds to:

1. Industrial Activities: 4.14 to 11.04 per thousand
2. Commercial Activities: 4.14 to 13.8 per thousand
3. Service activities: 4.14 to 13.8 per thousand

SOLUCIONES INTEGRALES EN IMPUESTOS, AUDITORIA & SERVICIOS LEGALES





TOWER CONSULTING WORLDWIDE S.A.S

NIT. 800.180.241-1

Carrera 7 No. 127-48 - Oficina 1107 - Centro Empresarial 128

PBX: 3828085 - Cel: 3202300112 Bogotá D.C.

info@tower-consulting.com www.tower-consulting.com www.ggi.com

#### 4. Financial activities: 11.04

**Note:** certain municipalities have higher tariffs, established before the expedition of the law that regulates this matter.

#### **Property tax**

This tax is levied annually on the ownership, usufruct or possession of real estate property. It is collected by the municipality where the property is located. The rate for non-residential properties is between 8x1000 and 33x1000, depending on the cadastral value of the property.

#### **Personal tax rates**

Not all individuals are obliged to declare income or real state tax because they will only need to do so if they exceed revenue caps or banking transactions required by law. When they are not contributing to these taxes, the income tax charge will be deducted at source.

#### **Customs and excise duties**

Permanent free trade zones: Colombia has the most competitive law on free tradezones in the region, where the income tax has a special rate of 20%, this percentage changed from January 1, 2017, and provides the ability to sell into local markets. Companies located in the free trade zones shall not be liable for custom taxes such as IVA or customs duties. IVA is exempt in the case of raw materials, inputs and finished goods sold from national customs territory to industrial users of the free zones.

#### **Tax incentives**

- a. Ecotourism services are exempted for a period of 20 years as of investment in 2003.
- b. One hundred percent (100%) of the taxes, fees and contributions that have been paid during the year or taxable period by the taxpayer, that have a causal relationship with their economic activity, are deductible, with the exception of the tax on the rent and complementary.
- c. There are tax incentives for orange economy companies that have been incorporated before December 31, 2021, in this sense will have exempt income for a period of 7 years the companies that carry out activities arising from the development of value-added industries, technological and creative activities and that meet the legal requirements established for this purpose in the Tax Statute.

SOLUCIONES INTEGRALES EN IMPUESTOS, AUDITORIA & SERVICIOS LEGALES



TOWER CONSULTING WORLDWIDE S.A.S

NIT. 800.180.241-1

Carrera 7 No. 127-48 - Oficina 1107 - Centro Empresarial 128

PBX: 3828085 - Cel: 3202300112 Bogotá D.C.

info@tower-consulting.com www.tower-consulting.com www.ggi.com

- d. Likewise, income from investments that increase the productivity of the agricultural sector for companies incorporated and that begin their economic activity before December 31, 2021, will enjoy the benefit of exempt income for a term of 10 years, provided that they comply with the requirements established by law.
- e. As of January 1, 2020 taxpayers of income tax and complementary that generate at least 400 new direct jobs and make new investments exceeding 30 million UVT is a billion twenty-eight thousand one hundred million pesos (cop \$ 1.140.120.000.000) equivalent to approximately two hundred and fifty-eight million nine hundred and forty-one thousand six hundred and thirty-one dollars (usd \$ 258.941.631) will be covered by a special regime of income tax for a period of 20 years, provided that the investment is not destined to the exploitation of non-renewable natural resources. has the following benefits:
- The income tax will be 27%, for hotel services the rate will be 9%.
  - The depreciation of fixed assets can be done in a period of 2 years regardless of the useful life thereof
  - In case of being made through companies, the profits that are distributed will not be subject to the dividend tax
  - Projects made with these investments will not be subject to the wealth tax or those that are created after
- f. Deductions of 120% of payments for taxpayers of income tax and complementary taxes, which are made for salary in relation to employees who are under 28 years of age, provided that it is the first employment of the person.

