



Thinking beyond borders: Management of extended business travelers - Colombia

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Key message

In Colombia, a foreign individual is generally liable for tax on income and property sourced or situated in Colombia, only to the extent that the individual is not considered as resident for tax purposes (remain in the country/jurisdiction for 183 days or less). For foreign taxpayers who are resident for fiscal matters, tax is levied on net income and applied at progressive rates. For non-resident taxpayers, income tax is levied on gross Colombian income at a flat rate of 35 percent. Net income is calculated by subtracting allowable deductions from total assessable income.

1 Key message

Business travelers are likely to be taxed on employment income earned during their time working in Colombia.

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Income tax

2 Income Tax

2.1 Liability for income tax

A person's liability to Colombian tax is determined by the source of income. The tax rates and the taxable income are dependent on whether a person is a resident for fiscal matters of Colombia, or a non-resident.

Resident

Colombian law sets out that a person is considered resident for fiscal matters in Colombia if the individual remains in the country/jurisdiction, whether or not the stay is continuous, for a period of more than 183 days during a 365 day period or if, within the fiscal year, the 183 days are completed.

A resident also includes a Colombian national whose family, assets or business remains in the country/jurisdiction even though the Colombian national resides in a foreign country/jurisdiction.

Non-Resident

A person who does not meet the criteria of a resident is considered to be a non-resident for fiscal matters.

A person who spends 183 days or less in Colombia during a 365 day period is therefore a non-resident for fiscal matters.

A person who is resident for fiscal matters in the country/jurisdiction is liable for tax in Colombia on worldwide income.

Taxpayers who are considered non-resident for fiscal matters, are liable for tax in Colombia only on income derived directly or indirectly from a Colombian source.

2.2 Definition of source

Employment income is generally treated as Colombian-sourced compensation where the individual performs the services while physically located in Colombia.

2.3 Tax trigger points

There is no threshold/minimum number of days that exempts the employee from the requirements to file and pay tax in Colombia.

To the extent that the individual qualifies for relief in terms of the dependent personal services article of the applicable double tax treaty, there may be no tax liability.

For FY 2024, residents are not taxable on the first 51,301,000 Colombian pesos (COP) of labor taxable, capital, and other income including dividends.

2.4 Types of taxable income

From FY 2024 (returns which will be filed in 2025), the rents received by individuals should be separated in "baskets" depending on the type of income:

- General box: Labor Income, Capital income (interests or financial yields, rentals, royalties, etc.), Non-labor income (residual basket) and dividends
- Pensions

In addition, there would be a regime for capital gains, understood as the gain obtained from selling assets possessed for more than 2 years; inheritances and profits received from liquidation of companies. In this case, the tax rate applicable is 15 percent. For capital gains related to prices, lotteries, etc., applicable tax rate is 20 percent.

Now, the Colombian tax regime applicable to each income should not affect any other, therefore the respective taxable base (related to each basket) cannot be unduly affected by deductions, tax benefits, and costs and expenses that should only be charged to a particular income (belonging to a specific basket). As a result of the calculation process of each basket, a net income will be generated in each event, which will be added at the end to the other net income related to the other categories (baskets: general box and pensions; and dividends), in order to determine the definitive income tax liability for the employee.

From the labor perspective all remuneration, fees, and allowances paid under an employment contract or as an independent worker are treated as taxable income to the extent they are received in return for services provided in Colombia. For this reason, all payments received in cash or in kind by an employee are taxable, regardless of where the compensation is paid.

