The general income tax rate is 25%.

The income tax rate is progressive for companies going into business or taking their previous activities to formality as from January 1, 2011; this progressiveness applies to companies deemed “small” on the grounds of their assets and number of employees.

The rate of the income tax for equality (CREE) is 9%. From the year 2015 on, companies with incomes higher than COP 800,000,000 (USD 335,000 approximately) will be subject to an additional 5% surcharge which will be progressively increased up to 9% in the year 2018. After that year, the CREE surcharge will be eliminated.

Income tax for companies established in a Colombian free trade zone regime is 15%, which applies for both the export of goods and services and for national operations.

Tax regulations have incorporated several tax benefits (exemptions, special credits, additional deductions, etc.) which seek to encourage priority sectors for the national economy, improve infrastructure and assets of the country’s companies, as among other, which aim to generate more formal employment.
The following table provides a general overview of the main attributes of the Colombian tax system:

<table>
<thead>
<tr>
<th>TYPE OF TAX</th>
<th>MAIN ASPECTS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NATIONAL TAXES</strong></td>
<td></td>
</tr>
</tbody>
</table>
| Income tax | General rate: 25%  
Industrial uses and operators of free trade zones: 15%  
Foreign companies not having a branch or permanent establishment of business in Colombia: 33% |
| Capital gains | Leves certain specific incomes such as profits obtained as a result of inheritances, sale of fixed assets, and lotteries.  
Rate: 10% |
| Income tax for equality - CREE | Consists of a tax similar to the income tax, with certain differences on the deductions applicable when determining the taxable base.  
Rate: 9% |
| Surcharge to the income tax for equality - CREE | From the year 2015 on, companies with incomes higher than COP 800,000,000 (USD 335,000 approximately) will be subject to an additional 5% surcharge, which will be progressively increased up to 9% in the year 2018. After that year, the CREE surcharge will be eliminated. |
| GMF (debit tax) | Levies financial transactions at a 0.4% rate.  
This rate will be reduced as follows:  
0.3% in the year 2019;  
0.2% in the year 2020 and;  
0.1% in the year 2021.  
This tax will be eliminated on January 1, 2022. |
| Value added tax - VAT | Tax upon sales, importation of goods, and the provision of services  
General rate: 16%  
Special rates: 0% / 5% |
<table>
<thead>
<tr>
<th>TYPE OF TAX</th>
<th>MAIN ASPECTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wealth tax</td>
<td>Applicable to companies with equity higher than COP 1,000 million (USD 418,000 approximately) by January 1, 2015.</td>
</tr>
<tr>
<td></td>
<td>Rates:</td>
</tr>
<tr>
<td></td>
<td>For the year 2015: between 0.20% and 1.15%, depending on the equity of the company.</td>
</tr>
<tr>
<td></td>
<td>For the year 2016: between 0.15% and 1%, depending on the equity of the company.</td>
</tr>
<tr>
<td></td>
<td>For the year 2017: between 0.05% and 0.40%, depending on the equity of the company.</td>
</tr>
<tr>
<td>Consumption tax</td>
<td>Levies sales on specific sectors, such as sales of vehicles, telecommunications, food and beverages.</td>
</tr>
<tr>
<td>Vehicles/telecommunications/food and beverages</td>
<td>Rates: 4% / 8% and 16%</td>
</tr>
<tr>
<td>LOCAL TAXES</td>
<td></td>
</tr>
<tr>
<td>Industry and commerce tax (ICA)</td>
<td>From 0.2% to 1.4% of the income of the company, depending on the municipality.</td>
</tr>
<tr>
<td>Real estate tax</td>
<td>From 0.3% to 3.3% of the value of the property, depending on the municipality.</td>
</tr>
<tr>
<td>Registration tax</td>
<td>According to the act, between 0.1% and 1%.</td>
</tr>
<tr>
<td>TAX MECHANISMS</td>
<td></td>
</tr>
<tr>
<td>Offset of tax losses</td>
<td>To be offset in future years, without time or percentage limitation (for losses incurred as from 2007).</td>
</tr>
<tr>
<td>Offset of excess presumptive income over net income</td>
<td>Compensation is permitted within the following five years.</td>
</tr>
<tr>
<td>Tax credits</td>
<td>Tax credits are permitted for certain operations such as the following:</td>
</tr>
<tr>
<td></td>
<td>i) Taxes paid abroad;</td>
</tr>
<tr>
<td></td>
<td>ii) Payroll taxes of new employees;</td>
</tr>
<tr>
<td></td>
<td>iii) VAT paid in the import of machinery and equipment for basic industries.</td>
</tr>
<tr>
<td></td>
<td>iv) Two points of the VAT when buying local or imported capital goods levied at a 16% rate.</td>
</tr>
<tr>
<td></td>
<td>Certain requirements and limitations shall be observed.</td>
</tr>
<tr>
<td>Agreements to avoid double taxation (DTA) with Canada, Chile, Mexico, Portugal, India, Spain, Switzerland, South Korea, and the Andean Community (Bolivia, Ecuador and Peru)</td>
<td>Please refer to chapter 1 of this &quot;Legal Guide to Doing Business in Colombia 2015,&quot; on protection of foreign investment.</td>
</tr>
<tr>
<td>Transfer pricing</td>
<td>Applies to transactions with foreign related parties, including branches and permanent establishments and transactions between free trade zone users and related parties in the national customs territory.</td>
</tr>
</tbody>
</table>
The Colombian tax system includes national, regional and municipal taxes.

The main national taxes are the income tax, the income tax for equality (CREE), the value added tax (VAT), and the debit tax. The main municipal and regional taxes are the industry and commerce tax (ICA), the real estate tax and the registration tax.

7.1. INCOME AND CAPITAL GAINS TAX

Income tax is a national duty levied on revenues that increase the taxpayer’s net equity derived from regular corporate operations. On the other hand, the capital gain tax levies revenues not arising from the ordinary operation of the company such as the disposal of fixed assets owned for more than two years, revenues from inheritances, estates, donations and similar acts, as well as those received as a spouse’s participation in a marital community property.

7.1.1. Tax General Information

Tax revenues are made of the receipt of resources (cash or assets) capable of increasing the taxpayer’s net equity.

Domestic companies and individuals resident in Colombia are taxed on their revenues, assets and capital gains obtained in the country or abroad.

A company is considered Colombian if (i) it was incorporated in Colombia; (ii) has its main place of business in Colombia; or (iii) has its direction or place of management in Colombia.

An individual is considered tax resident in Colombia if it fulfills one of the following requirements:

i) Staying in Colombia during more than 183 days, whether continuous or not, including the days of entry and leaving the country, during any period of 365 consecutive days, being understood that wherever the stay in the country, continuous or not, lapses during more than one taxable year or period, the individual shall be deemed a resident during the year in which he/she reaches the mentioned 183 days;

ii) Colombian nationals that have vital, financial or business center in Colombia during the corresponding taxable year or period, unless most of the income arises from another jurisdiction or most of its assets are located outside Colombia.

Foreign companies are income taxpayers as regards the revenues and net equity held in Colombia, either directly or through branches or permanent establishments.

The income tax is liquidated on an annual basis for the period between January 1 and December 31 of the relevant year. The tax may be liquidated for a fraction of a year in particular cases such as company liquidation or unsettled estates of deceased persons, as well as the disposal of shares owned in Colombia by foreign investors.

