



— Doing Business in COLOMBIA

H&CO.



This guide has been prepared to provide basic information to people interested in investing and doing business in Colombia.

This guide does not cover in detail all the requirements and topics that must be considered, but it is intended to provide a general overview of the advantages of doing business in Colombia and the basic tax requirements.

This document is intended for informational purposes and its content is based on the information and regulations that came into force as of January 2023. For more detailed information, we recommend consulting a professional tax advisor.



About us?

Since 1992, we have worked with one primary goal in mind: to simplify the burden of global compliance and maximize global operations through technology-enabled transformations. Over the years, we have empowered people and organizations to conquer new frontiers by providing world-class global services in more than 14 countries. Additionally, we are members of the BDO Alliance and founding members of BLITA International, an international association of independent tax advisors.



C O N T E N T

Colombia Business Guide

01

Why Do
Business in
Colombia?

02

Taxes in
Colombia

03

How to
Establish and
Incorporate a
Company in
Colombia

04

Market
Opportunities
and
Commercial
Sectors



01

**Why Do Business
in Colombia?**

General Aspects of Colombia

Capital	Bogotá
Area and number of inhabitants	1,138,910 km ² and a population of 50,372,000 inhabitants (est. July 2021) National Administrative Department of Statistics (DANE)
Language	Spanish
Currency	Colombian Peso (COP)
International Dialing Code	+57
GDP	\$76,965,381 billion USD (2021 est.) - National Administrative Department of Statistics (DANE)
GDP – per capita	\$1,528,871 USD (2021 est.) - National Administrative Department of Statistics (DANE)
Exports	\$3,987.6 million USD (2021 est.) - National Administrative Department of Statistics (DANE)
Imports	\$5,348.5 million USD (2021 est.) - National Administrative Department of Statistics (DANE)
Inflation	5.62% (2021 est.) - National Administrative Department of Statistics (DANE)
Government Structure	Colombia is a representative presidential democracy, divided into three branches: the executive, legislative, and judicial. The president serves as both head of state and head of government. The executive power is exercised by the government, legislative power resides in two chambers of Congress (the Senate and the House of Representatives), and the judiciary is independent of both the executive and legislative branches.

Business and Tax
Advisors in Colombia



Strategic Geographical Location

The Republic of Colombia has an unquestionably strategic geographical position in Latin America. It serves as a crucial link between the northern and southern countries in the hemisphere and is the only country in the subcontinent with coasts on both the Atlantic and Pacific oceans. This unique location makes Colombia the gateway to South America, facilitating connections with the rest of the Americas, the United States, Europe, Asia, and the Pacific Rim countries. The nation shares borders with Venezuela, Ecuador, Brazil, Panama, and Peru.

Additionally, Colombia's location in the equatorial zone creates a diverse range of climates and ecosystems, providing the country with a wealth of natural resources. This diversity generates numerous commercial opportunities and has positioned Colombia as an attractive destination for foreign investment in the region.

According to geographers worldwide, Colombia is a privileged "corner house" with a strategic location in the northwest of South America, bordered by two large oceans: the Pacific to the west and the Atlantic, which forms the Caribbean Sea or the Antilles.

Skilled Labor

According to Mintrabajo, the government has been working to improve workers' skills and promote inclusion, aiming to create good work environments that enhance the country's organizational productivity.

As of July last year, the National Administrative Department of Statistics (DANE) reported that the working-age population across Colombia reached 40.4 million people, with 24.4 million in the labor market (PEA) and 16 million classified as economically inactive.



(PEI). This demonstrates one of the largest annual increases in the availability of human resources in the region, supported by effective labor regulations.

Additionally, DANE states that 55% of the Colombian population is under 30 years old, and there are seven cities with more than one million people. Each year, more than 200,000 students graduate from the higher education system, with 53% holding a university degree and 28% possessing a postgraduate degree.

Government Commitment to Foreign Investment

The Colombian government and its private sector have been working together for the last 15 years to simplify laws and procedures, with the aim of encouraging and promoting international investment. This initiative has allowed the nation to create one of the most competitive investment areas in Latin America, offering incentives such as a 15% tax on income, the absence of customs contributions, 33 permanent free zones, 69 special free zones, and the possibility of participating in the local market.