	Taxable income	Issues to take into account
Non-resident for fiscal matters	Rents and occasional gains from a national source are taxable. In the case of residents, taxable income also includes rents and occasional gains from a foreign source.	Wages paid in Colombia for work performed outside the country/jurisdiction are not considered to be income of national source. Therefore, non-residents would not be taxed on this income, nor would this income be subject to withholding tax. It is important to note that the Colombian entity should have the corresponding supports to demonstrate that the payments were made on behalf of a foreign employer.
Foreign nationals on assignment in Colombia	Rents and occasional gains from a national source are taxable. In the case of residents, taxable income also includes rents and occasional gains from a foreign source, with the possibility to claim a tax credit for the tax paid abroad on the foreign source income.	Where an individual is paid overseas for services performed in Colombia, the amount of income that is considered as Colombian source income is calculated based on the number of days the expatriate provides the service in Colombia. During the period prior of the 183 days remained in Colombia, as a non-resident, any income should be subject to a withholding tax at 20 percent. It is important to bear in mind that if payments made abroad are recharged to a Colombian entity, the Colombian entity should report this as labor payment and practice the corresponding withholding. Regardless of where payment is made for services provided in Colombia, the income will be taxable as Colombian sourced income.

2.5 Tax rates

The net labor, capital and other income of a person resident in Colombia is liable for tax at progressive rates from 0 to 39 percent. Non-residents are liable for income tax at a flat rate of 35 percent. This is currently the maximum tax rate for residents and is applied on income earned over COP1,459,015,000 for the 2024 tax year.

However, if the income received as investment income in this event is considered as a “Dividend”, then it should be observed that the Colombian tax regime to be applied would be the following:

- For residents, for FY 2024, at first a 35 percent on the amount of dividends received by the employee, plus an additional once include these incomes on the General box, which it is applied to the difference between the total initial or gross amount of dividends less the mentioned 35 percent.
- For non-residents, for FY 2024, at first a 35 percent on the amount of dividends received by the employee, plus an additional once include these incomes on the General box, which it is applied to the difference between the total initial or gross amount of dividends less the mentioned 35 percent.

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Social Security

3 Social Security

3.1 Social security liability Employer and employee

Any person employed in Colombia must make contributions to the social security system. The system consists of a general contribution scheme and a special contribution scheme. Social security contributions are calculated based on an employee's earnings.

A voluntary regime is also available to self-employed and unemployed individuals. Participants in this regime are subject to a special quota.

Paid by			
Type of insurance	Employer percent	Employee percent	Total percent
Pension plan	12.0%	4.0%	16.0%
Medical plan	8.5%	4.0%	12.5%
Family welfare fund	9.0%	0.0%	9.0%
Total percent	29.5%	8.0%	37.5%

The social security system provides benefits to the participant or the participant's dependents for events such as occupational accidents, sickness, retirement, pension, and death.

The employer must make the following social security contributions for 2023.

- Pension plan: 12 percent of monthly payroll.
- Medical plan: 8.5 percent of monthly payroll.
- Family welfare fund: 9 percent of monthly payroll. It is important to clarify that employees whose monthly salary is lower than 10 monthly minimum wages (COP9,085,260 for FY 2021) are not subject to this contribution by the employer.

It is important to consider whether the employee is contributing to a pension fund or health plan in their home country/jurisdiction that covers the contingencies the employee could suffer during their stay in Colombia, in which case participation in the pension scheme in Colombia is voluntary. If the employee has a labor agreement with a Colombian company, however, participation in the health plan is obligatory.

When an employee earns a salary between 4 and 15 times the minimum legal monthly salary (SMLM for 2024 is COP1,300,000), the employee must contribute an additional 1 percent to the pension fund. Likewise, employees earning 16 SMLMs or more must make additional contributions as follows:

SMLM	Additional percentage	Total contribution percentage
4-16	1.0%	13.0%
16-17	1.2%	13.2%
17-18	1.4%	13.4%
18-19	1.6%	13.6%
19-20	1.8%	13.8%
20 or more	2.0%	13.0%

The employee should assume these payments.

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Compliance obligations

4 Compliance obligations

4.1 Employee compliance obligations

The filing date for tax returns is generally between August and October, after the end of the tax year (31 December). The tax authorities publish a schedule each year setting out the filing dates. The filing date for an individual is based on the last two digits of the individual's tax identification number (NIT). Foreign nationals are required to obtain an NIT to be used in all their tax affairs.

