



Colombia

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| General | Types of indirect taxes (VAT/GST and other indirect taxes) | VAT. |
| | Are there other indirect taxes? | Excise tax, financial tax, Gravamen a los Movimientos Financieros (GMF) (financial transactions tax) and registry tax. |
| | What are the standard or other rates (i.e. reduced rate) for VAT/GST and other indirect taxes? | <ul style="list-style-type: none"> — VAT: 16% (standard), 5% and 0%. — National excise tax: 4% (mobile phone service), 8% (vehicles which free on board (FOB) value is less than USD30,000, restaurants, bar and clubs services) and 16% (vehicles which FOB value is equivalent or greater than USD30,000). — Regional excise duty: on alcoholic beverages, the rate is determined in local currency, Colombian peso (COP) based on the alcoholic grade of the beverage and progressively on each alcoholic grade; on cigarettes, 55%; on beer, 48%; and on beer mixtures, 20%. — Financial tax: 0.4% (a progressive reduction would take place as of 2019). — Registry tax: 0.3% to 1%. |
| | Who is required to register for VAT/GST and other indirect taxes? | <p>VAT</p> <ul style="list-style-type: none"> — Individuals and entities rendering taxable supplies of goods and/or services in Colombia. — Importers of goods. — In the sale of aircrafts: the traders and the occasional sellers of such goods. — The purchaser of goods or services from certain providers (e.g. small entrepreneurs or regimen simplificado) or only the purchaser of services from foreign entities. — The Colombian entity or individual that hired foreign companies or individuals providers of services or goods levied with the tax. <p>National excise tax</p> <ul style="list-style-type: none"> — Individuals and entities rendering taxable supplies of goods and/or services. — Importers of goods. <p>Excise duties</p> <ul style="list-style-type: none"> — Producers and importers of cigarettes, alcoholic beverages, beer and beer mixtures. <p>Financial tax</p> <ul style="list-style-type: none"> — The financial entities are the withholding agents. <p>Registry tax</p> <ul style="list-style-type: none"> — The registration offices act as the tax collector. — Chambers of commerce act as the tax collector. |

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| VAT/GST registration | Is voluntary registration for VAT/GST and other indirect taxes possible for an overseas company (e.g. if the annual turnover is below the relevant VAT/GST and other indirect taxes registration threshold)? | Companies without domicile or residence in Colombia selling goods from overseas or rendering services to local customers are not responsible for VAT. In the case of entities or individuals rendering taxable services from abroad or within Colombia, the VAT will be accrued by the customer (purchaser) via a reverse charge mechanism. |
| | Does an overseas company need to appoint a fiscal representative? | A foreign company selling goods abroad or rendering taxable services from (or in) Colombia without a domicile is not required to appoint a fiscal representative. Foreign entities selling goods in Colombia on a regular basis must incorporate a permanent establishment (e.g. branch office) or a subsidiary for such purposes. |
| | Which forms and supporting documentation does an overseas company need to submit for VAT/GST and other indirect taxes registration? | A local permanent establishment (i.e. a branch office) or a subsidiary will have to obtain the tax registry from the tax authorities. The tax registry would be obtained after incorporation, provided the entity fulfills the requirements established in such regards. |
| | Is grouping* for VAT/GST and other indirect taxes possible? | No. |
| VAT/GST compliance | How frequently are VAT/GST and other indirect taxes returns submitted? | <ul style="list-style-type: none"> — VAT returns are filed and VAT due is paid every 2 months, quarterly or annually depending on the previous year's earnings. — VAT accrued base on reverse charge mechanism (taxable operations executed by a taxpayer covered by the simplified regime or taxable services rendered from abroad or within Colombia by a foreign entity or individual without domicile or residence in Colombia) must be declared and paid by the customer through a monthly withholding tax return. — Excise tax returns are filed and excise tax paid every 2 months. — Regional excise duties are filed and paid every 15 days. However, there is a special period in regards to cigarettes and produced snuff. — Registry tax must be paid immediately after each transaction. |
| | What are the exchange rate rules in your country? | Transactions in foreign currencies must be converted to Colombian pesos and the VAT must be paid in the local currency. The Colombian Central Bank (Banco de la Republica) regulates the exchange system. However, the rates are based on the offer and demand of the market. |
| VAT/GST recovery | Can an overseas company recover VAT/GST and other indirect taxes if it is not registered for VAT/GST and other indirect taxes locally? | No. There are not any exceptions since only the registered taxpayers are entitled to recover or deduct the input VAT. |

* By 'grouping' we mean: either a consolidation mechanism between taxpayers belonging to the same group (payment and refund are compensated but taxpayers remain distinct) or a fiscal unity for VAT/GST purposes (several taxpayers are regarded as a single taxpayer).

