GUIDE FOR EXPORTING SERVICES FROM COLOMBIA

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HOW TO EXPORT SERVICES FROM COLOMBIA?
1. IDENTIFY YOUR SERVICE SUPPLY MODE

The first thing you should do is to understand the essential elements of international trade in services. Based on the World Trade Organization (WTO) classification, the way a service is exported is characterized by the “element” that is transferred to the other country, either as a provider (i.e. the exporter) of a service (Modes 3 and 4), a consumer of a service (Mode 2), or the service itself (Mode 1).
MODES OF SUPPLY

**MODE 1** CROSS-BORDER SUPPLY

- **MEMBER ECONOMY A**
  - Consumer in A
  - Legal entity or natural person

- **MEMBER ECONOMY B**
  - Service supply economy

**SUPPLY OF SERVICES**

(WHAT IS TRANSFERRED IS THE SERVICE)

**MODE 2** CONSUMPTION ABROAD

- **MEMBER ECONOMY A**
  - Consumer in A
  - The consumer crosses the border to access the service

- **MEMBER ECONOMY B**
  - Consumer of A
  - Legal entity or natural person

**PROVISION OF SERVICES**
MODE 3: COMMERCIAL PRESENCE

ECONOMY A

- Consumer in A
- SUPPLY OF SERVICES
- Commercial presence

ECONOMY B

- Member
- Service supply economy
- Establishes a commercial presence in member A
- Contracted directly by an established foreign company
- Worker sent by a company from B
- Independent contractor from B travels to A
- Legal entity
- Natural person

MODE 4: MOVEMENT OF NATURAL PERSONS

ECONOMY A

- Consumer in A
- SUPPLY OF SERVICES
- Natural person

ECONOMY B

- Legal entity
- Natural person
- Worker sent by a company from B
- Independent contractor from B travels to A

The service crosses the border from the exporter’s territory to the importer’s territory. Neither the consumer nor the provider leaves their territory.

Examples:

» Consultancy service performed by e-mail.

» Call centers, where the service crosses Colombian borders, but both the provider and the consumer stay in their place of residence.

» International transportation, when a Colombian shipping company is contracted by a Peruvian company for transporting merchandise between the two countries.
The importer leaves his/her country of residency to consume the service in the territory of the exporting country.

Examples:

» Medical tourism: When a nonresident goes to Colombia to undertake a surgical procedure.

» Tourism: When a nonresident comes to Colombia for vacation.

» Educational services: When an Argentinean student comes to complete university studies at an institution located in Colombia.
The exporter of services makes an investment by establishing a commercial presence in the territory of the importing country.

**Examples:**

» A Colombian bank opens a branch in Costa Rica.

» Opening a Colombian restaurant in foreign territory.
Persons residing in the exporting country travel temporarily to the importing country to provide their services.

Examples:

» Consultants: A Colombian consultant travels to another country to supply his/her services.

» Repairs: A Colombian technician travels to another country to repair an aircraft.
2. MARKET STUDIES AND DEMAND

2.1. EVALUATE WHETHER YOUR COMPANY IS READY TO EXPORT

Answering the following questions will help you to evaluate your level of readiness for exporting and will allow you to identify the areas in your business that need strengthening in order to improve your export capabilities:

Does your company provide a service that has already been sold successfully in domestic markets? [YES] [NO]

Does your company have, or has it prepared an international marketing plan with defined strategies and goals? [YES] [NO]

Does your company have sufficient production capacity to attend the export market? [YES] [NO]

Does your company have sufficient financial resources to actively support marketing activities in the territory where services will be supplied? [YES] [NO]
Is your company’s management committed to developing a market for exports, and does it have the interest and capabilities to commit personnel, time and resources to the process?

Does your company offer the same level of service to the customers that is provided to domestic consumers?

Does your company have sufficient knowledge about the regulations for providing the service in the target?

Does your company have sufficient knowledge about cultural preferences for the consumption of the service in the target?

Does your company have sufficient knowledge about the availability of technological or other kinds of platforms that your service requires in the target?

Does your company have sufficient knowledge about the payment mechanisms used in exporting, such as online payments or international bank transfers?
2.2. RESEARCH AND SELECT THE MARKET THAT YOU WISH TO EXPORT INTO, IDENTIFYING THE CHARACTERISTICS AND PREFERENCES OF CONSUMERS IN YOUR TARGET COUNTRY OR REGION

- Design a business plan for your exports.
- Determine the best methods for taking the service to your target market.
- To consult ProColombia’s recommendations, visit the following website:
  
  http://www.colombiatrade.com.co/oportunidades-de-negocio
Go to the offices of the National Tax and Customs Administration or SuperCade and request registration as an exporter of services in the Unique Taxpayer Registry (RUT). You should specify the mode of supply and service to be exported based on the Central Product Classification (CPC).
4. IDENTIFY THE RELEVANT INTERNATIONAL AGREEMENTS FOR YOUR EXPORT
Consult the agreements currently in force signed by Colombia, such as:

**4.1. TRADE AGREEMENTS OR FREE TRADE AGREEMENTS (FTAs)**

FTAs seek to establish a clear and transparent regulatory framework for promoting development and increasing the supply of services. Among the most relevant commitments on matters of services are:

- **THE LIBERALIZATION OR IMPROVED ACCESS TO MARKETS FOR CERTAIN SERVICE SECTORS.**
- **PROHIBITION OF DISCRIMINATION BETWEEN SERVICES AND PROVIDERS OF DOMESTIC AND FOREIGN SERVICES (NATIONAL TREATMENT).**
- **MECHANISMS FOR THE SETTLEMENT OF CONTROVERSIES THROUGH WHICH COLOMBIA CAN ENSURE COMPLIANCE WITH COMMITMENTS ACQUIRED IN TRADE AGREEMENTS.**

In order to check on or report a breach of the commitments of a Trade Agreement, write to:

colombiaexportaservicios@mincit.gov.co
4.2. DOUBLE TAXATION AGREEMENTS (DTAs)

These treaties contain rules for preventing double taxation with respect to the direct taxes (i.e. Income and Capital Gains) that are generated for people who are tax residents of any of the signatory countries, for example the DTA between Colombia and Spain:

To consult the DTAs signed by Colombia that are currently in force, follow this link:

5. IDENTIFY THE APPLICABLE REGULATIONS IN THE DESTINATION COUNTRY FOR YOUR EXPORTS

Review how taxes are treated with respect to your service in the country you plan to export to.

• For Mode 1 (i.e. cross-border supply) take into account the regulations regarding withholding taxes at the territory where the services are provided.

• For Mode 4 (i.e. movement of natural persons), take into account the applicable regulations:
  » Licenses, registrations and authorizations for providing the service.
  » Immigration regulations, visas and entrance permits.
6. IDENTIFY THE TAXES THAT YOU SHOULD PAY IN COLOMBIA

6.1. INCOME TAX

DISCOUNT FOR TAXES PAID ABROAD

If you are an exporter of services with fiscal residence in Colombia, you are subject to the income tax and other complementary taxes with respect to your income and occasional earnings from domestic and foreign sources. This tax based on “global income” can cause a phenomenon known as double taxation. This is understood as the imposition of similar taxes (concurrence of tax rules) in two or more states, upon a single entity (taxpayer) with respect to the same generating fact (taxable matter), during the same period of time.
With the aim of avoiding double taxation, Article 254 of the Tax Statute allows fiscal residents to deduct taxes paid abroad associated with foreign income from the taxes to be paid in Colombia, as long as the deduction does not exceed the amount of the tax that should be paid in Colombia for this same amount of income.

The aforementioned is notwithstanding the application of any rules contained in DTAs signed by Colombia.

6.2. VALUE ADDED TAX (VAT)

6.2.1. VAT EXEMPTION

- **MODE 1 (CROSS-BORDER SUPPLY)**

  If your service is exported to be exclusively consumed abroad, issue your invoice with VAT declared as Zero (0) and keep all supporting documentation in accordance with the provisions of Decree 2223 from 2013.
Exemption for services that might return to the country:

• Services directly related to film production, which, once exported, are broadcasted abroad by their beneficiary in the international market and can be accessed from Colombia by any technological means.

• Services directly related to software development, which are copyright protected and, once exported, are disseminated abroad by their beneficiary in the international market and can be accessed from Colombia by any technological means.

• **MODE 2 (CONSUMPTION ABROAD)**

  In the case of tourist services provided in Colombia, if a foreign resident makes use of these tourist services, issue your invoice with VAT declared as Zero (0) and keep all supporting documentation in accordance with the provisions of Decree 2646 from 2013.

• **MODE 3 (COMMERCIAL PRESENCE) AND MODE 4 (MOVEMENT OF NATURAL PERSONS)**

  **The VAT exemption does not apply.**

6.2.2. Refund of the VAT paid for the exportation of the service

If the service exported is exempt from the VAT, you can request that the VAT paid on any supplies used for the exportation of the service be refunded.

The procedure for getting a refund of the VAT is regulated by Decree 2877 from 2013.

Identify whether your economic activity falls within any of the special regimes established by the Government to promote foreign trade in services.
7.1. VALLEJO SERVICE PLAN

It establishes the importation of capital assets duty free and with deferred payment of VAT in order to provide services that are exported.

- The imported capital assets should be used for the exportation of services.
- In order to obtain this benefit, companies should request authorization from the National Tax and Customs Administration prior to carrying out the importation.

7.2. FREE TRADE ZONES FOR SERVICES

- Application of a special 15% of income tax rate for industrial users of goods and/or services, and for the operator user.
- 9% of income tax rate for equity (CREE) for free trade zones and industrial users of goods and/or services that obtained their Free Trade Zone status after December 31, 2012.
- Additional information about free trade zones can be found here:

In Colombia, the transfer of currency as a result of a service related operation is not considered as an operation which must be handled through the Foreign Exchange Market (e.g. bank or compensation account).

In practice, when the consumer of the service abroad pays the supplier of the service in Colombia, he or she usually makes a wire transfer. This transfer is considered as voluntary channeling through the Foreign Exchange Market and requires the filling of Form No. 5 “Foreign Exchange Declaration for Services and Transfers” of the Central Bank.

8. EXCHANGE RATE REGIME

WARNING: This information should only be considered as an informative guide and should not be cited or attributed to any law or legal authority. Additionally, this information can become obsolete at any time, fully or partly, without prior notice.