In general, an individual who have received income after 31 December in any tax year must submit a tax return if the criteria to be liable is met. Failure to do so will result in a monthly penalty, payable in arrears, equal to 5 percent (for each month or fraction of month) of the outstanding tax, capped at 100 percent of the amount payable, plus applicable interests.

Taxpayers who fulfill all the following conditions are liable to submit a tax return for FY2024.

- All individuals whose income is higher than COP 65,891,000.
- Individuals whose gross equity is higher than COP 211,793,000, within the respective tax year.
- Credit card purchases or whole purchases during the taxable year that exceed COP 65,891,000.
- The accumulated balance on banking accounts, savings, deposits or financial investments, during the taxable year that are higher than COP 65,891,000.
- Taxpayers who are not resident for fiscal matters who will have to pay the full current tax rate (35 percent for FY 2024). It is important to mention that if a taxpayer deemed as non-tax resident was subject to a withholding of 20 percent on the 100 percent income from Colombian source, would not be liable to file the Colombian income tax return.

Any outstanding tax must be paid at the time of filing the return. Failure to pay tax when due will result in a penalty, and interest will accrue daily on any unpaid taxes at a rate of approximately 25 percent per annum (until 31 January 2024). On 1 February 2024, the government will announce the applicable rate for the next month.

4.2 Employer reporting and withholding requirements

Employers are obliged to withhold tax from expatriates' earnings every month as follows:

- If the expatriate is a non-resident, 20 percent of total monthly compensation should be withheld.
- If the expatriate is a resident, they will be liable for tax at the progressive rates, upon labor income, from 0 percent to 39 percent in accordance with the table determined by law.

Income that is contributed to a voluntary pension fund in Colombia or to a savings account destined to acquire real estate is considered to be exempt income and is excluded from the withholding tax base, providing the total of these contributions do not exceed 30 percent of income, and limited to an annual cap of COP 178,847,000 for FY 2024 (approximately 45,500 US dollars (USD)). Those contributions that are withdrawn before a minimum term of 10 years will be included, however, as income in the year of withdrawal, with the exception of withdrawals made to acquire real estate.

In addition, a deduction from salary is available for interest paid on loans taken out for the home, and a monthly deduction for interest paid on education loans acquired through ICETEX may not exceed COP 3,630,800. This, therefore, reduces the income tax and withholding tax bases. It is also important to take into account that 25 percent of labor payments are exempt from income tax, up to a year maximum of COP37,181,000 (approximately USD9,400) for the year 2024.

It is important to bear in mind that there is an additional limitation, as exempt income and deductions cannot exceed 40 percent of gross income less health and pension contributions or COP 63,067,000, for FY 2024.

Any tax withheld will be taken into account in the calculation of the final tax liability.

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Immigration

5 Immigration

5.1 Work permit/visa requirements

In most cases, a visa must be obtained before an individual can enter to Colombia. It depends on the nationality of the foreigner if a visa must be obtained before entering into Colombia.

The type of visa required will depend on the purpose of the individual's entry into Colombia.

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Other issues

6 Other issues

6.1 Double taxation treaties

In addition to Colombia's domestic tax regulation, which provides relief for double taxation by giving a tax credit for taxes paid abroad for foreign-sourced income within the limits stated by the law, Colombia has entered into tax treaties to prevent double taxation with Spain, Chile, Switzerland, Mexico, Canada, Portugal, India, Czech Republic, Portugal, South Korea, Italy, France, United Kingdom, Japan and the countries/jurisdictions of the Andean community (Peru, Bolivia, and Ecuador). Colombia is negotiating treaties with Uruguay, Netherlands, Brazil, among others.