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| VAT/GST recovery (continued) | Are there any exemptions (sale of goods to a free trade zone and exportations) with the right to recover or deduct input VAT? | Yes. Certain VAT exemptions have the right to recover input VAT, provided several requirements are met. |
| | Are there any restrictions to the deduction of input VAT? | <p>— The VAT paid on the acquisition of goods and services for the production or marketing of excluded goods is not recoverable as input VAT.</p> <p>— The VAT paid on the purchase or importation of fixed assets.</p> <p>When the goods and services that give right to the discount are intended for taxable, exempt and excluded from the VAT operations, they may only be taken as a proportional part discount.</p> |
| Invoices | Is a business required to issue tax invoices? | Yes, except when providers belong to the VAT simplified regime (applicable to individuals, not entities). |
| | Is it possible/mandatory to issue invoices electronically? | It is possible when requirements are met, but not mandatory. |
| | Is it possible for recipient to issue tax invoices/self-invoices (self-invoicing)? | <p>No, except in the event of goods or services provided by an individual covered by the simplified regime (small entrepreneurs). The recipient (company) must issue and keep a document equivalent to an invoice.</p> <p>In the case of use of inventories for the taxpayers' own use, the tax authority has also stated that the taxpayer shall issue an invoice.</p> |
| Audits | Do tax audits take place on a regular basis? | No, audits are random. They are generally triggered by a VAT refund request submitted by the taxpayer. |
| | Are there audits done electronically in your country (e-audit)? If so, what system is in use? | No. |
| | What penalties can arise from non-compliance? | The delay penalty is 5% of the amount due per month or fraction of delay plus default interests. The penalty would be increased to 10% if the outstanding return is filed after being summoned by the tax authority. Should the taxpayer not file the returns after being summoned, the non-compliance penalty will be equivalent to 10% of the gross revenues (among other parameters, the inaccuracy penalty is 160% of the difference between the tax or balance in favor assessed by the taxpayer and the amount established by the tax authority). |
| Special indirect tax rules | In your country are there any special rules for the sale of a company by a taxpayer to another where VAT is not due on the sale? | In Colombia, there is no specific relief applicable to the sale of a company. Therefore, this operation should be analyzed as a sale of assets and liabilities. Thus, for VAT purposes, the sale of fixed assets and intangibles are not subject to VAT. However, inventories involved in such a sale would be taxable. |
| | In your country, are there unique specific indirect tax rules that you would not expect to find in 'standard' VAT jurisdictions? | Yes. The general rule indicates that the services physically rendered in Colombia are subject to VAT. Nevertheless, some exceptions are provided regarding services rendered from abroad by non-residents to users or recipients located in Colombia, such as auditing, consulting, advisory and licensing of intangible goods, which are considered to be rendered in Colombia and therefore levied with VAT. |

Special indirect tax rules (continued)

Does a reverse charge mechanism apply in your country for goods or services?

Yes. The Colombian entity benefited by taxable services rendered by non-residents, either from abroad or within the Colombian territory, will be responsible for the VAT generated via the reverse charge mechanism. This means that the VAT due on the services received will have to be self-assessed, declared and paid by the Colombian entity in the relevant monthly withholding tax return. Therefore, no amount will be withheld as VAT upon payments made to a supplier abroad. The Colombian entity will be entitled to deduct the self-assessed tax as input VAT if it is related to operations subject to VAT or exempted from the tax and the goods or services constitute a cost or expense for income tax purposes.

Are there indirect tax incentives available in your country (e.g. reduced rates, tax holidays)?

- Reduced tax rates are expressly indicated (e.g. health, complementary and prepaid services).
- The introduction of merchandise from overseas to a Free Trade Zone is not considered an import as long as it remains within such zone. Therefore, it is not subject to VAT.
- The sale of goods from the Colombian territory to an industrial user of services or goods established in a Free Trade Zone are zero-rated provided these goods are necessary for the development of the business objective of the industrial user.

VAT benefits on importations

- Payment of the VAT in installments: In importation of heavy machinery for basic industries and provided that the respective machine's cost, insurance and freight (CIF) value is greater than USD500.000, the taxpayers will be allowed to pay the VAT caused by the importation in 3 installments: 40% with the importation return and the other 60% in two equal installments within the following 2 years. A payment agreement shall be signed with the tax authority for this purpose.
- Corporate tax credit: Taxpayers are able to use as a tax credit the VAT paid in the importation of heavy machinery for basic industries in the year in which the respective VAT is paid and in the following years.

It is important to point out that said benefits would be applicable only in the case of ordinary importations of machinery (i.e. not temporary importations).

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| Rulings | <p>Are there indirect tax incentives available in your country (e.g. reduced rates, tax holidays) (continued)?</p> | <p>— Importations not subject to VAT: The temporary importation of heavy machinery for basic industries is not subject to VAT provided that there is no production of the respective goods in Colombia.</p> <p>It should be highlighted that mining, hydrocarbons, heavy chemicals, iron and steel are considered as basic industries (among others).</p> <p>— Corporate tax credit of two points of the VAT: In the event that conditions for the above-mentioned benefits are not met, taxpayers would still be able to use a tax credit two points of the VAT paid in the importation to the extent that the respective equipment can be classified as a capital good and that the importation causes VAT at the 16% rate.</p> |
| | <p>Are rulings and decisions issued by the tax authorities publicly available in your country?</p> | <p>Rulings are publicly available. However, rulings in Colombia do not cover particular or specific situations of the taxpayers, but are general interpretations of the tax law. Rulings are not mandatory for taxpayers, although can be used to support its operations with the tax authority.</p> |