





## Speakers



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## Agenda

- Why Colombia?
- Relevant tax and corporate aspects to consider when doing business in Colombia
- Accounting aspects and other obligations in your operations in Colombia
- General Labor aspects
- Investment incentives





Colombia has the lowest FDI (foreign Direct Investment) barriers in Latin America, above:

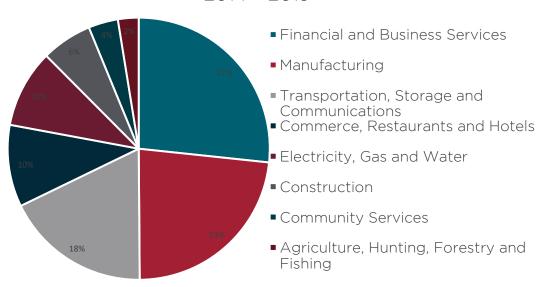






It is at the top of the countries in Latin America with more than 112 Free Trade Zones throughout the country.





Colombia ranks number 12 among the main developing economies receiving FDI and number 25 globally.



## The six cities building the global tech industry's future

In the last six years, Medellín has received 379 technology and innovation companies to set up offices in the city, creating more than 11,000 jobs.

Bogotá and Medellín have been gaining ground and positioning themselves as an innovation and technology center.

Colombian-Mexican proptech, La Haus, announced that it received an injection of 100 million dollars. With that money, it reaches a collection of 135 million dollars so far in 2021.

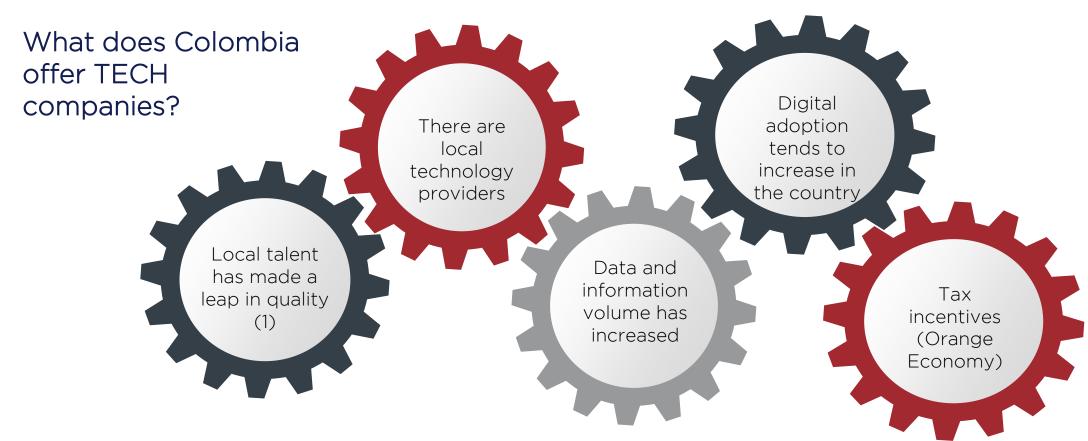
Source: Rest of world. Reporting Global Tech Stories. 16 de julio de 2021.

Source: Colombiafintech.

Source: https://www.portafolio.co/negocios/empresas/la-haus-inversion-de-jeff-bezos-y-maluma-en-la-empresa-554542







(1) 52.5% of graduates in Systems Engineering, Telematics, and the like in Colombia between 2001 and 2016 were located in Bogotá and Antioquia. Source: https://en.investinbogota.org/investment-sectors/it-industry-bogota.

Source: https://www.colombiafintech.co/novedades/colombiatech-el-despegue-de-las-companias-tech-en-el-pais





What can be expected from technology in 2021?