Additionally, according to Mincomercio, Colombia has traditionally received Foreign Direct Investment (FDI) for the exploitation of its natural resources such as gasoline and gas. However, it has been diversifying its investment offerings in recent years. The government has designed a series of instruments to provide substantial benefits to investors, such as mega-investments, investments in the agro-industrial sectors, renewable energies, the Vallejo Plan, and incentives for the orange economy, among others.

For example, in the mega-investment segment, the Government grants special regime incentives such as:

- A rate of 27% on income and complementary taxes.
- Elimination of the special tax on dividends.
- Elimination of the wealth tax.
- The periodic depreciation of assets over a minimum period of 2 years, regardless of the asset's useful life.
- Establishment of tax stability contracts, with which the Colombian state guarantees the maintenance of the aforementioned tax benefits for the agreed duration, irrespective of regulatory adjustments.
- Subsidies for the payment of salaries and social benefits for companies that generate decent jobs for Colombians.

According to JP Morgan, Colombia is and will remain the third most attractive country for investment in Latin America in the coming years.

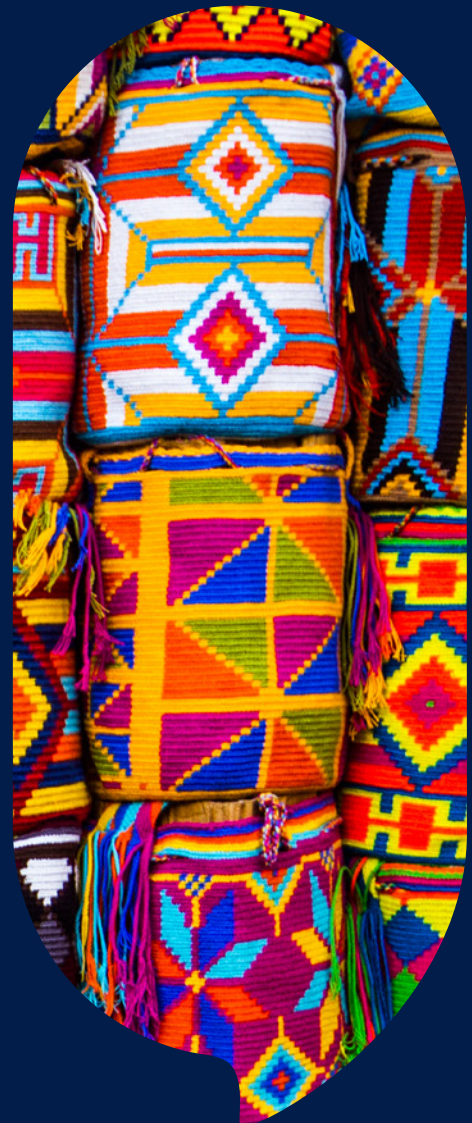
Investment Protection

Given Colombia's positive economic and financial performance, Moody's, Fitch, and Standard & Poor's have awarded it an investment grade for its long and positive history of punctual debt payment. This recognition strengthens the credibility of its macroeconomic policy and its ability to cope with internal and external shocks.

Additionally, Colombia has the second lowest perceived risk in the region, as measured by the behavior of five-year credit risk swaps. Compared to 183 countries, the World Bank described Colombia as the 13th country in the world and the first in Latin America in investor protection.

In this context, it is clear how Colombia has positioned itself as an important destination for investors. To guarantee the protection of foreign direct investment (FDI), the government has established several measures, including:

- **Equality in Treatment:** The political constitution of Colombia ensures equal treatment between foreign and national investments. According to the Organization for Economic Cooperation and Development (OECD), Colombia has very few restrictions compared to other countries in the region.
- **International Investment Agreements:** Through a network of international investment agreements signed with several economies around the world, clear and fair guidelines have been established for foreign investments. This demonstrates the government's commitment to supporting and respecting international investments.
- **Sector Participation:** Foreign investment is allowed in almost all sectors of the economy, except for defense and national security activities, the final disposal of highly dangerous waste, and a few other exceptions.
- **Registration with the Central Bank:** In most cases, foreign investment in Colombia does not require prior authorization from national authorities. Instead, it must be registered with the Central Bank (Banco de la República).



Access to Global Markets and Free Trade Agreements (FTA)

According to the Ministry of Commerce, Industry, and Tourism (Mincomercio), the liberalization of the economy and market in Colombia, which began in 1991, has led to the signing and implementation of trade agreements with several strategic partners. These agreements aim to guarantee stability and legal security for economic actors and agents.