7.1.2. Domestic-Source Income

As a general rule, Colombian law provides that the following revenues are domestic sourced:

• Those arising from the exploitation of tangible and intangible assets within the Colombian territory.

• Those arising from services rendered in Colombian territory.

• Those arising from the disposal of tangible and intangible assets located in the country when disposed of.

There are other cases deemed as revenues obtained from a Colombian source:

• Financial yields arising from foreign indebtedness granted to residents in the country, as well as the financial cost of rental installments under international leasing agreements.

• Revenues from the provision of technical services, technical assistance or consultancy services to residents in Colombia, regardless of whether they are provided in the country or from abroad.

7.1.3. Revenues Not Deemed of Domestic Source

The following events do not trigger domestic-sourced revenues, among others:

• Loans arising from the import of goods provided the term thereof does not exceed 24 months.

• Revenues arising from repair and maintenance technical services rendered abroad for equipment.

• Revenues arising from the disposal of titles, bonds or other titles of debt issued by a Colombian issuer which are traded abroad.
• Loans obtained abroad by financial institutions, financial cooperatives, financing companies, Colombian Foreign Trade Bank (BANCOLDEX), FINAGRO and FINDETER and the banks incorporated pursuant to Colombian regulations in force.

• Revenues arising from the training of Government staff provided abroad to public entities.

• Revenues arising from the disposal of foreign goods owned by foreign companies or individuals not resident in the country, entered from abroad to international logistic distribution centers located at sea ports authorized by the National Tax and Customs Authorities (DIAN).

7.1.4. Tax Rate and Taxable Base

The general income tax rate is 25% for national or foreign persons with a permanent establishment or branch in Colombia. For legal entities that are users of free trade zones (with exception of commercial users), the applicable income tax rate is 15%. Certain companies deemed “small” on the grounds of their asset volume and number of employees1, which started operations as from 2011 and following, shall have a special income tax rate as follows: 0% during the first two years, 6.25% during the third year, 12.50% during the fourth year, and 18.75% for the fifth year. They shall be subject to the general rate as from the sixth year of operation.

Foreign companies without a permanent establishment or a branch in the country are subject to a special income tax rate, as follows: for the year 2015, the rate will be 39%; for the year 2016, the rate will be 40%; for the year 2017, the rate will be 42% and for the year 2018, the rate will be 43%. From January 1, 2019, this rate will be lowered to 33%.

“Small companies” that started their economic activity after 2011, having its corporate domicile and performing all of their economic activity in the departments of Amazonas, Guainia and Vaupes, shall have a special income tax rate, as follows: 0% during the first eight years, 16.50% for year nine and 24.75% for year ten. They shall be subject to the general tax rate from the eleventh year onwards.

Current legislation dictates that revenues arising from some services and activities performed in the Archipelago of San Andrés, Providencia and Santa Catalina department will be exempt for income tax purposes. There are also exempt revenues for other particular industries.

Pursuant to the Colombian tax system, the taxable base for the income tax may be determined in one of three ways: the ordinary system, the presumptive income system and the equity comparison system.

7.1.4.1. Ordinary System

This system includes all revenues, whether ordinary or extraordinary, obtained during the taxable year or period, capable of resulting in a net increase in equity upon receipt, which are not expressly exempt. Returns, rebates and discounts are subtracted from revenues to obtain net revenues. Costs incurred and attributable to such revenues are subtracted from net revenues to obtain gross income. Deductions allowed are subtracted from the gross income to obtain the net income. Save legal exceptions, the net income shall be the taxable income and the tax rate set by the law, shall be applied thereon.

Ordinary and extraordinary revenues

(-) (Revenues not deemed income or occasional gains).  
(-) (returns, rebates and discounts).

Net revenues

(-) (costs)

Gross income

(-) (deductions)

Net income

7.1.4.2. Presumptive Income System

Under this system assumption is made that the taxpayer’s net ordinary income is never less than 3% of his/her net equity held on the last day of the immediately previous taxable year. Should the net income be lower than presumptive income, the income tax is assessed on the latter.

The presumptive income system is not applied to “small companies” incorporated after 2011, during their first five taxable years, and if such companies incorporate and perform their activities in the departments of Amazonas, Guainia and Vaupes, the benefit shall be extended to ten years.

1For the purpose of applying the progressivity in the income tax rate for new companies (starting operations during 2011 onwards), new companies are those with 50 employees or less and with assets not to exceed 5,000 minimum wages (USD 1,348,000 approximately for the year 2015).
This presumptive income system is neither applicable to companies with the following corporate purposes or to those that are under the mentioned situations:

- Domiciliary utility services.
- Investment fund, security fund, common fund, pension or severance fund services.
- Passenger massive urban public transportation service.
- Utilities supplementary to electric power generation.
- Official entities operating waste water treatment and cleaning services.
- Companies under debtor reorganization plan.
- Companies under liquidation during the first three years.
- Entities subjected to control and supervision by the Financial Superintendence that have been authorized to be liquidated or subject matter of possession taking.
- Land banks of district and municipalities, regarding land devoted to become urban with social interest housing.
- The event and convention centers in which the chambers of commerce have a major interest and those incorporated as industrial and commercial companies of the State or as partially Government-owned corporation in which the Government participation in the company’s capital exceeds 51%, provided that they are duly authorized by the Ministry of Commerce, Industry and Tourism.
- Public corporations whose main object is the procurement, alienation and administration of nonproductive assets belonging to them, or acquired from credit establishments of same nature.
- Assets linked to entities entirely devoted to mining activities (excluding hydrocarbons).
- Health, education, sports and research activities, among others, performed by non-for-profit foundations, corporations and associations.
- Hotel services rendered in new hotels or in hotels that have been remodeled or enlarged.
- Ecotourism services certified by the Ministry of Environment.

The assessment of the income tax on the grounds of the equity comparison system assumes that the variation of the equity included in the tax return, as compared to that of the previous year, not properly supported, will be subject to tax as a special net income, that is to say, in principle it shall not be reduced by costs of expenses incurred.

If and when the tax to be paid has been determined based on the presumptive income, taxpayers are entitled to a deduction, during the five following years, equal to the excess of presumptive income over ordinary income, adjusted for tax purposes.

### 7.1.4.3. Equity Comparison System

The assessment of the income tax on the grounds of the equity comparison system assumes that the variation of the equity included in the tax return, as compared to that of the previous year, not properly supported, will be subject to tax as a special net income, that is to say, in principle it shall not be reduced by costs of expenses incurred.

### 7.1.5. Revenues Not Deemed Income for Tax Purposes

The law provides for some special tax treatment that allows excluding certain revenues when estimating the taxable base. Such revenues include, among others, dividends and participations (provided they arise from profits already taxed in the name of the Colombian company distributing them); profits from the disposal of shares listed on the stock market that do not exceed 10% of the corresponding company’s capital, during the same taxable year, by the same beneficial owner; proceeds from damage insurance, and the distribution of profits upon liquidation of companies, up to the amount of the capital investment.

Notwithstanding the above, revenues not deemed as ordinary income or capital gains should be analyzed on a case by case basis to determine whether such tax treatment is applicable or not.