### **MIGRATION REGIME**

A foreigner may enter or remain in Colombia under the following conditions:

- a) For tourism, temporary and technical visits, a foreigner must request a visa, except those foreigners exempt from the visitor's visa.
- b) Foreigners planning to invest in Colombia complying with the minimum amount required may request a resident's visa.
- c) The investor's visa is authorized for an indefinite term, with multiple entries. However, the visa will terminate if the foreigner is absent from the country for over two continuous years or the investment does not remain in Colombia.

SOLUCIONES INTEGRALES EN IMPUESTOS, AUDITORIA & SERVICIOS LEGALES





TOWER CONSULTING WORLDWIDE S.A.S

NIT. 800.180.241-1

Carrera 7 No. 127-48 - Oficina 1107 - Centro Empresarial 128

PBX: 3828085 - Cel: 3202300112 Bogotá D.C.

info@tower-consulting.com www.tower-consulting.com www.ggi.com

- d) All foreigners planning to work as a professional or in a regulated activity require a temporary permit, the validation of a title and a professional registration.
- e) Foreigner's entering the country as tourist may only carry out relaxation and leisure activities; other activities require prior permission from the migration authorities.

Migration and work regulations are under the responsibility of the Ministry of Foreign Relations, the Colombia consulates, the Ministry of National Education and the Professional Councils. Immigration law is also applied by the Ministry of Foreign Relations which operates in all immigration offices in Colombia.

### **Visa classifications**

A visa is the authorization granted to a foreigner to enter and remain in Colombia; it is given by the Ministry of Foreign Relations or through the Colombian consulates abroad. There are 3 types of visa: (i) visitors or Type V (ii) migrant or Type M and (iii) residents or Type R, every each one of them has a specific category. The criteria for the type and category of visa will vary according to the circumstances of the visit e.g. The purpose of the visit, occupation, or initial capital for business or investment.

To apply for any of these classes of visas, the foreigner must present, in addition to general travel documents, the specific documents related to each type of visa. Documents issued abroad in a language other than Spanish must be translated by an official translator authorized by the Ministry of Foreign Relations of Colombia or by the external office of the country where the documents were issued. Public documents must be apostilled or legalized by the Colombian Consulate or by the responsible entity of the issuing country.

## **LABOR MATTERS IN COLOMBIA**

Employment contracts executed in Colombia, regardless of the nationality of the parties, are governed by Colombian law. Under Colombian labor law, there are payments that must be considered as being part of the salary base, regardless of the willingness of the parties, such as commissions or bonuses for meeting targets. Even if the salary payment is agreed in foreign currency, payment shall be made in Colombian pesos.

Both national and foreign employees, resident in Colombia and legally bound by an employment agreement are required to join and contribute to the Integral Social Security System, except for the affiliation to the pension system of foreign employees which is voluntary.

SOLUCIONES INTEGRALES EN IMPUESTOS, AUDITORIA & SERVICIOS LEGALES





TOWER CONSULTING WORLDWIDE S.A.S

NIT. 800.180.241-1

Carrera 7 No. 127-48 - Oficina 1107 - Centro Empresarial 128

PBX: 3828085 - Cel: 3202300112 Bogotá D.C.

info@tower-consulting.com www.tower-consulting.com www.ggi.com

However, when foreign nationals celebrate an employment contract in Colombia, both the employer and the employee must also meet additional requirements in connection with immigration procedures and the control of foreign nationals during their stay in Colombia.

## **TYPES OF CONTRACTS BY DURATION**

### **Indefinite Term**

The duration of this type of contract is not defined by a term or condition; thus, its term is indefinite. Verbal contracts are considered to be indefinite term contracts, regardless of whether the parties have agreed otherwise.

### **Fixed Term**

The parties establish a term for the duration of the contract, without exceeding three (3) years. This type of contract must be in writing or at least there should be other regular evidence methods to prove their existence and conditions.