Mincomercio considers the trade agreements established by the country as high-ways for commercial exchanges, which should be maximized to promote national development. Colombia has built extensive commercial relations with important economies worldwide, exporting products from over 9,700 companies to 181 countries. Currently, the nation has the following trade agreements in force:

- Andean Community
- Pacific Alliance
- Trade Agreement between Colombia and Israel
- Chile – Colombia Free Trade Agreement
- Trade Agreement between Panama and Colombia
- Free Trade Agreement between Colombia and Costa Rica
- Agreement between Colombia and the countries of the Northern Triangle
- Trade Continuity Agreement between Colombia and the United Kingdom
- Economic Complementarity Agreement No. 72 Colombia Mercosur
- Trade Agreement between the European Union, Colombia, Peru, and Ecuador
- Trade Promotion Agreement between the Republic of Colombia and Canada
- Free Trade Agreement between the Republic of Colombia and the Republic of Korea
- Free Trade Agreement between the Republic of Colombia and the EFTA States (EFTA)
- Free Trade Agreement between the United Mexican States and the Republic of Colombia
- Trade Promotion Agreement between the Republic of Colombia and the United States of America
- Economic Complementarity Agreement No. 49 between the Republic of Colombia and the Republic of Cuba
- Free Trade Agreement between the Republic of Colombia and the Republics of El Salvador, Guatemala, and Honduras
- Partial Scope Agreement on Trade and Economic and Technical Cooperation between the Republic of Colombia and the Caribbean Community (CARICOM)

To continue boosting and strengthening the country's exports as a significant source of economic growth and social well-being, the government has created the Center for the Advantage of Trade Agreements (CAAC). This entity establishes actions that make it easier for the country's regions to export their products. These guidelines cover the three macro sectors of national productive activity: services, agriculture and agroindustry, and manufacturing.

Government Commitment to Foreign Investment

The Colombian government and its private sector have been working together for the last 15 years to simplify laws and procedures, aiming to encourage and promote international investment. This initiative has allowed the nation to create one of the most competitive investment areas in Latin America, offering incentives such as a 15% tax on income, the absence of customs contributions, 33 permanent free zones, 69 special free zones, and the possibility of participating in the local market.

Additionally, according to Mincomercio, Colombia has traditionally received Foreign Direct Investment (FDI) for the exploitation of its natural resources such as gasoline and gas. However, in recent years, it has diversified its investment offerings. The government has designed a series of instruments that provide substantial benefits to investors, such as mega-investments, investments in the agro-industrial sectors, renewable energies, the Vallejo Plan, and incentives for the orange economy, among others.

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02

Taxes in Colombia

Corporate Taxes

The corporate tax is applied to income obtained worldwide by companies and business entities resident in Colombia, as well as income obtained in national territory by non-resident entities, including foreign companies and their branches. An entity is considered resident in Colombia if any of the following requirements are met:

1. It is constituted in accordance with Colombian law.
2. It has its main address in Colombia.
3. Its administration headquarters is located in Colombia.

The basic corporate tax rate is 35%, with an additional income surcharge of 4%.

Taxes on Capital Gains and Dividends

Capital gains are subject to capital gains tax only when derived from the sale of assets held for two years or more. The tax rate applicable to most capital gains is 10%. With some exceptions, dividends are treated as untaxed income. Income taxes must only be paid on dividends when the company distributes in excess of its taxable profits. No taxes are imposed on foreigners for sending or remitting dividends received in Colombia abroad, provided that the profits on which the dividends are paid have been taxed at the corporate level.

Inheritance and Gift Taxes

Inheritances and gifts are treated as capital gains and are therefore taxed at the general rate of 15%. Profits derived from marital partnerships are not subject to this tax. Only heirs in the strict sense of the word (children, grandchildren, parents, and grandparents) and those who receive inheritances or legacies are subject to this tax. In the case of donations, the tax is paid by the receiving person or entity and is treated as occasional earnings. Gifts and inheritances of real estate may also be subject to local real estate transaction tax.