6.2 Permanent establishment implications

The concept of permanent establishment (PE) for individuals is defined as follows: "It also deemed that there is a permanent establishment in the country/jurisdiction, when a person, other than an independent agent acting on behalf of a company foreign, has or exercises habitually powers in the country/jurisdiction to conclude agreements or contracts that are binding on the company.

It is considered that such foreign company has a permanent establishment in the country/jurisdiction with respect of any activities which that person undertakes for the foreign enterprise, unless the activities of such person are limited to those mentioned in the second paragraph of this article."

6.3 Wealth Tax

New wealth tax applicable for individuals that hold net equity (gross assets less debts) at January 1st, each year, that exceeds 72000 UVT*.

Tax residents are subject upon their worldwide wealth, and non-tax residents, are subject upon wealth held in Colombia, directly or indirectly through permanent establishment.

Taxpayer is allowed to exclude the value of their household up to 12000 UVT*.

As follows is the wealth progressive tax rates applicable for 2024, 2025 and 2026:

Brackets in UVT*		Progressive tax rate	Tax
From	To		
> 0	72000	0,0%	0
> 72000	122000	0,5%	(taxable wealth in UVT less 72000) x 0,5%
> 122000	239000	1,0%	(taxable wealth in UVT less 122000) x 1,0% + 250 UVT
> 239000	onwards	1,5%	(taxable wealth in UVT less 239000) x 1,5% + 1420 UVT

Wealth progressive tax rates applicable from 2027:

Brackets in UVT*	Tax

From	To	Progressive tax rate	
> 0	72000	0,0%	0
> 72000	122000	0,5%	(taxable wealth in UVT less 72000) x 0,5%
> 122000	239000	1,0%	(taxable wealth in UVT less 122000) x 1,0% + 250 UVT

*For FY24, each UVT (tax value unit for its acronym in Spanish) is equal to COP \$47.065

6.4 Indirect taxes

The standard rate of value-added tax (VAT) is 19 percent. VAT is due on:

- the sale of moveable and non-moveable goods and the provision of services within Colombian territory, except those expressly excluded
- the sale or assignments of rights over intangible assets, only associated with industrial property
- the performance of services into the Colombian territory, or from abroad, except those expressly excluded
- the importation of tangible assets that have not been expressly excluded
- the circulation, sale and operation of games of luck and chance (i.e. gambling), with the exception of lotteries and games of luck and chance operated exclusively online.

Individuals who are merchants or service providers, are not responsible for VAT as long as they comply with the following requirements for tax year 2024:

- Gross income for the previous year (2023) must be less than COP 148,442,000.
- They must not have more than one establishment, office, bureau, shop, or stand in which the activity is carried out.
- The activities in the establishment, office, bureau, shop, or stand must not include a franchise, concessions, royalties, or any kind of exploitation of intangible assets.
- They must not be users of customs.
- Agreements for the sale of goods or for the provision of services should not exceed COP 148,442,000 for the previous year (2023), nor COP 164,728,000 for the current year.
- Amounts deposited in banks or financial investments during the previous year (2023) should not exceed COP 148,442,000 for the previous year, nor COP 164,728,000 for the current year.

The responsible of VAT are companies and individuals who do not fulfill the requirements before.

Colombia has a reverse charge mechanism, relevant to VAT responsible, when they have transactions with non-residency in Colombia. When overseas companies' non-residents provide their services to a non-responsible of VAT, they are obliged to register in Colombia, file a VAT return and pay the VAT to the tax authority.

6.5 Transfer pricing

Colombia has a transfer pricing regime based upon the Organization for Economic Co-operation and Development (OECD) transfer pricing guidelines (with some special local rules). A transfer pricing issue may arise when the taxpayer develop operations with related parties.

6.6 Exchange control

The flow of currency into and out of Colombia may be subject to the required use of authorized exchange markets. It is important to bear in mind that payments should be done in Colombian Pesos between residents for exchange purposes, otherwise penalties may apply.

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