

## COUNTRY PROFILE



# Colombia

## Tax overview

Corporate Income Tax	35%
Personal Income Tax	39%, progr.
Gift Tax	15%.
Inheritance Tax	15%.
Wealth Tax	1.5% progr.

A new tax law was introduced in Colombia, which will enter into effect on January 1, 2023.

### Corporate Income Tax

Corporations incorporated, or with a permanent establishment in Colombia, are subject to corporate tax on worldwide income at a rate of 31%. In addition, foreign corporations with their effective place of management in Colombia, will be taxed as Colombian corporations.

### Personal Income Tax

Colombian residents are subject to tax on worldwide income at progressive rates up to 39%. In addition, Colombian residents are subject to gift and inheritance tax at 15%, and wealth tax at progressive rates, up to 1.5%.

### Anti-Avoidance Rule

Colombia has General Anti-Avoidance Rules (GAARs) which allow tax authorities to re-characterize transactions. Colombia has Transfer Pricing rules that subject transactions between related parties to the arms-length principles, as well as Thin Capitalization rules. Colombia also has Controlled Foreign Corporation (CFC) rules.

### Controlled Foreign Corporation Rules

Foreign corporations, including, entities, trusts, and foundations, whether or not transparent, controlled by Colombian residents, that generate passive income, are deemed to be CFEs. An entity is deemed to be controlled if it is a subsidiary, a related party, or resident in a low-tax jurisdiction. Colombian residents holding 10% or more in CFEs are subject to tax on the CFE's undistributed profits.

### Foreign Trusts

Trusts are generally treated as transparent for tax purposes. However, tax deferral may be available if the trust is irrevocable. Distributions from foreign trusts to Colombian residents are taxable at 15%, the capital gains rate. The application of CFE rules may result in income attribution to the settlors or beneficiaries. Generally, settlors or beneficiaries are required to report foreign trusts for wealth tax purposes.

### Double Tax Treaties (DTTs)

DTTs include those with Canada, Spain, Switzerland, and the UK.

### Foreign Investment Protection

Colombia has agreements with a number of jurisdictions for the protection of investments against expropriation, including Canada, Luxembourg, Spain, Switzerland, UK, and the US.

### OECD Multilateral Convention

Colombia is a signatory to the OECD Multilateral Convention on Mutual Administrative Assistance in Tax matters. The Convention requires signatories to exchange information "on request," and authorizes exchange of information spontaneously and automatically. The Convention is also the underlying instrument to the MCAA.

### Common Reporting Standard (CRS)

Colombia has adopted CRS for the automatic exchange of account information, and has a number of activated exchange relationships.

### FATCA

Colombia has a FATCA Model 1 IGA with the United States for the automatic exchange of account information.

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