**Artificial intelligence** 

**Evolved Internet of things** 

**Big Data** 

Virtual and Augmented Reality

**Video streaming** 











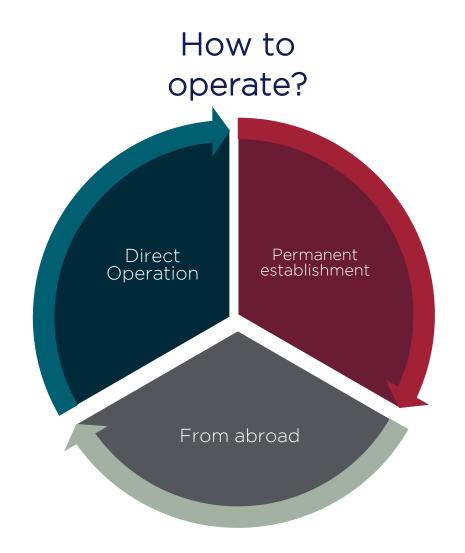


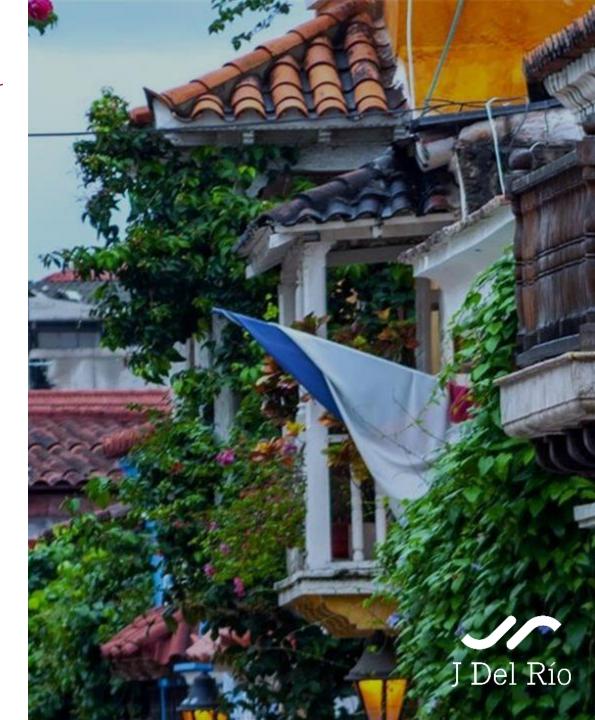






Relevant tax and corporate aspects to consider when doing business in Colombia



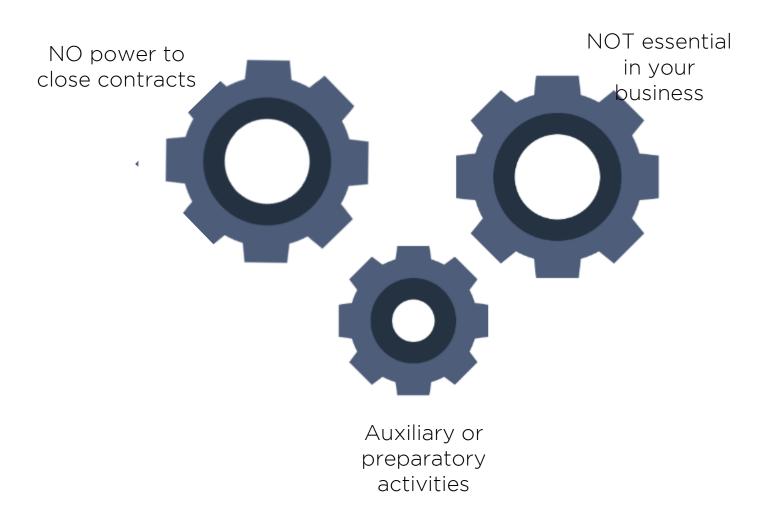


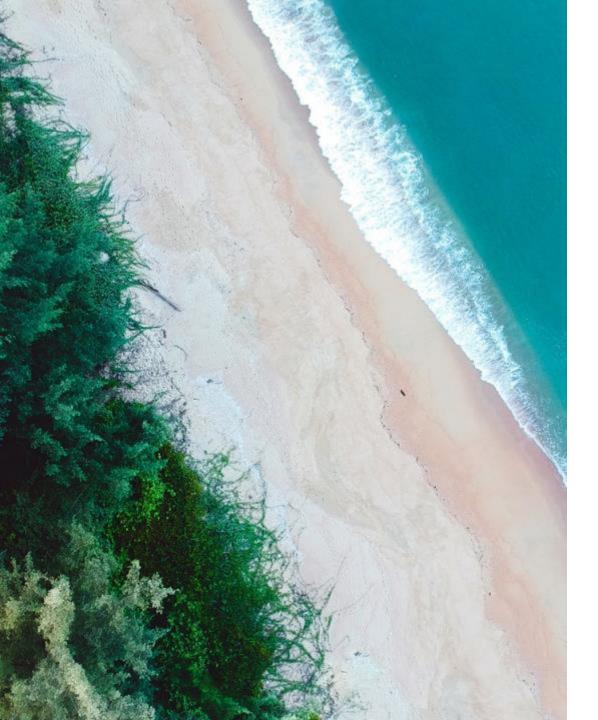


### Relevant tax and corporate aspects to consider when doing business in Colombia



Branches of foreign companies, agencies, offices, mines, anthers, oil and gas wells.





