



CORPORATE INCOME TAX



Schedular corporate income tax rate:

- Corporations and permanent establishments would be subject to a 30% corporate income tax rate as from FY 2022.
- National corporations and permanent establishment would be subject to a 24% tax rate when their tax gain is lower than COP\$ 495M/ USD 138K.



2. Surcharge of the corporate income tax:

In FY 2022 and 2023, corporations and permanent establishments would be subject to a 3% a surcharge. Hence, the rates would be 27% and 33%.



3. Limitations and elimination of tax benefits:

- Limitation: 50% tax credit for turnover tax duly paid, even as from FY 2022.
- Elimination:
- Tax deduction for education and first employment contributions.
- Income exemptions for countryside projects, sale of energy derived from alternative energy sources, social housing projects, new forest plantations, among others.
- Income tax credit for real productive fixed assets. VAT paid for productive fixed assets would be a tax credit against input VAT.

- Special 9% rate for industrial and commercial corporation of the State, public companies and hotels (from 2026)



4. Private equity funds:

- Reduction of thresholds for tax deferral through private equity funds and collective investment funds.
- Items of income obtained through funds would be deferred when fund's participations: (i) are listed on a stock market; and (ii) are not owned in more than 10% by the same beneficial owner or related parties.



5. Equity hedge funds:

Reduction of the withholding tax on yields of public or private fixed income securities from 5% down to 0%.



6. Outbound payments:

Advertising and marketing services provided by foreigners would be subject to a 20% withholding tax over the gross payment.

TAXES ON INDIVIDUALS



1. Limitation and elimination of tax benefits:

- General limitation of tax benefits: 25% of net income.
- Elimination:
- Exempt income for voluntary contributions to RAIS (mandatory pension).
- Exempt income for severance, severance interests and contributions to voluntary pension funds and special savings account (AFC account).



- 2. Increase in rates and expansion of taxpayers' taxable base:
- Taxpayers with a monthly income of COP\$2.4M/ USD 670 would be obliged to file an annual income tax return. As from FY 2023, the threshold would be to COP\$1.7M/ USD 470.
- Schedular income tax rates would be expanded. Applicable schedular rates would be 10%, 20%, 28%, 33%, 37% and 41%.
- Tax rate on dividends distributed to tax residents would increase from 10% up to 15%.
 Tax rate on outbound payment of dividends would remain at 10%.



3. Capital gains tax:

- Capital gains rate would remain at 10%
- As from FY 2022, taxable base of capital gains would the fair market value of the assets received as a gift, inheritance, donation or as distribution from a trust or private interest foundation.



4. New solidarity tax for high income

Taxpayers with a monthly income greater than COP\$10M/ USD2.800 derived from salaries, services, capital income or pension, would be obliged to pay between July and December of 2021 a 10% monthly tax.

This tax would be a tax credit for income tax purposes.



5. Wealth tax:

Taxpayers and certain foreign investors would be subject to a wealth tax if their net assets (assets-debts) as of 1/1/2022 or 1/1/2023 is higher that COP\$4.800M/ USD1.3M.

The schedular tax rate would be 1% (net assets between COP\$4.800M/ USD1.3M and COP\$14.500M/ USD4M) and 2% (net assets greater than COP\$14.500/ USD4M)

The new wealth tax would be tax deductible.



Voluntary disclosure program:

Once again, tax residents with unreported assets or inexistent debt would have the opportunity to disclose them with the payment of a 17% tax. The effective tax could be reduced to 8,5% if the assets are invested directly in Colombia.

VAT



VAT exemptions and zero-rated assets and services:

- 23 new VAT-exempt goods are included: certain animal meats and eggs, weapons, sanitary towels, tampons and others. Of the 23 assets included, currently 22 are considered zero rated goods.
- 45 VAT exempted goods are eliminated: for instance, liquefied natural gas, propane gas, gasoline, electric power, natural rubber, building bricks, personal computers of less than COP 1.8M/ USD 504 and smart mobile devices of less than COP800K/ USD220.



2. Goods taxed at 5%:

- 3 new goods related with solar energy are included. Currently they are zero-rated goods.
- The following goods went from being excluded to being taxed at 5%:
- Sale of machinery and equipment for the development of projects registered in the National Registry for the Reduction of Greenhouse Gas Emissions.
- Bicycles, motorcycles, and electric skateboard.