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*The net equity value results from multiplying the equity value of the asset by the percentage resulting from dividing the net equity by the gross equity.*
7.1.6. Costs, Deductible Expenses and Other Deductions

Costs are expenditures directly related with the acquisition or manufacturing of goods or the provision of services. These costs directly related with the taxed income-producing activity of the taxpayer are deductible from the income tax, provided they are necessary, proportionate and accrued or paid during the relevant taxable year.

Expenses are expenditures that contribute to the development of the taxpayer’s taxed activities, such as administration, research and financing of an economic entity. Expenses must fulfill the same criteria set for costs regarding causality, proportionality and necessity. They are recognized upon payment or credit to account.

As from January 1, 2019, deductibility of expenses and expenditures paid in cash will be limited to the lower amount between the following reference values: (i) a percentage of the payments made in cash in the corresponding tax year; (ii) a determined value expressed in Tax Value Units (UVT by its acronym in Spanish); and (iii) a percentage of the total costs and expenses incurred by the tax payer in the relevant tax year.

These limitations are not applicable to other type of deductions which may involve payment of obligations through other means (payment in kind, offsetting, among others).

The tax system foresees particular rules applicable to certain costs and expenses, among which we highlight the following:

7.1.7. Salaries and Payroll Taxes

Salaries paid or accrued to employees are deductible, provided the employer has applied the relevant withholdings and has paid all payroll taxes (ICBF, SENA, family welfare) and social security.

7.1.8. Taxes Paid

Of all taxes payable by a taxpayer at the national, regional or municipal levels, only the following are deductible:

- 100% of the industry and commerce tax and real estate tax paid during the relevant taxable year.
- 50% of the debit tax paid during the relevant year.
- 75% of the provincial and district tax paid during the relevant taxable year.
- 100% of the social security tax paid during the relevant taxable year.
- 50% of the social insurance tax paid during the relevant taxable year.
- 100% of the social benefits tax paid during the relevant taxable year.
- 100% of the social services tax paid during the relevant taxable year.
- 100% of the municipal tax paid during the relevant taxable year.

7.1.9. Interests

Interests accrued on obligations with entities supervised by the Colombian Financial Superintendence are fully deductible.

Interests accrued in favor of other individuals or entities are only deductible in the portion not exceeding the highest interest rate authorized to be charged by banking entities during the relevant taxable period.

In any event and except for the funding of utilities infrastructure and housing projects, income taxpayers may only deduct the interests arising from obligations which average, during the relevant taxable year, does not exceed three times the taxpayer’s net equity as of December 31 of the immediately preceding taxable year.

For the calculation of the debt, the principal value of the debt and the number of days during the respective taxable period will be taken into account. The limitation will not apply during the year of constitution of legal persons since in that case there will be no equity in the year prior to its constitution.

7.1.10. Expenses Incurred Abroad

Costs and expenses incurred abroad are deductible as long as they comply with the general requirements already mentioned and the relevant withholdings have been applied.

The following expenses incurred abroad are deductible without the requirement of withholdings:

- Payments to foreign brokers arising from the purchase or sale of goods or commodities, raw materials or other goods, in the amount not exceeding the percentage of the transaction value set by the Ministry of Public Finance and Credit for the taxable year.
- Interests on short-term loans (less than one year) arising from the import or export of goods, or bank overdrafts.
- Costs and expenses incurred abroad arising from transactions with residents in jurisdictions with which Colombia has entered DTAs containing nondiscrimination clause.
- Costs and expenses incurred abroad related with foreign-source taxable income for Colombian taxpayers.
• The purchase of movable goods abroad.
• Acquisition of assets that need to be capitalized for further depreciation.

Notwithstanding the rules mentioned, costs or deductions on the grounds of expenses incurred abroad to obtain domestic-source income on which no withholdings were applied (not required), shall not exceed 15% of the taxpayer’s net income estimated prior to subtracting such costs or deductions.

7.1.11. Donations

Donations to certain entities expressly set by law are deductible for income tax purposes during the taxable period of the donation, upon fulfillment of the particular legal requirements. Some of these entities are foundations and non-for-profit associations, and entities developing activities of social interest such as health, education and research activities.

7.1.12. Investments and Donations for Scientific and Technological Development

Income taxpayers who directly or indirectly invest in, or give grants to, projects qualified as innovation, technological research and development (which can be scientific, technological or technological innovation projects), or in professional education projects of public or private higher education institutions, acknowledged by the National Government, shall be entitled to deduct from their net income 175% of the amount invested during the taxable period during which the investment was made. Such deduction shall not exceed 40% of taxable income, as estimated prior to subtracting the amount invested.

7.1.13. Investment in Environmental Control and Improvement

Legal entities making direct investment in environmental control and improvement shall be entitled to deduct the amount invested during the taxable year they were made. Amounts so deductible shall not exceed 20% of taxable income as estimated prior to subtracting the amount invested. Investments made upon the request of environmental authorities are not eligible for this benefit.

7.1.14. Offset of Tax Losses

Tax losses assessed by taxpayers as from taxable year 2007, can be offset against ordinary net income obtained during any subsequent taxable period without limitation in time or amount, without affecting the presumptive income for the period. Such tax losses cannot be transferred to the partners or shareholders.

Regarding mergers and spin-offs, the acquiring company or the surviving company may offset, with ordinary net income, the tax losses incurred by the absorbed or spun-off companies up to a limit equal to the percentage of participation of the equity of the absorbed or spun-off companies within the equity of the surviving company or the beneficiary company resulting from the merger or spin-off, provided the entities carry out the same economic activity.

7.1.15. Amortization of Investment

It is the distribution of the cost of a certain investment recognized as assets, during its useful life or during any other time period set with valid criteria. Pursuant to the tax regulations in force, investments for the purposes of the taxable business or activity inherent to taxpayer, other than investments in real estate property or depreciable fixed assets, may be amortized. This is the case of disbursements related to the activity capable of losing value and should be recorded as assets to be amortized during one year or more according to the accounting technique, or which should be treated as deferred assets such as preliminary installation, organization or development expenses, or costs related to exploration and mining.

General methods of depreciation are straight-line and reducing balance. In the case of nonrenewable natural resources, depreciation can be performed based on the method of unit costs or operating the straight-line method.

These investments are to be amortized in a term not less than five years, except if due to the nature or duration of the business amortization is due within a shorter period of time.

7.1.16. Depreciation

Reasonable values of depreciation arising from the wear, normal decline or obsolescence of fixed assets used in income-producing business or activities are tax deductible.

Useful lives are set by the regulations in five, ten and twenty years, as a general rule, even though they may be extended or reduced upon the authorization of tax authorities.
<table>
<thead>
<tr>
<th>Description</th>
<th>Useful life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computers and vehicles</td>
<td>5 years</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>10 years</td>
</tr>
<tr>
<td>Real estate, pipelines</td>
<td>20 years</td>
</tr>
</tbody>
</table>

There are mechanisms to accelerate tax depreciation of assets which allow for differences between the tax and accounting (trade) treatment of such depreciation.

Preauthorized methods of depreciation are the straight-line method and the declining balance method.

### 7.1.17. Exchange Difference

Payments made in foreign currency are estimated at the acquisition price in Colombian currency. When debts or assets in foreign currency exist, their value is adjusted to the market representative exchange rate (TRM in Spanish) in force on the last day of the year, and differences arising therefrom shall be taxable or deductible, as the case may be.