Relevant tax and corporate aspects to consider when doing business in Colombia



There are two main types of corporate vehicles to establish in Colombia:

- 1. Subsidiary Company: The SAS (simplified joint stock company) is the most used type.
- 2. Branch of Foreign Company.

To define which figure is best suited to the investor's needs, it is necessary to consider the differences between both figures regarding:

- Incorporation process and formalities
- Shareholders
- Liability regime
- Capital
- Social object
- Duration
- Governing bodies
  - Foreign Investment Regime: Investment Registry and Repatriation of Capital and Dividends.





# Times to complete a Company's creation and start-up



### Incorporation

1-3 weeks Legal matters for the Company's incorporation





### Banks

1-2 weeks
Opening accounts and configuring access to the online banking portal.





Start-up

1 week Initial records

It takes about 1 month to have a fully functional business (specific times in FTZ). (this period depends on the delivery of information by the company)



Sales tax - VAT. 19% - General rate

0% - (i.e., Export services)

Withholding at the source ("advance payments").

1% to 33%

Industry and commerce - ICA and its withholding.

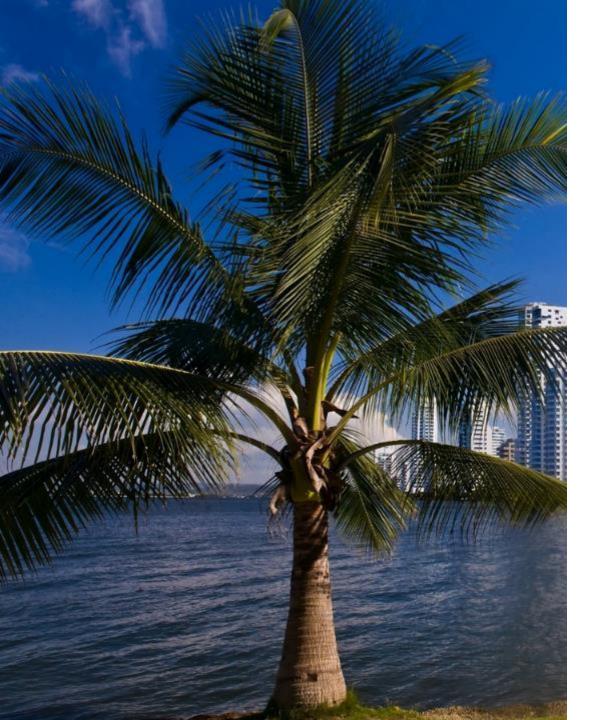
Municipal taxes.

Vehicles, property, public lighting, among others. Transfer Pricing.

Operations with related parties.

Income tax. 31% (Currently)\*

15



## Accounting aspects and other obligations for your operations in Colombia

### Profit distribution

Dividends are distributed based on the profits in the financial statements prepared per the Accounting and Financial Information Standards accepted in Colombia, proportional to each shareholder or partner's participation.

To distribute dividends, in addition to generating profits, the following requirements must be met:

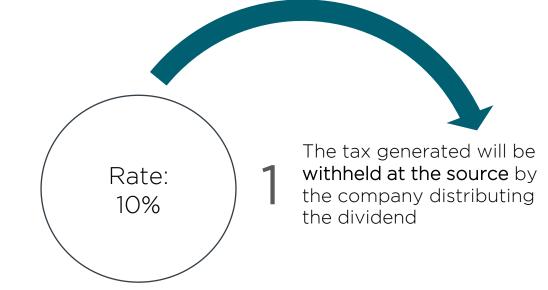
- The approved decision by the highest corporate body.
- Constitution of the legal reserve, equivalent to 10% of each year's profits until 50% of the capital stock is reached. Simplified joint-stock companies in which the constitution of legal reserves can be waived via statutes are excepted from this requirement.



Relevant tax and corporate aspects to consider when doing business in Colombia

### **Dividends**

Los dividendos o participaciones provenientes de sociedades colombianas domiciliadas en el país están sujetos al impuesto de renta y complementarios, de acuerdo con las siguiente reglas:

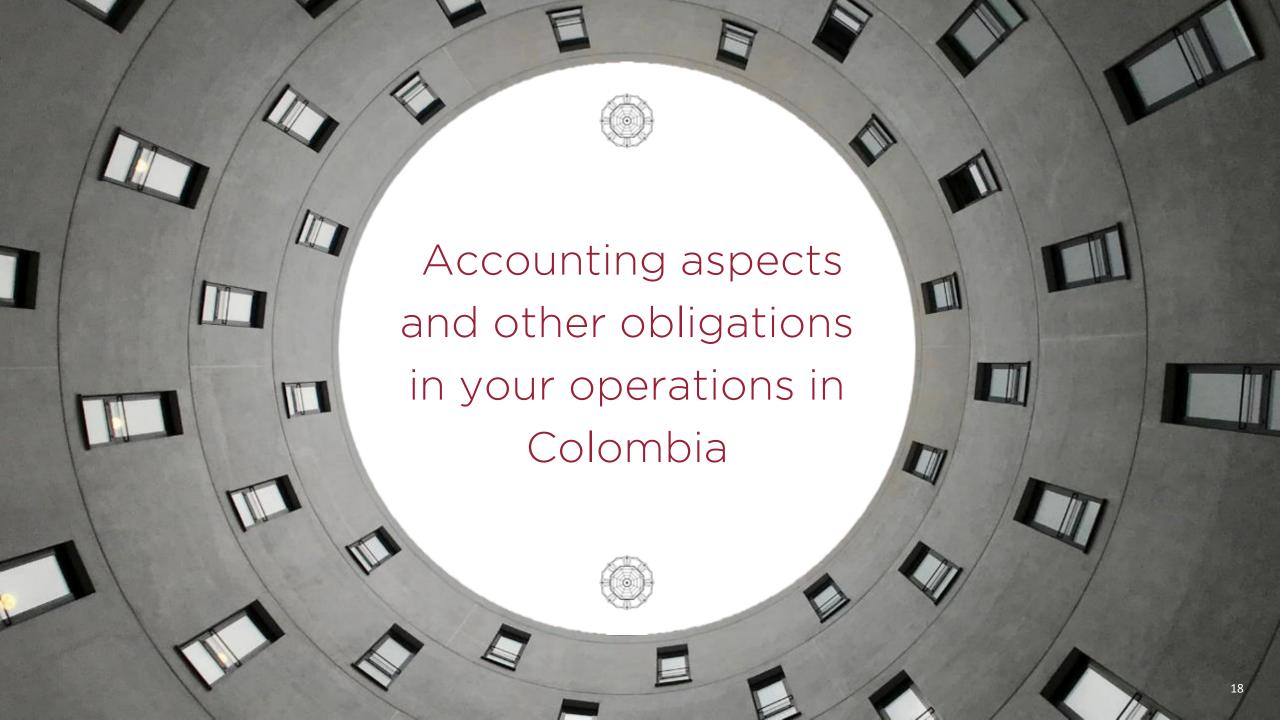


### **Gross value**

The withholding will be applied to the gross value of the payments or credits into account. Exceptional cases when there are DTAs.

## 3 Dividends - rules 48 and 49 ET

When the dividends correspond to taxable profits according to the rules of articles 48 and 49 of the Tax Code, such dividends will be additionally subject to the 31% rate (current), in which case the 10% tax will be applied once the 31% tax (current) is reduced.





### Accounting aspects and other obligations in your operations in Colombia

Accounting standards applicable in Colombia

### Group 1

Based on IFRS authorized and issued by the IASB until 2018, not including IFRS 17 -Insurance Contracts.

### Group 2

Based on the IFRS for SMEs issued by the IASB in 2015.

### Group 3

Simplified accounting not based on IFRS.

Accounting and Financial Reporting Standards Accepted in Colombia, based on International Financial Reporting Standards (IFRS)

# Periodic obligations of a company in Colombia



## Accounting aspects and other obligations in your operations in Colombia



<sup>\*\*</sup> Penalties for not fulfilling the obligations may trigger penalties up to US\$48K approximately.



## Accounting aspects and other obligations in your operations in Colombia

Compliance Officer

Identifying the counterparty's beneficial owner



Due Diligence

Intensified Due Diligence AR and AP parties.

Suspicious Transaction Reports



#### Contract types

- 1. Indefinite term.
- 2. Fixed term

#### Minimum salary

- Col\$908.526 (US\$239)

#### **Integrated Salary**

- Col\$11.810.838 (US\$3,108)

#### Mandatory benefits for employees

- Service premium: 1 month's salary per year.
- Retirement fund: 1 month's salary per year.
- Interest on retirement fund: 12% per year on unemployment pay.
- Transportation subsidy: Col\$106,454 US\$31

#### Severance payment

- Monthly income <US\$3,108 = 30 days of salary (1st year) + 20 days for each additional year of work.
- Monthly income >US\$3,108 = 20 days of salary (1st year) + 15 days for each additional year of work.