Value Added Taxes (VAT)

VAT is applied to sales of goods and services in Colombia and to imports. The standard tax rate is 19%, with a preferential rate of 0% applicable to exports and certain domestic supplies. A 5% rate also applies to certain goods and services. There is also a consumption tax, which coexists with but is not creditable against VAT. This tax is levied on the food and beverage services sold in restaurants and similar establishments (excluding franchises taxed under the VAT regime), the sale of automobiles, and mobile telephone services. This tax is not eligible for deductions. VAT taxpayers are required to register with local tax authorities and acquire a tax identification number for filing and payment. Depending on the net profits of the previous fiscal year, VAT must be submitted bimonthly, quarterly, or annually.

Employment Taxes

Withholding on income from employment is applicable to payroll. Below are the social security contribution rates:

Contribution Type	Employee	Employer
Health	4,00%	8,50%
Retirement Fund	4,00%	12,00%
Occupational Hazards**	--	0,522% - 8.7%
Other Contributions*	--	9,00%

* SLMV: Legal minimum wage in force in 2023: \$1,300,606 COP

** Occupational Hazards: Depending on the level of risk managed by the company

There is a special regime for companies established after 2011 that reduces employment tax rates during the first four years of the company's incorporation. This regime, characterized by equity, employment, and income, aims to encourage small businesses, both national and foreign, to invest in Colombia.

Personal Taxes

A resident of Colombia is subject to taxes on their worldwide income, while non-residents are only subject to their Colombian-source income. An individual is considered a resident for tax purposes if they spend more than 183 days (continuously or otherwise) in the national territory in a tax year.

Each individual must file their own tax return; joint statements are not allowed. Income is taxed according to the progressive scale shown below:

Income (UVT)	Tax Rate
0 - 1.090 UVT	0%
1.091 - 1.700 UVT	19%
1.701 - 4.100 UVT	28%
4.101 - 8.670 UVT	33%
8.671 - 18.970 UVT	35%
18.971 - 31.000 UVT	37%
31,001 UVT and above	39%

The value of the Tax Value Unit (UVT) for 2023 is \$42,412 COP (DIAN).



International Agreements to Eliminate Double Taxation

- Federal Republic of Brazil
- Kingdom of the Netherlands
- Eastern Republic of Uruguay.
- Pacific Alliance – Homologation of Tax Treatment for Pension Funds: Law 2105 of 2021
- United Arab Emirates.
- Japan. Law 2095 of 2021
- French Republic. Law 2061 of 2020
- Italian Republic. Law 2004 of 2019
- United Kingdom of Great Britain and North Ireland. Law 1939 of 2018
- Czech Republic. Law 1690 of 2013
- Portuguese Republic. Law 1692 of 2013
- Republic of India. Law 1668 of 2013
- Republic of Korea. Law 1667 of 2013
- United States of Mexico. Law 1568 of 2012
- Canada. Law 1459 of 2011
- Swiss Confederation. Law 1344 of 2009
- The Republic of Chile. Law 1261 of 2008
- Kingdom of Spain. Law 1082 of 2006
- Andean Community of Nations. Decision 578 of 2004





03

**How to Establish and
Incorporate a Company
in Colombia**



Process to Establish a Company in Colombia

According to the Bogotá Chamber of Commerce, when an investor wishes to establish a business entity in Colombia, they must complete 7 procedures that take an average of 10 days, making Colombia one of the most favorable countries in the region for regulatory ease in starting a business.

Procedure	Time to complete
1. Register in the Commercial Registry and obtain a "Taxpayer Identification" (RUT)	3 days
2. Obtain invoice authorization and electronic signature	1 day
3. Register the company with the Family Compensation Fund (Caja de Compensación Familiar), SENA, and ICBFICBF).	5 days
4. * Register employees for health coverage (public)	6 days
5. * Register employer and employees for pensions with Colpensiones or any of the private funds	1 day
6. * Register the company with the Risk Administrator Professionals (ARL)	1 day
7. * Register employees with the benefits fund	1 day
Time to Complete	10 days

Note: Steps marked with an asterisk (*) can be completed simultaneously.

Requirements to Establish a Company in Colombia

The Limited Liability Company (Ltda.) is the most common form of incorporation in Colombia. The shareholders of an Ltda. are responsible only for the value of their participation. However, the partners are jointly responsible for the tax and labor obligations of the company.

◦ Company Name

Colombian regulations require that company names be unique and approved by the registry. The registered name must include the word "Limitada" or the abbreviation "Ltda."