### 7.1.18. Tax Exempt Income

Income arising from the following activities is tax exempt:

- Domestic publishing companies which purpose is the publication of books, magazines, booklets or serial collectable booklets of a scientific or cultural nature are exempt until 2033.

- Payment of capital and interests, commissions and other fees associated with external public credit transactions and the like is exempt from all national taxes, levies and contributions, provided the recipient has no domicile or is not a Colombian resident.

- The sale of electric power generated using wind based energy, biomass or agricultural waste is exempt during fifteen years, provided the company itself undertakes the sale, and issues and negotiates greenhouse gas reduction certificates.

- The provision of fluvial transportation services with boats and slabs of shallow draught is exempt during fifteen years as from 2003. Those boats and slabs which loaded depth is equal to or less than 4.5 feet qualify as shallow draught.

- Hotel services provided at new hotels built until December 31, 2017, are exempt during thirty years, counted as from the beginning of operations.

- Hotel services provided at hotels remodeled and/or enlarged until December 31, 2017, are exempt during thirty years, in the proportion of the remodeling and/or enlargement in the tax cost of the so remodeled or enlarged real estate.

- Ecotourism services are exempt for twenty years from the date on which the operations begin.

- Income arising from investment in new forest plantations sawmills and timber-yielding tree plantations are tax-exempt.

- Software created in Colombia and protected with new patents registered with the relevant authorities, having a significant content of domestic scientific and technological research, are exempt until December 31, 2018.

- Yields arising from the stabilization reserve of retirement and severance fund administration companies as set forth in section 1 of Decree 721 of 1994, are tax-exempt.

- Income obtained by new companies incorporated, and effectively located and developing their activities in the Archipelago of San Andrés, Providencia and Santa Catalina department, arising from the provision of tourism services, stockbreeding, fish farming, sea culture, maintenance and repair of ships, health, data processing, call center, financial brokerage service, technological development programs approved by Colciencias, education and maquila activities are exempt provided the companies taking advantage of this exemption hire under a labor agreement at least twenty employees and increase the job posts by 10% per year, as compared to the number of employees of the immediately preceding year.

- Payment of financial returns related to credit operations, insurances, reinsurances and other financial activities carried out in the country by governmental financial entities and cooperation agencies from countries that have signed a cooperation agreement in these matters with Colombia.

### 7.1.19. Tax Discounts

Certain items may be directly subtracted from the income tax. The scope of the discount should be checked for each item; additionally, the total to be discounted cannot exceed 75% of the taxpayer’s tax as estimated using the presumptive income system.

Some of the main discounts applicable are:
• Discount for taxes paid abroad (tax credits). Residents in Colombia and domestic companies and entities that are income tax taxpayers, who receive income from a foreign source subject to income tax in the country of origin, are entitled to deduct from the Colombian income tax, the tax paid abroad, no matter its designation, estimated on such income, under certain conditions and applying the mathematical rule established in law.

In the event of income arising from dividends are perceived abroad, the tax to be discounted is the result of multiplying the tax rate applicable to the distributing entity or its subsidiaries when the distributing entity obtained profits, (indirect credit), by the amount of dividends or profits upon distribution (direct credit), under certain conditions and applying the mathematical rule established in law. Taxpayers must evidence their direct interest in the company or entity from which they receive the dividends and, as regards the indirect credit, must have an indirect interest that is a fixed asset owned as part of their equity for more than two years.

The tax credit not used in a given taxable year may be used within the four following years.

Taxpayers shall evidence taxes paid abroad by means of a tax payment certificate or other valid evidence.

In any event, the tax credit shall not exceed the income tax, payable by the taxpayer in Colombia over the same income.

• Other discounts applicable are: discount on CREE tax for taxes paid abroad; discount to Colombian air or sea transportation companies; discounts on the grounds of tree growing in reforestation areas; discount of the VAT paid upon the import and purchase of heavy machinery for basic industries; discount of two points of VAT paid in the purchase or importation of capital goods with a 16% rate and discount for companies in the agriculture industry quoted on stock exchanges.

carry out transactions with related parties located at any of the free trade zones; or (iii) carry out transactions with related parties resident in Colombia as regards the permanent establishment of one of them out of the country; or carry out transactions with persons or entities located or domiciled in tax havens, shall be subject to transfer pricing. Consequently, they shall estimate their revenues, costs and deductions at market value and under the arm’s length principle.

For the purposes of the income tax, and particularly for the purposes of applying the transfer pricing system, the law sets forth the relationship criteria as follows: (i) subsidiaries; (ii) branches; (iii) agencies; (iv) permanent establishments; and (v) other economic bonding situations, including the cases wherever the transactions are carried out between related parties through an independent third party, wherever more than 50% of the gross revenues arise individually or jointly from their partners or shareholders, or wherever there exist consortiums, temporary unions, association in participation agreements and other association models that do not give rise to legal entities.

Colombian regulations regarding transfer pricing enacted as from taxable year 2004, follow in general terms the guidelines of the Organization for Cooperation and Economic Development (Organización para la Cooperación y el Desarrollo Económico - OCDE in Spanish); nevertheless, such guidelines are a subsidiary source of interpretation and do not have a binding effect.

As from January 1, 2015, transfer pricing regulations are applicable to the regulations regarding CREE tax.

7.1.20.1. Obligations Arising from the Transfer Pricing Regulations

Income taxpayers, including persons, entities and permanent establishments (i) with gross equity higher than 100,000 tax value units (Unidades de Valor Tributario - UVT in Spanish) (approximately USD 1,183,222 for taxable year 2015) or (ii) with gross revenues higher than 61,000 UVT (approximately USD 721,765 for taxable year 2015) in the taxable year immediately preceding shall submit a yearly statement including all transactions carried out with economic or other related parties.

On the other hand, entities subject to transfer pricing regulations shall prepare and send documents evidencing that each of the transactions carried out complies with the transfer pricing regime. Such documents shall be

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8Section 260-1 of the Tax Code. The relationship principle is applied to all companies and noncompany vehicles or entities making up the group, even if the parent is domiciled abroad.
The transfer pricing model sets penalties as regards these obligations. Regarding evidencing documents, penalties are applied on the grounds of: (i) late submission of documents; (ii) lack of consistency (mistakes, content not related to that requested or which does not allow verifying application of the model); (iii) omission of information to be shown in supporting documents; and (iv) correction of supporting documents.

Regarding the information statement, penalties shall be imposed on the grounds of: (i) late submission; (ii) lack of consistency in the information contained in the statement and the evidencing documents; (iii) omission of information in the statement, and (iv) failure to submit the information statement.

7.1.20.2. Scope of the Transfer Pricing Model

The transfer pricing model is also applied to other activities carried out by income taxpayers in Colombia. They are, among others: (i) the contribution of intangible assets, which shall be included in the transfer pricing information statement, regardless of the contribution amount; (ii) the estimation of income and capital gains associated with permanent establishment, on the grounds of functions, assets, risks and headcount; and (iii) evidence to contradict tax abuse, where the price or agreed upon compensation must fit in the market range pursuant to the transfer pricing methodology.

7.1.21. Capital Gains Tax

As supplementary to the income tax, the capital gains tax is levied on income obtained from certain transactions as expressly defined by law.

