

TAX REDUCTIONS FOR BUSINESSES IN COLOMBIA: A WIN-WIN FOR THE ECONOMY



Introduction



**Taxes for Businesses in Colombia
Tax Benefits**



**How to Apply for Tax Benefits
Industries Benefited**



**Business Cases. Tax
Reductions**

INTRODUCTION

Colombia offers a variety of **tax benefits** to businesses, both **domestic and foreign**.

These benefits can help businesses reduce their tax liability and improve their bottom line.



Firstly, let's discuss the taxes that need to be paid based on the type of company. **National companies incorporated in Colombia under Colombian law are taxed on worldwide income**, while **foreign non-residents are taxed only on their Colombian-source income**. The current general corporate income tax (CIT) rate is **35%**. However, companies from diverse sectors that invest in Colombia can enjoy reduced corporate income tax rates, providing significant savings and enhancing profitability.

Now, let's talk about the **tax benefits of investing or creating a company in Colombia**. The government has implemented a range of incentives to promote foreign investment and business growth.

TAXES FOR BUSINESSES IN COLOMBIA




There are **3 main taxes** that businesses in Colombia must pay:

- ▶ **Income tax:** This is a tax on the profits of a business. The corporate income tax rate in Colombia is 33%.
- ▶ **Value-added tax (VAT):** This is a tax on the sale of goods and services. The VAT rate in Colombia is 19%.
- ▶ **Real estate tax (ICA):** This is a tax on the value of real estate owned by a business. The ICA rate in Colombia varies by municipality.

TAX BENEFITS IN COLOMBIA

Types of Tax Benefits



There are many different types of tax benefits available to businesses in Colombia. Some of the most common benefits include:

- ▶ **Investment incentives:** These incentives are designed to encourage businesses to invest in new projects or equipment.
- ▶ **R&D incentives:** These incentives are designed to encourage businesses to invest in research and development.
- ▶ **Export incentives:** These incentives are designed to encourage businesses to **export their products or services**.
- ▶ **Reduced Corporate Income Tax:** Companies expanding to Colombia can enjoy reduced corporate income tax rates, providing significant savings and enhancing profitability.
- ▶ **Free Trade Zones (FTZs):** Colombia boasts 120 Free Trade Zones, which offer businesses preferential **tax treatment**, duty-free imports, and streamlined customs procedures.
- ▶ **Special Economic Zones (SEZs):** Companies operating within 42 designated SEZs can benefit from tax exemptions and other financial advantages.
- ▶ **Tax Stabilization Agreements:** Colombia has signed numerous bilateral investment treaties that provide additional protection and predictability regarding taxation for foreign investors.

HOW TO APPLY TO TAX BENEFITS IN COLOMBIA?



The requirements for applying for tax benefits in Colombia vary depending on the type of benefit. In general, **businesses must submit an application to the Colombian Tax Authority (DIAN).**

Industries that Benefit from Tax Incentives

Certain industries are eligible for special tax benefits in Colombia. These industries include:

- ▶ **Manufacturing:** Businesses in the manufacturing sector are eligible for a variety of tax incentives, including investment incentives, R&D incentives, and export incentives.
- ▶ **Agriculture:** Businesses in the agriculture sector are eligible for a variety of tax incentives, including investment incentives, R&D incentives, and export incentives.
- ▶ **Tourism:** Businesses in the tourism sector are eligible for a variety of tax incentives, including investment incentives and R&D incentives.

TAX BENEFITS IN COLOMBIA. BUSINESS CASES



Company: Grupo Suramericana

Business: Financial services

Tax reduction: COP 1.2 trillion (approximately USD 310 million)

How they got benefits: Grupo Suramericana benefited from the Colombian government's tax reduction program for businesses that invest in new **projects and equipment**. The company invested COP 2.4 trillion (approximately USD 610 million) in new projects in 2022, which made it eligible for the tax reduction.



Company: Ecopetrol

Business: Oil and gas

Tax reduction: COP 1.5 trillion (approximately USD 380 million)

How they got benefits: Ecopetrol benefited from the Colombian government's tax reduction program for businesses that **export their products and services**. The company exported COP 4.5 trillion (approximately USD 1.1 billion) in oil and gas products in 2022, which made it eligible for the tax reduction.

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IN COLOMBIA!**

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