3. VAT exempt services:

- 3 new services are included as exempt.
 Prepaid medicine, complementary plans, and storage of agricultural products in general warehouses are highlighted. These services are today taxed at 5%.
- 14 services, that are currently subject to a 0% rate, are eliminated. Public services for estates 4, 5 and 6, the acquisition of software licenses for commercial development of digital content and cloud computing stand out.



- 4. Taxable base for cleaning, cafeteria, and surveillance:
- Currently VAT is determined over the profit.
- With the tax bill, VAT taxable base would be 100% of invoiced fees.



- 5. Tax credit for productive fixed assets:
- VAT paid for the acquisition or importation of productive fixed assets would be offsetable against output VAT.

GREEN TAXES



1. National carbon tax:

- Tax is extended to sale, withdrawal or import of coal.
- Taxable base: determinable in function of carbon dioxide emission expressed in greenhouse effect gas factor and in weight unit (Kg of CO2) over energy unit (terajoules)
- Rate increase: the rate per ton would increase from COP\$ 15,000 per ton of CO2 up to COP\$17,660 per ton of carbon equivalent.
- For natural gas and liquefied petroleum gas used in electricity generation, the rate would increase progressively, starting in 2022 and 2023 at 0% and in 2028 it would begin to apply the full rate.
- The carbon tax exemption will be maintained for those subjects who qualify.



2. National tax on single-use plastics:

- Taxable event: (i) sale, (ii) withdrawal for own consumption, (iii) importation of single-use plastic products.
- Taxable base: weight in grams of the container and single-use plastic packaging.
- Tax rate: COP \$ 18 fee for each gram of the container or packaging.
- Tax would not be caused when taxpayer present the circular economy certification (CEC) that the Ministry of Environment regulates.



3. National tax on the consumption of pesticides:

• Taxable event: sale to final consumer, withdrawal for own consumption of pesticide.

- Taxable base: invoiced value at the time of sale to final consumer or commercial value on the withdrawal date.
- · Rate: 8%



4. New national vehicle tax:

- The tax would be levied on January 1 of each year. The beneficiaries of the tax would be municipalities, districts, departments and the capital district of Bogota.
- The taxable base would have 2 components, each with its own rate: (i) Commercial value: rate between 1% (electric and hybrid vehicles) and 3.5%; and pollution factor between 0 and 50 (level of pollutant emissions): rate of COP \$54,000 per unit.
- Motorcycles up to 125 C.C would have a national vehicle tax rate of 0%.



5. Gasoline surcharges:

 The percentage rates of the ACPM surcharge would be replaced by COP rates as follows:

		Ordinary Gasoline	Extra Gasoline
General rate	Municipal and district	\$940	\$1.314
	Departmental	\$330	\$462
	Capital district	\$1.270	\$1.775
Rate in border area	Municipal and district	\$352	\$1.314
	Departmental	\$124	\$462

- ACPM surcharge: Rate of COP \$ 301 per gallon.
- The surcharge for consumption in border areas would be COP \$ 204 per gallon for domestic product and COP \$ 114 per gallon for imported product.



CONTACTS



Juan Guillermo Ruiz juanguillermo.ruiz@phrlegal.com

Partner - Tax, Customs and International Trade



Juan David Velasco juan.velasco@phrlegal.com

Partner - Tax, Customs and International Trade



Juan Camilo De Bedout juan.debedout@phrlegal.com

Partner - Tax, Customs and International Trade



Jaime Enrique Gómez jaime.gomez@phrlegal.com

Director - Tax, Customs and International Trade



Posse Herrera Ruiz phrlegal



@PHRLegal



Posse Herrera Ruiz
PHRLegal

BOGOTÁ
Tel: +57 (1) 325 7300
Fax: +57 1 325 7313
Cra 7 No 71-52, Tower A

Floor 5

MEDELLÍN
Tel:+57 (4) 448 8435
Cra 43A # 1 - 50 Torre 2
Office 864 Floor 8, San
Fernando Plaza

BARRANQUILLA
Tel: +57 (5) 311 2140
Cra 53 # 82 - 86
Floor 4