Capital gains are a different group from that of ordinary income, and consequently deductions are applied independently, which means that no costs and deductions can be deducted from other concepts nor such income can be offset against tax losses, unless they are capital losses arising during the same taxable year.

Most relevant transactions subject to the capital gains system include:

• Gains (difference between the price of disposal and the tax cost of the asset) arising from the disposal of taxpayer’s fixed assets owned during two or more years.
• Gains arising from the liquidation of a company, of whatever nature, on the excess over invested capital, wherever the gain realized is not income, reserves or commercial profits capable of being distributed as untaxed dividends, provided that the company has two or more years of existence at the time of liquidation.
• Gains arising from inheritance, legacies or donations, as well as the ones received as participation in the marital community property.
• Gains from lotteries, prizes, raffles and the like.
• Gains from any other gratuitous agreement between living parties.

Regulations foresee some exceptions for capital gains arising from the disposal or transfer of real estate, provided certain conditions are met and within certain previously set amounts.

For domestic and foreign companies and entities, as well as for resident or nonresident individuals, the unique rate on capital gains is 10%, regardless of the origin of the capital gain or type of asset.

7.1.22. Tax Withholding

Colombian tax laws define withholdings as an early tax collection mechanism. This means that withholdings are only applicable if the activity is taxed.

Withholding agents are, among others, the legal entities that on the grounds of their functions take part in acts or transactions where, by express legal mandate, they must apply tax withholdings.

Main obligations of withholding agents are: applying the relevant withholdings; depositing the amounts withheld at the places and within the terms set by the Government; submitting the monthly withholding tax returns; and issuing the relevant withholding certificates.

Income tax withholdings range from 1% to 20% for transactions between domestic companies or between Colombian residents.
The main income tax withholdings applicable for payments abroad of Colombian-sourced income to entities not domiciled in Colombia, on the most significant transactions are as follows:

<table>
<thead>
<tr>
<th>TRANSACTION</th>
<th>INCOME TAX WITHHOLDING RATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payment for technical services, technical assistance or consultancy services (rendered in Colombia or abroad).</td>
<td>10%</td>
</tr>
<tr>
<td>Payment for services rendered in Colombia (other than those mentioned above)*.</td>
<td>33%</td>
</tr>
<tr>
<td>Payment for services rendered by an entity or a person with domicile or residence in one of the jurisdictions considered as tax haven by Colombian regulation.</td>
<td>33%</td>
</tr>
<tr>
<td>Payment of services rendered abroad (other than those mentioned above).</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Administration fees (overhead expenses) for general services rendered abroad.</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Royalties on the acquisition and exploitation of intangible assets.</td>
<td>33%</td>
</tr>
<tr>
<td>Software licensing.</td>
<td>26.4%</td>
</tr>
</tbody>
</table>

*If the services are rendered by an entity or a person domiciled in Colombia or resident of a jurisdiction deemed as tax haven by the Colombian Government, the applicable withholding rate is 33%. If no withholding is applied, such expenditure cannot be deemed as deductible cost or expense for income tax and CREE purposes.

7.2. INCOME TAX FOR EQUALITY (CREE)

7.2.1. General Considerations

The taxable event as regards the income tax for equality (CREE) is the receipt of revenues capable of increasing the net equity of taxpayers during the taxable year or period.

7.2.2. Taxpayers

Companies and legal entities and the like (as defined by law), under the obligation to file returns, as well as foreign companies who are income taxpayers obliged to file returns on the grounds of their domestic-sourced revenues obtained through branches and permanent establishments.

7.2.3. Taxable Base

CREE’s taxable base shall be estimated taking all of the taxpayer’s gross revenues capable of increasing the net equity realized during the taxable year, including capital gains, minus returns, rebates and discounts, and subtracting only those revenues that are not deemed income, certain exempt income, costs and deductions expressly authorized by law, that are proportionate, necessary and are linked to the income generating activity, under certain conditions.

In any event, the taxable base shall not be less than 3% of the taxpayer’s net equity on the last day of the immediately preceding taxable year (same as the presumptive income base).

7.2.4. Tax Rate

Tax rate is 9%. From the year 2015 on, companies with incomes higher than COP 800,000,000 (USD 335,000 approximately) will be subject to an additional 5% surcharge, which will be progressively increased up to 9% in the year 2018. After that year, the CREE surcharge will be eliminated.

7.2.5. Withholding Tax

For purposes of the collection and administration of the CREE, all taxpayers are qualified as self-withholding agents.

The CREE self-withholding rates range between 0.4% and 1.6% of the payment or credit to account, and is determined by the main economic activity of the taxpayer that applies the self-withholding, pursuant to the list of economic activities published by the Government.

CREE taxpayers that are constituted during the year shall, during that fiscal year, file quarterly retention returns, regardless of their partial gross income during such fiscal year.
7.3. VALUE ADDED TAX - VAT

7.3.1. General

The value added tax (VAT) is an indirect tax levied on:

- The sale of movable tangible property in Colombia;
- The provision of services in Colombia;
- The import of movable tangible goods into the national customs territory; and
- The sale of tickets or entry passes and the operation of games of chance, except lotteries.

There are certain activities that are deemed levied with VAT in Colombia, even if they are carried out abroad, on behalf of a beneficiary in the country. It is the case of consultancy or technical assistance services, licensing or authorization to exploit intangible property in Colombia, insurance and reinsurance, and satellite TV services, among others.

The disposal at any title of fixed assets is not taxed with VAT.

Other transactions are qualified as exempt (rate 0) or excluded (not taxed with VAT but the VAT paid for inputs will be a higher cost of the corresponding input).

7.3.2. Parties Responsible of Paying the VAT

Entities or individuals carrying out sales, rendering services or importing goods are responsible of paying the VAT, as follows:

- Sellers of goods either distributors or manufacturers.
- Services providers not excluded from this tax.
- Importers of moving tangible assets not expressly excluded from the tax.

There are two VAT models: (i) common VAT regime, applied to all taxpayers not included in the simplified regime, and (ii) the simplified regime, applicable only to individuals who are traders, farmers, artisans and providers of services complying with the conditions of revenues, equity and operation as set forth in the regulation.

7.3.3. Taxable Base

The taxable base corresponds to the total value of the transaction, including goods and services required for the provision thereof. Additionally, there are particular taxable bases for certain sale or service transactions.

7.3.4. Tax Rate

The general VAT rate is 16%, but there are reduced rates of 5% and 0% for certain goods and services.

7.3.5. VAT Recovery

VAT taxpayers may take the VAT they pay on the purchase of goods, services and imports other than fixed assets (discountable VAT) that allow for recognition of costs and/or expenses in the estimation of income tax as a credit against the VAT they charge, up to a limit of the VAT rate charged by such taxpayers.

VAT paid may be discounted during the taxable period associated with the date of accrual or during any of the two bimonthly periods immediately subsequent, and be included in the tax return of the period during which it was booked.

VAT credit balances for excess of discountable taxes arising from rate differences, not applied to the VAT during the taxable year or period of accrual, may be requested upon compliance with the formal obligation of filing the income tax return for the income taxable period during which the excess was originated.

In the case of taxpayers carrying out exempt transactions (0% rate), the reimbursement of credit balances included in the VAT return may be requested every two months.

