

# Investment Booklet



**December 2010**

## 1. ATTRACTIVE INCENTIVES FOR INVESTORS

**The most competitive Free Trade Zone in Latin America: 15% Income Tax as well as the possibility to sell to local markets**

- A single 15% income tax rate, allowing sales in the local market.
- No customs taxes (VAT and customs duties).
- VAT exemption for raw materials, inputs and finished goods sold from the national customs territory to industrial Free Trade Zone users.
- Exports made from Free Trade Zones to foreign countries (except Peru) benefit from international trade agreements.
- No customs taxes on machinery, related directly to the business operation which is imported from abroad and entered into the FTZ.

**Single Enterprise Free Trade Zone (SEFTZ):** Investors can take advantage of the benefits provided by the Free Trade Zones even by locating out of a Permanent Free Trade Zone.

**Investors can sign Legal Stability Contracts with the Colombian Government**

In order to promote new investments and expand existing ones, the government provides investors the option to sign a Legal Stability Contract, securing key conditions for investment promotion. Companies must meet the following requirements:

- Minimum investment of USD 1,930,000<sup>1</sup>.
- Investors must pay a premium to the government equivalent to 1% of the investment.
- The period of the contract can last between 3 and 20 years.

**Income Tax deductible expenses**

Among the deductions included are the following:

- 100% of the amount paid for industry and commerce, signs and billboards, and property taxes during the corresponding taxable year, as long as these are directly related to the taxpayer's economic activity.
- 25% of the tax paid on financial transactions may be deducted, regardless of their relationship to the taxpayer's economic activity.
- 125% income tax deduction over investments in scientific and technological developments.
- 200% income tax deduction over salaries and social benefits paid to handicapped employees.

**Other Tax incentives by sector: exemption from Income Tax for 20 years in different sectors**

Income Tax exemptions are granted in various strategic sectors:

- Tourism: income tax exemption for 30 years on building new hotels or refurbishing already existing hotels.
- Eco-Tourism: Income tax exemption for 20 years beginning in 2003.

<sup>1</sup> The investment amount required to sign the Legal Stability Contract is calculated in Minimum Monthly Legal Wages (M.M.L.W.). This information is presented in dollars using USD 1 = COP 2,000 exchange rate and the minimum wage for 2010 is COP 515.000. For 2010, the M.M.L.W. as well as the exchange rate are subject to variations.

- Late-Yield Crops: Income tax exemption on the use of oil, palm, rubber, cocoa, citrus trees and other late-yield crops planted between 2003 and 2013 and intended for exports.
- Forestry: Income tax exemption on new forest and timber tree plantations and sawmills.
- Publishing: Income tax exemption until 2013 for publishing companies of books, magazines, brochures, scientific or cultural collectible series.

## 2. INVESTMENT OPPORTUNITIES

The Ministry of Commerce, Industry and Tourism has developed the Productive Transformation Policy. This is based on two strategies: greater quantity and quality; and, the development of New, Emerging and Agribusiness sectors. These are designed to achieve sustained growth in both the economy and employment.



After completing an analysis with the assistance of the private industry, some sectors were identified as offering unique business opportunities for investors and having government support in their development.

### Biofuels

- Income tax exemption for ten years.
- 6.5 million hectares (16.1 million acres) suitable for biofuel production.
- World's fifth largest palm oil producer.
- Productivity of 9,000 liters of ethanol per hectare every year.
- Growing market. For 2020, a production of 1.4 billion liters of ethanol and 1.2 billion liters of biodiesel per year.
- Assured demand. In 2020, E20 and B20.
- Creation of a "green seal" to identify the national biofuel production with good environmental and social practices.

### Cosmetics

- Market of USD 2.6 million and production of USD 2.4 million.
- Cosmetics exports grew by 23% between 2003 and 2007.
- Country with the second largest flora biodiversity in Latin America.
- Market for men's cosmetics is expected to grow 20% per year.

- Colombian women cosmetics pocket share duplicates the European women share.
- More than 242,000 professionals and technicians available to work in the cosmetic industry.
- Products with natural ingredients grew 9% between 2003 and 2008.