### **For the duration of the work or Hired Service**

The term of the contract depends on the duration of the work for which the person has been hired. It is necessary to describe in detail the duties or work object of the contract and for this reason it must be a written contract. Contracts for the duration of the work cannot be renewed.

### **Occasional, Casual or Temporary**

This type of contract is celebrated for tasks that are not part of the regular activities of a company and its term is of less than one month.

## **WORKING HOURS**

The ordinary working day is eight (8) hours a day and forty-eight (48) hours a week, distributed between Monday to Friday or Monday to Saturday, as agreed by the parties. However, with the issuance of Law 2101 of 2021, the working day is gradually modified to 42 hours per week distributed equally between Monday to Friday or Monday to Saturday. In order to apply the gradual modification of the working day, the following schedule must be considered:

After 2 years from the entry into force of the law, i.e. from July 15, 2023, the weekly working day will be reduced by 1 hour, remaining at 47 hours per week.

After 3 years from the effective date of the law, the working week will be reduced by another hour to 46 hours per week.

SOLUCIONES INTEGRALES EN IMPUESTOS, AUDITORIA & SERVICIOS LEGALES



TOWER CONSULTING WORLDWIDE S.A.S

NIT. 800.180.241-1

Carrera 7 No. 127-48 - Oficina 1107 - Centro Empresarial 128

PBX: 3828085 - Cel: 3202300112 Bogotá D.C.

info@tower-consulting.com www.tower-consulting.com www.ggi.com

From the 4th year after the law comes into force, 2 hours will be reduced each year until reaching 42 hours per week.

Working hours must be distributed during the day in at least two parts with time to rest between them, such rationality will depend on the nature of the work and the workers. The Law allows a flexible workday, as long as there is an agreement with the workers. Extra or supplementary work is allowed, up to a maximum of 2 hours per day with its respective surcharge, as well as work on Sundays and holidays, paid according to the surcharge established by the Labor Law. Night work is considered from 9:00 pm to 6:00 am, which is compensated with the respective surcharge.

### **TERMINATION OF THE EMPLOYMENT CONTRACT**

In general, with some legal and constitutional exceptions (e.g. pregnant and lactating women; unionized employees; employees who are in a vulnerable health condition, or employees entitled to be rehired in the event of dismissal), employment agreements may be terminated without prior notice by any of the parties. The effects of the termination vary depending on the type of contract and whether the contract is terminated with or without just cause and the type of contract.

### **SOCIAL SECURITY**

Social security in Colombia is composed of three factors: health, pensions and occupational hazards. Every employer must include its employees in the three systems, with contributions into the system from both workers and the employers as follows: Health is covered by the government, for which the worker pays a 4% contribution to the system if less than ten times the minimum monthly wage is earned. If the worker earns more than ten times the minimum monthly wage, the employer pays 8.5% and the worker 4% – a total contribution of 12.5%. The pension contribution is 16%, apportioned as follows: the worker contributes 4% and the employer 12%. Contributions concerning occupational risk vary according to the risk level of the work. The contribution of the employer will be between 0.522% for Level I and 6.96% for level V.

SOLUCIONES INTEGRALES EN IMPUESTOS, AUDITORIA & SERVICIOS LEGALES





TOWER CONSULTING WORLDWIDE S.A.S

NIT. 800.180.241-1

Carrera 7 No. 127-48 - Oficina 1107 - Centro Empresarial 128

PBX: 3828085 - Cel: 3202300112 Bogotá D.C.

info@tower-consulting.com www.tower-consulting.com www.ggi.com

## INFORMATION SOURCE

**Company name:** Tower Consulting Worldwide S.A.S.

**Author:** Camilo Torres Romero.

**Email:** camilo.torresjr@tower-consulting.com

**Website:** [www.tower-consulting.com](http://www.tower-consulting.com)

**City/country:** Bogotá D.C./Colombia

SOLUCIONES INTEGRALES EN IMPUESTOS, AUDITORIA & SERVICIOS LEGALES