VAT paid on the acquisition of fixed assets shall give rise to a discount in the income tax return in a percentage cumulative per year as decided by the National Government during the first quarter of each year.

The party responsible before the tax authority in Colombia of collecting and paying this tax is that who performs any taxable event, even if it is the final consumer who finally supports the VAT.
7.3.6. Goods and Services Excluded from VAT

The following transactions are not levied with this tax, nonetheless, they do not allow discounting VAT from purchases.

a) Excluded goods

- Most of live animals of species used for human consumption, vegetables, seeds, fruits and other farmed products, fresh or frozen.
- Products such as cereals, flour, cacao, handmade products, salt, natural gas, vitamins.
- Certain machinery for use in the primary sector, some medical articles, among others.
- Personal computers of less than 82 UVT (USD 970 approx.) and smart mobile devices (cell phones, tablets) not exceeding 34 UVT (USD 402 approx.).
- Crude oil for refining.
- Gasoline and motor oils.
- Food for human consumption donated to food banks legally incorporated.
- Food for human and animal consumption, wardrobe, cleaning elements and medicines for human or veterinary use and construction materials introduced to and commercialized in the Amazonas, Guainía and Vaupés departments, provided they are finally consumed within the same department.
- Contributions to domestic companies and the transfer of assets via acquisition or reorganization mergers and spin-offs.
- National or imported equipment and elements devoted for the construction, installation, assembly and operation of environmental monitoring and control systems.
- The import of raw materials and consumables under import and/or export special programs – Plan Vallejo– wherever such materials and consumables be incorporated in products to be subsequently exported.
- Temporary imports of heavy machinery not manufactured in the country for use in basic industries. Basic industries are mining, hydrocarbons, heavy chemicals, iron and steel, metallurgy, extractive, generation and transmission of electric power and the obtaining, purification and handling of hydrogen oxide.
- The import of machinery and equipment not manufactured in the country for use in the recycling and processing of garbage and waste and those used in the purification or treatment of waste waters, atmospheric emissions or solid waste to recover rivers or basic sewage for environmental improvement.
- Common imports by Highly Exporting Users (Usuarios Altamente Exportadores - ALTEX in Spanish) of industrial machinery that is not manufactured in the country, for its use in the transformation of raw materials, for an indefinite term.
- The import of articles for use by the official service of the mission and diplomatic or consular agents entitled to privilege or prerogative pursuant to legal regulations on diplomatic reciprocity.
- The import of guns or ammunition for national defense.
- The import of goods and equipment in development of agreements, treaties or international cooperation agreements in force in Colombia, to be used by the National Government or national public entities.
- The import of machinery and equipment devoted to the development of projects or activities that are exporters of carbon emission reduction certificates and help reducing the emission of greenhouse gas and consequently make a contribution to sustainable development.

b) Services excluded from VAT payment

- Sale of food and beverages, with exception of institutional or business feeding, provision of food to education institutions and such activities carried out under franchise, authorization, royalties or any other means involving the exploitation of intangible assets.
- Public or private transportation, domestic and international freight.
- Land, sea or river public transport of passengers in the national territory.
- Agriculture activities associated with the preparation of lands for farming or stock breeding, or those associated with the production and commercialization or derivative products there from.
- National air passenger transportations to domestic destinations where there is no organized land transportation.
- Transport of gas and hydrocarbons.
- Interests and financial yields on credit transactions and financial leasing.
- Medical, dental, hospital, clinic and laboratory services for human health.
- Electric power, water and sewerage, street cleaning, garbage collection and domiciliary gas services.
- Home internet access for social levels one, two and three.
- Education services provided by preschool, primary, high school, higher, special or nonformal institutions, recognized as such by the Government, and education services provided by individuals to such institutions.

### 7.3.7. Exempt Transactions

There are transactions with a 0% VAT and consequently they grant the right to discountable VAT in the acquisition of taxed goods and services directly associated with such exempt transactions. The most significant are:

- Export of goods and services, under the conditions set by the law and the regulations, including goods sold to international commercialization companies.
- Touristic services provided to residents abroad used in Colombia, sold by travel agencies and hotels registered with the National Tourism Register.
- Raw materials, spare parts, consumables and finished products sold from the domestic customs territory to industrial free trade zone users of goods or services, or among them, provided they are necessary for the development of the corporate purpose of said users.
- Services or connection and access to the Internet from fixed networks of home subscribers of social levels one and two.
- The sale of beef, pork, sheep and goat meet; certain poultry, shrimp, eggs, milk, fish, fresh, cooled, by the producers of such goods.

Also, services provided in Colombia to be used or consumed exclusively abroad by companies or individuals without businesses or activities in the country are VAT exempt. Certain substantive and formal requirements are to be met in order to have right to the exemption.

### 7.3.8. Estimation of the Payable Tax

The payable tax is estimated as the difference between the tax generated by taxed transactions and the legally authorized deductible taxes, as follows:

\[
\text{VAT ESTIMATION} = \left( \text{Taxed transaction revenues} \times \text{Tax rate (16%)} \right) - \text{deductible taxes} = \text{Estimated payable tax}
\]

### 7.4. WEALTH TAX

#### 7.4.1. Concept

Wealth tax is applicable to all companies and individuals with equity higher than COP 1,000 million (USD 418,000 approximately) by January 1, 2015. More specifically, the following subjects must pay wealth tax:

- Individuals, unsettled estates, legal entities and unincorporated companies that are considered taxpayers.
- National or foreign individuals with no residence in Colombia for wealth possessed directly in Colombia, with the exceptions provided in international treaties and domestic law.
- National or foreign individuals with residence in Colombia, for wealth possessed indirectly in Colombia through permanent establishments, with the exceptions provided in international treaties and domestic law.
7.4.2. Taxable Base and Rate

The taxable base of wealth tax is the value of the net worth of individuals, legal entities and/or unincorporated companies possessed by January 1, 2015, 2016, and 2017, minus the debt in charge of the taxpayer by those same dates. The tax rates are determined based on the following tables:

### FOR THE YEAR 2015:

**WEALTH TAX RATE FOR COMPANIES – YEAR 2015**

<table>
<thead>
<tr>
<th>TAXABLE BASE RANGES IN COP</th>
<th>RATE</th>
<th>TAX TO BE PAID</th>
</tr>
</thead>
<tbody>
<tr>
<td>LOWER LIMIT</td>
<td>UPPER LIMIT</td>
<td></td>
</tr>
<tr>
<td>&gt; 0</td>
<td>&lt;2,000,000,000</td>
<td>0.20% (Taxable base) * 0.20%</td>
</tr>
<tr>
<td>&gt;=2,000,000,000</td>
<td>&lt;3,000,000,000</td>
<td>0.35% ((Taxable base-2,000,000,000) * 0.35%) + COP 4,000,000</td>
</tr>
<tr>
<td>&gt;=3,000,000,000</td>
<td>&lt;5,000,000,000</td>
<td>0.75% ((Taxable base-3,000,000,000) * 0.75%) + COP 7,500,000</td>
</tr>
<tr>
<td>&gt;=5,000,000,000</td>
<td>Beyond</td>
<td>1.30% ((Taxable base-5,000,000,000) * 0.15%) + COP 22,500,000</td>
</tr>
</tbody>
</table>

The star symbol (*) means a multiplication. The (> ) symbol means greater than; the symbol (>=) means greater or equal than; the symbol (<) means less than.