#### IT Services

- 27,000 business graduates and 13,000 engineering graduates per year.
- Seven cities with more than 500,000 inhabitants.
- Neutral Spanish accent.
- Market: USD 1 billion, growing at a rate of 42% in three years.

#### Tourism

- 1.45 million foreign travellers visited Colombia in 2008.
- Tourism growth to Colombia (9.73%) more than doubled the worldwide growth (2%).
- Income tax exemption for new or remodeled hotels.

#### Medical Tourism

- Pioneer Program in reproduction immunology; the first test tube baby born in Latin America; first pacemaker in the world.
- Colombia is the second best country for scientific and health infrastructure in Latin America: (IMD, 2008).
- 3,000 medical graduates per year.

**Infrastructure:** Projects that add up to more than 25 billion USD, just in 2009.

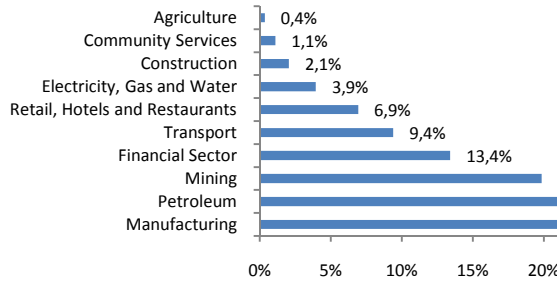
### 3. COLOMBIA'S KEY STATISTICS

	2005	2006	2007	2008	2009
GDP (USD Billion)	147	163	207	244	234
GDP Per Capita (USD)	3.142	3.471	4.338	5.027	5.542
GDP (Annual Variation in %)	5,7	6,8	7,6	2,5	0,4
Unemployment (%)	11,8	12	11,2	11,3	12
Exports (USD Billion)	21,2	24,4	29,9	37,6	32,8
Imports (USD Billion)	21,2	26,2	32,9	39,7	32,8
FDI (USD Billion)	10,2	6,4	9	10,6	7,2
Exchange Rate (vs. USD End-Of-Period)	2.320	2.357	2.078	1.966	2.044
Inflation (%)	4,9	4,5	5,7	7,7	2
Population (millions)	42,9	43,4	43,9	44,5	44,9

Source: National Statistics Administrative Department (DANE), Latinfocus, Economist Intelligence Unit (EIU, 2009). GDP at current prices of 2000.

\* Forecast: Economist Intelligence Unit (EIU)

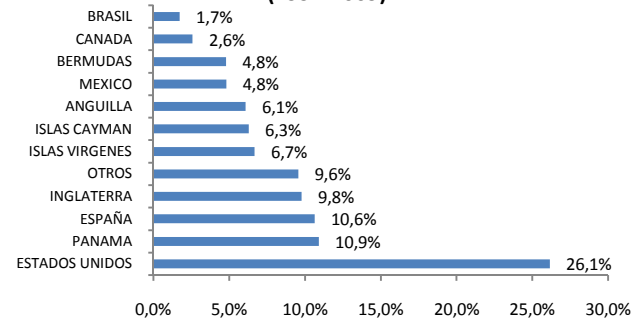
**Foreign Direct Investment by Sector  
(1994-2009)**



Total: US\$ 71.015 millions

Source: Banco Central (Banco de la República)

**Main Investing Countries  
(1994-2009)**



Total: US\$ 46.856,7 millones

Source: Banco Central (Banco de la República)

Do not include petroleum sector or profits reinvestment

#### 4. WORLD CLASS SERVICES FOR INVESTORS

The Colombian Government creates favorable conditions and offers the best support for investors. Proexport occupied position 16 in the list of the best investment promotion agencies of the world and provides the following services to foreign investors:

- Information requests (economic, sector specific information, legal, procedural, etc).
- Contacts with public and private sectors.
- Set up of agendas when investors decide to visit Colombia.
- Aftercare services for investors that are already established in the country.
- Assessment and improvement of business climate.

All services are free of charge. The primary goal is to create an efficient and friendly process for the development of new businesses. All information will be handled with discretion.

**Proexport has Investment Promotion Teams in 20 cities around the World. We will be delighted to assist you.**

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