## Labor aspects







## Labor aspects

	DEPENDENT EMPLOYEE		
TYPE OF CONTRIBUTION	THE EMPLOYER CONTRIBUTES	THE EMPLOYEE CONTRIBUTES	TOTAL
Health contributions	8,5%	4,0%	12,5%
Pension contributions	12,0%	4% (plus an additional 1% if the income base contribution is higher than 4 current monthly minimum wages and up to 16 minimum wages)	16,0%
Contributions to occupational risks	According to the risk rate that the employee has, it varies according to the level of risk.		0.522% 1.044% 2.436% 4.35% 6.96%
SENA contribution	2,0%	0,0%	2,0%
ICBF contribution	3,0%	0,0%	3,0%
Contributions to family compensation fund	4,0%	0,0%	4,0%

Employer - payroll contributions

Between 34% y

9%

Employee - payroll contributions





## Investment incentives

### Tax benefits for foreign investors

- Orange Economy
- Mega-investment regime (applicable for FTZ).
- Free Trade Zone.
- CDI Application (Double Taxation Agreements).





## Main exempt income (Orange Economy)

 For 5\* years (income from the development of technological value-added industries and creative activities).

Orange Economy

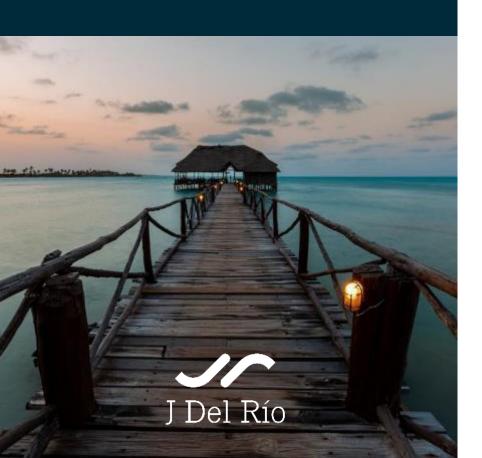
### Such as:

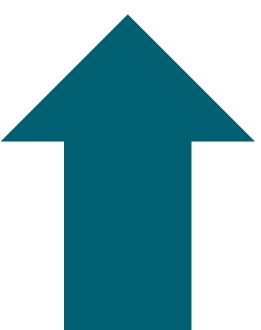
- Computer Consulting.
- Act. Development of computer systems.
- Edition of software programs.
- Movie post-production.
- Sound and music recording activities.
- Literary, musical, and theatrical creations.

- Colombian society.
- Exclusive corporate purpose.
- Before June 2022\*.
- Number of employees (depending on activity).
- Investment project before the Ministry of Culture (No less than US\$42k).
- Applies to Free Trade Zon

Requirements

## Mega Investments Regime





### **BENEFITS**

- Special income tax rate of 27% (currently 31%\*). - For hotel services (according to compliance with special rules), it will be 9%
- Legal stability for 20 years (project approved before 2024).
- Accelerated depreciation in the first two years.
- Special rate for the distribution of dividends taxed at 27% (currently 31% \*).

#### REQUIREMENTS

- The investment must be executed in 5 years (US\$290MM approx.).
- Investment in productive property, plant, and equipment or have the potential to be so.
- It must have been approved by the Government before 2024.
- Generation of 400 direct employments associated with the project's development. (250 for investments with a high technological component).



## Free Trade Zone



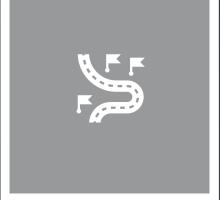
20%
income tax rate
in Free Trade
Zone



No tariff or VAT accrual for the goods while they are in the free zone.



Purchases from the rest of the country for the development of the user's corporate purpose are VAT exempt.



Possibility to nationalize raw materials or the final product when the goods are to be sold in the rest of the country.



Goods produced in the free zone acquire origin for the purposes of free trade agreements.

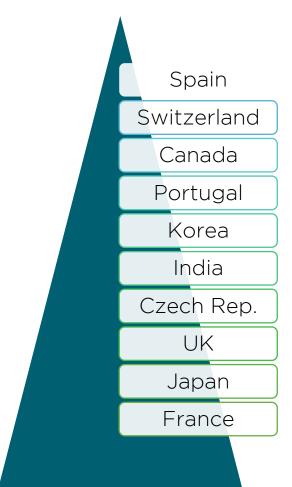


### Investment incentives

### DTA - Pacific Alliance Countries and others



Preferential rates for payments abroad (technical services, technical assistance, and consulting, among others) \*\*







## Let's talk!

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