### FOR THE YEAR 2016:

**WEALTH TAX RATE FOR COMPANIES – YEAR 2016**

<table>
<thead>
<tr>
<th>TAXABLE BASE RANGES IN COP</th>
<th>RATE</th>
<th>TAX TO BE PAID</th>
</tr>
</thead>
<tbody>
<tr>
<td>LOWER LIMIT</td>
<td>UPPER LIMIT</td>
<td></td>
</tr>
<tr>
<td>&gt; 0</td>
<td>&lt;2,000,000,000</td>
<td>0.15% (Taxable base) * 0.15%</td>
</tr>
<tr>
<td>&gt;=2,000,000,000</td>
<td>&lt;3,000,000,000</td>
<td>0.25% ((Taxable base-2,000,000,000) * 0.25%) + COP 3,000,000</td>
</tr>
<tr>
<td>&gt;=3,000,000,000</td>
<td>&lt;5,000,000,000</td>
<td>0.50% ((Taxable base-3,000,000,000) * 0.50%) + COP 5,500,000</td>
</tr>
<tr>
<td>&gt;=5,000,000,000</td>
<td>Beyond</td>
<td>1.00% ((Taxable base-5,000,000,000) * 1.00%) + COP 15,500,000</td>
</tr>
</tbody>
</table>

The star symbol (*) means a multiplication. The (> ) symbol means greater than; the symbol (>=) means greater or equal than; the symbol (<) means less than.
FOR THE YEAR 2017:

### WEALTH TAX RATE FOR COMPANIES – YEAR 2017

<table>
<thead>
<tr>
<th>TAXABLE BASE RANGES IN COP</th>
<th>RATE</th>
<th>TAX TO BE PAID</th>
</tr>
</thead>
<tbody>
<tr>
<td>LOWER LIMIT</td>
<td>UPPER LIMIT</td>
<td></td>
</tr>
<tr>
<td>&gt; 0</td>
<td>&lt;2,000,000,000</td>
<td>0.05%</td>
</tr>
<tr>
<td>&gt;=2,000,000,000</td>
<td>&lt;3,000,000,000</td>
<td>0.10%</td>
</tr>
<tr>
<td>&gt;=3,000,000,000</td>
<td>&lt;5,000,000,000</td>
<td>0.20%</td>
</tr>
<tr>
<td>&gt;=5,000,000,000</td>
<td>Beyond</td>
<td>0.40%</td>
</tr>
</tbody>
</table>

The star symbol (*) means a multiplication. The (> symbol means greater than; the symbol (>=) means greater or equal than; the symbol (<) means less than.

The obligation to pay the wealth tax is triggered to legal entities on January 1, of years 2015, 2016 and 1 of January 2017.

### 7.5. CONSUMPTION TAX

A national consumption tax is levied on the following activities:

- The provision of mobile phone services;
- The sales of certain movable tangible goods, either locally manufactured or imported;
- The sale of food and beverages at restaurants, coffee shops, self-services, ice cream saloons, fruit stores, pastry shops and bakeries for consumption at the premises, take away or delivered; food services under contract, and the service of food and alcohol beverages for consumption in bars, taverns and discos.

The tax is accrued upon nationalization of the asset imported by the final consumer, the actual delivery of the asset, the provision of the service or the issuance of the relevant bill, cash register ticket, invoice or equivalent document by the responsible party to the final consumer.

Parties liable for the consumption tax are the provider of mobile phone services, the provider of the service of food and beverages, the importer as final user, the seller of goods subject to the consumption tax, and as regards the professional intermediary for sale of second-hand vehicles.

The national consumption tax does not give rise to deductible taxes for VAT purposes.

Rates range from 4% to 16%, depending on the relevant activity.

### 7.6. DEBIT TAX

The debit tax (GMF by its acronym in Spanish) is an indirect tax on the carrying out of financial transactions by means of which the funds deposited in current or savings accounts, as well as deposit accounts with the Central Bank, are disposed of, and also the issue of cashier’s checks. Being an immediate tax, it is accrued upon disposal of the resources under the financial transaction.

Tax rate is 0.4% of the total value of the financial transactions by means of which resources are disposed of. Up to 50% of the GMF is deductible from the taxpayer’s income tax, estimated on the amounts paid as GMF, regardless of the relation of cause and effect with the taxpayer’s income producing activity.
This tax shall be gradually reduced as from 2019, as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>0.3%</td>
</tr>
<tr>
<td>2020</td>
<td>0.2%</td>
</tr>
<tr>
<td>2021</td>
<td>0.1%</td>
</tr>
<tr>
<td>2022 and following</td>
<td>0%</td>
</tr>
</tbody>
</table>

This tax is collected via withholdings applied by the Central Bank and the entities under the control of the Colombian Financial Superintendence or the Superintendence of Companies where the relevant current or savings accounts and collective portfolios are deposited, or where the accounting entries involving the transfer or disposal of resources are recorded.

The law sets forth a series of transactions exempt from this tax, reason why they should be analyzed on a case by case basis.

### 7.7. INDUSTRY AND COMMERCE TAX AND BILLBOARD TAX

#### 7.7.1. Industry and Commerce Tax

It is a municipal tax on gross revenues obtained from the performance of industrial, trade and service activities carried out, directly or indirectly, by individuals, legal entities or unincorporated companies in the relevant municipal jurisdiction.

Taxable base is the gross amount received by the taxpayer, minus authorized deductions and exemptions.

Tax rate is defined by each of the municipalities within the following ranges set by law:

- For industrial activities, from 0.2% to 0.7%.
- For commercial and service activities, from 0.2% to 1%.
- Notwithstanding the aforementioned, at some municipalities there are rates exceeding the above limits, for they were established prior to the enactment of the regulating law, and may be as high as 1.4%.

This tax is 100% deductible provided it has a relation of cause with the taxpayer’s income generating activity.

#### 7.7.2. Tax on Billboard Advertising

This is a municipal tax which taxable event is the placement of advertising boards on public spaces. This tax is assessed on and collected from all individuals, legal entities or unincorporated companies carrying out industrial, trading and/or service activities at the relevant municipal jurisdictions, which use public space to advertise their business or trade name through advertising boards.

Taxable base is the amount payable as industry and commerce tax, and the rate is 15%.

### 7.8. REAL ESTATE TAX

The real estate tax is levied on the property, possession or exploitation of lands or real estate located in urban, suburban or rural areas, with or without constructions.

All owners, holders or beneficial owners of real estate at the relevant municipal jurisdiction must pay this tax.

The taxable base for this tax is determined by: (i) the outstanding cadastral appraisal, which may be generally updated by the relevant municipality as a consequence of the review of new conditions, or through the urban and rural real estate valuation index (IVIUR in Spanish), or (ii) the self-appraisal made by the taxpayer.

Applicable rate depends on the condition of the property, which in turn, depends on facts such as floor space, location and destination. The rate ranges from 0.3% to 3.3%, considering the economical destination of each property.

This tax is 100% deductible as long as it has a relation of cause and effect with taxpayer’s income producing activity.