◦ Bylaws

The company bylaws must be constituted in a document that outlines how the company and the relationship of the partners to it will be formed. This document must include the corporate purpose, conditions, clauses, legal representative, and shareholding details. It must be signed and authenticated at a notary office.

◦ Social Domain

Under Colombian regulations, all companies are required to have a registered office in Colombia where legal documents can be delivered. Additionally, the company must have a legal representative with at least one alternate.

◦ RUT and NIT

Request the Single Tax Registry (RUT) from the DIAN for the company. Once obtained, go to the Chamber of Commerce to register and obtain the Tax Identification Number (NIT) that will identify the company.



◦ Commercial Registry

In the Chamber of Commerce where the company is to be established, register the statutes to obtain provisional registration. You must attach the required forms and copies of the identification cards of the legal representative, the substitute, and the shareholders.

◦ Administration

The management of a Limited Liability Company registered in Colombia is carried out by the meeting of partners and a legal representative. Each share represents one vote, and decisions require approval by an absolute majority.

◦ Shareholders

A Limited Liability Company registered in Colombia must have at least two shareholders but no more than 25. There are no restrictions regarding the nationality of the shareholders.

◦ Registration of Official Books

Once you have the definitive Certificate of Existence and Legal Representation, which includes the statutory content, company name, acronym, and tax identification, you must register the shareholder book (recording stock sales) and the minute book (detailing all changes made) with the Chamber of Commerce.

◦ Billing Resolution Request

Before the DIAN, either in person or virtually, you must request billing authorization (range of numbers) according to the estimated sales projection.

◦ Industry and Commerce Registration

Register the new company with the Ministry of Finance of the municipality where it will operate through the Registry of Industry and Commerce. If employees are required, they must be registered in the Social Health Security System.





04

**Market Opportunities
and Business Sectors**



Agroindustry

According to Minagricultura, Colombian agricultural exports closed positively last year with sales of around US\$9,418 million and a growth of 19.9%. Among the most exported products are coffee, flowers, beef, cocoa, and tilapia. This success is attributed to the wide availability of fertile lands, variety of climates, and abundant water resources, positioning Colombia as the seventh country in the world for these advantages. Colombia ranks fourth in Latin America for the development and production of agricultural projects and first in Latin America for annual precipitation rates, tenth worldwide.

The Colombia Country Brand highlights that the nation's strategic geographical position allows for year-round production, offering a wide margin for sustainable growth and positioning it as an export platform. The nation has significant investment opportunities in sectors such as:

- **Processed foods**
- **Cocoa, derivatives, and chocolate**
- **Fruits and vegetables**
- **Palm industry**
- **Livestock**
- **Commercial forest plantations**

ProColombia emphasizes that Colombia is increasingly positioning itself internationally with its products and services. The agricultural sector has managed to enter distant markets with its high-quality, flavorful, and competitively priced offerings. Projections for this year and the next are very positive, encouraging this segment as a key factor in the country's economic reactivation.



Manufacture

The Country Brand, an entity belonging to the National Government, states that the manufacturing sector holds the third position among the most important productive activities in Colombia's economy. The sector benefits from good

access to raw materials at competitive costs and qualified human talent at favorable costs compared to the region. Additionally, the sector is strengthened by trade agreements with major world economies, an efficient internal market, a competent workforce, and government support. Key segments offering interesting investment opportunities include:

- **Aeronautics**
- **Automotive**
- **Cosmetics and personal care**
- **Containers and packaging**
- **Fashion industry**
- **Petrochemical industry**
- **Construction materials**



Health Services and Life Sciences

The Colombian government has long been dedicated to improving health coverage and has implemented several regulatory advances. Given the increased demand for health services, this segment must remain competitive. The pharmaceutical industry in Colombia has consolidated its position at the forefront of global trends, such as the medicinal and pharmaceutical use of cannabis. Main segments offering significant investment opportunities include:

- **Medical and cosmetic cannabis**
- **Pharmaceutical sector**
- **Health services**
- **Clinical studies**

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Our partner firms are committed to delivering the highest quality professional services to help meet your international business and financial objectives. The local experience of our members in relation to tax rules, culture, and knowledge of business activity in their home country allows them to offer the best solutions and advice to maximize your profits.

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