### 7.9. REGISTRATION TAX

#### 7.9.1. General Considerations

The registration tax is levied on all documentary acts, contracts or legal business to be registered with the chambers of commerce or with the public instrument registration offices.
7.9.2. **Taxable Base**

The taxable base is the value included in the document containing the act or contract. When the levied act refers to the incorporation of companies, bylaws amendments, or acts involving an increase of corporate capital or subscribed capital, the taxable base is the total value of the relevant contribution, including the corporate capital and the subscribed capital, as well as the premium on the placement of shares or social quotas.

As regards documents without a specified amount, the taxable base is determined case by case.

For the purposes of estimation and payment of the registration tax, the mergers, spin-offs, and transformation of companies, and the consolidation of branches of foreign companies are deemed acts without a specified amount provided they do not involve capital increases or assignment of quotas or part-interest.

Wherever the act, contract or legal business refers to real estate, the amount shall not be less than the value of the cadastral appraisal, the self-appraisal, the auction or awarding price, as the case may be.

7.9.3. **Tax Rates**

- Acts or contracts with a specified amount to be registered with the public instrument registration offices, between 0.5% and 1%.
- Acts or contracts with a specified amount to be registered with the chambers of commerce, between 0.3% and 0.7%.
- Acts, contracts or legal business with a specified amount to be registered before the chambers of commerce involving the incorporation with and/or the increase of premium on the placement of shares or social quotas of companies, between 0.1% and 0.3%.
- Acts or contracts without a specified amount to be registered with the public instrument registration offices or chambers of commerce, between two and four legal daily minimum wages (between USD 22 and USD 44 approximately).

Whenever the act, contract or legal business is subject to both registration at the public instrument registration office and the Chamber of Commerce, the tax is to be rated and paid only at the public instrument registration office.

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**Regulatory Framework**

<table>
<thead>
<tr>
<th>NORM</th>
<th>SUBJECT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colombian Tax Code (Decree 624 of 1989)</td>
<td>Defines tax elements (tax authorities, person liable to pay the tax, taxable event, taxable base, tax rate, tax exemptions).</td>
</tr>
<tr>
<td></td>
<td>Income tax: Rules authorized deductions, tax residence, the transfer pricing model, capital gains, among others.</td>
</tr>
<tr>
<td></td>
<td>Value added tax: Defines who are liable to pay the VAT, the rate applicable to certain goods and services, exemptions and exclusions, requirements to request deductions, common regime, simplified regime, import and export of goods regime, estimation of proportionality, among others.</td>
</tr>
<tr>
<td></td>
<td>Debit tax-GMF: Defines the taxable events, applicable exemptions and withholding agents.</td>
</tr>
<tr>
<td></td>
<td>National registration tax: Defines taxable events, tax rate and taxable base.</td>
</tr>
<tr>
<td></td>
<td>It also sets the main formal (procedural) aspects associated with compliance with tax obligations:</td>
</tr>
<tr>
<td></td>
<td>Withholdings at the source</td>
</tr>
<tr>
<td></td>
<td>Tax procedure</td>
</tr>
<tr>
<td></td>
<td>Penalties upon failure to comply with tax obligations.</td>
</tr>
<tr>
<td>NORM</td>
<td>SUBJECT</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Law 223 of 1995</td>
<td>Contains the most significant regulations associated with tax rationalization, among others:</td>
</tr>
<tr>
<td></td>
<td>(i) Goods that do not trigger VAT</td>
</tr>
<tr>
<td></td>
<td>(ii) Goods exempt from VAT</td>
</tr>
<tr>
<td></td>
<td>(iii) Imports exempt from VAT</td>
</tr>
<tr>
<td>Law 14 of 1983</td>
<td>Defines detailed rules regarding the core elements of the most significant territorial taxes such as:</td>
</tr>
<tr>
<td></td>
<td>• Real estate tax</td>
</tr>
<tr>
<td></td>
<td>• Industry and commerce tax (ICA)</td>
</tr>
<tr>
<td></td>
<td>• Consumption tax on alcoholic beverages</td>
</tr>
<tr>
<td></td>
<td>• Tax on cigarettes</td>
</tr>
<tr>
<td>Law 97 of 1913</td>
<td>Sets the regulation on the street lighting territorial tax.</td>
</tr>
<tr>
<td>Law 84 of 1915</td>
<td>Sets the regulation on the powers vested in municipal councils and departmental assemblies, as regards the management or territorial taxes.</td>
</tr>
<tr>
<td>Law 633 of 2000</td>
<td>Modifies national taxes (income tax, VAT, GMF).</td>
</tr>
<tr>
<td>Law 788 of 2002</td>
<td>Modifies the procedural tax regime (tax regimes, penalty imposing procedures, goods exempt from VAT, tax rates, among others).</td>
</tr>
<tr>
<td>Law 1430 of 2010</td>
<td>Modifies the taxable event and exemptions from GMF.</td>
</tr>
<tr>
<td></td>
<td>Modifies aspects associated with persons liable to pay territorial taxes.</td>
</tr>
<tr>
<td>Law 1607 of 2012</td>
<td>Introduces several changes to the Colombian Tax Code in general. Enacts the CREE; amends the registration tax; enacts the consumption tax and modifies the tax on gasoline and fuel oil, among others.</td>
</tr>
<tr>
<td>Decree 3026 of 2013</td>
<td>Introduces permanent establishment regulations in Colombia.</td>
</tr>
<tr>
<td>Decree 3027 of 2013</td>
<td>Introduces thin capitalization rules in Colombia.</td>
</tr>
<tr>
<td>Decree 3028 of 2013</td>
<td>Introduces regulations concerning tax residence for foreign individuals and entities deemed as nationals for having their effective management headquarters in Colombia.</td>
</tr>
<tr>
<td>Decree 3030 of 2013</td>
<td>Introduces changes to transfer pricing regime in Colombia.</td>
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<tr>
<td>NORM</td>
<td>SUBJECT</td>
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<tr>
<td>Law 1739 of 2014</td>
<td>Creates the CREE surcharge, introduces some modifications to GMF, and creates wealth tax.</td>
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<tr>
<td>Decrees 1966 and 2095 of 2014</td>
<td>Introduces the tax havens list for Colombian tax purposes.</td>
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<tr>
<td><strong>FIRST EMPLOYMENT ACT</strong></td>
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<tr>
<td>Law 1429 of 2010</td>
<td>Enacted special tax benefits for the formalization and creation of &quot;small companies&quot; and hiring of employees younger than 28, women older than 40, disabled people, among others.</td>
</tr>
<tr>
<td>Decree 4910 of 2011</td>
<td>Defines the requirements and procedures to obtain benefits of Law 1429 of 2010.</td>
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<tr>
<td><strong>FREE TRADE ZONES</strong></td>
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<tr>
<td>Law 1004 of 2005</td>
<td>Defines the core elements, requirements and procedures to gain access to the free trade zone regime.</td>
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<tr>
<td>Decree 4051 of 2007</td>
<td>Sets the special procedures applicable to users of the free trade zones.</td>
</tr>
<tr>
<td>Decree 383 of 2007</td>
<td>Defines the requirements to declare a free trade zone, among other provisions.</td>
</tr>
<tr>
<td>Decree 780 of 2008</td>
<td>Sets the regulations applicable to the industrial users and operators, among other provisions.</td>
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