



Colombia

General	Types of indirect taxes (VAT/GST and other indirect taxes).	VAT.
	Are there other indirect taxes?	Excise tax, financial tax, <i>Gravamen a los Movimientos Financieros</i> (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"> — Beginning on 1 January 2017, VAT: 19% (standard rate), 5% and 0%. — National excise tax: 4% (mobile phone and mobile internet services), 8% (vehicles which free on board (FOB) value is less than USD30,000; boats for recreation; certain motorcycles; restaurants; and bar and club services) and 16% (vehicles which FOB value is equivalent or greater than USD30,000). — Regional excise duty: on alcoholic beverages, the rate is based on two components. The first one is determined in local currency (Colombian peso (COP)) and in accordance with the alcoholic grade of the beverage. The second one is a percentage of 20% for wines and 25% for other alcoholic beverages (over the selling price before taxes); on cigarettes and elaborated tobacco products the rate is expressed in COP (cigarettes with packages of 20 units); 48% on beer and 20% on beer mixtures. Additionally, alcoholic beverages are subject to a 5% VAT. — Financial tax: 0.4%. — 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"> — Resident individuals and entities rendering taxable supplies of goods and/or services in Colombia. — Non-resident individuals and entities rendering taxable services from abroad in Colombia. The obligation takes place as of July 2018. — Importers of goods. — In the sale of aircrafts: the traders and the occasional sellers of such goods. <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 subject to the tax. <p>Regional excise duties</p> <ul style="list-style-type: none"> — Producers and importers of cigarettes, alcoholic beverages, beer and beer mixtures. 	

General (continued)	Who is required to register for VAT/GST and other indirect taxes?	<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.
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)?	<p>There is not a voluntary registration regime for VAT purposes.</p> <p>Companies without domicile or residence in Colombia selling goods from overseas to local customers are not responsible for VAT.</p> <p>Companies without domicile or residence in Colombia rendering taxable services from abroad would be liable to register for VAT and to file the respective returns. This obligation would start as of July 2018 (the tax administration shall establish the registration procedure).</p> <p>Transitorily, the VAT would be accrued by the purchaser via reverse charge. The tax authority shall establish the respective procedure.</p> <p>Companies without domicile or residence in Colombia selling goods located in the country at the time of the sale would be liable to register for VAT purposes.</p>
	Does an overseas company need to appoint a fiscal representative?	<p>A foreign company selling goods abroad 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).</p> <p>Foreign companies rendering taxable services from abroad are liable to file VAT returns in Colombia (obligation would start as of July 2018), therefore, they should designate an authorized signatory who in general terms would be held jointly and severally liable with the taxpayer for the payment of the VAT. The corresponding requirements and procedures for overseas services providers have not been established yet.</p>
	Which forms and supporting documentation does an overseas company need to submit for VAT/GST and other indirect tax registrations?	<p>A local permanent establishment (i.e. a branch office or a subsidiary) would have to register with the tax authorities. The tax registry would be obtained after the respective incorporation, provided the entity fulfills the requirements established in such regards. Requirements for an overseas company rendering taxable services have not been established yet.</p>
	Is grouping* for VAT/GST and other indirect taxes possible?	No.

* 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).

VAT/GST compliance	How frequently are VAT/GST and other indirect tax returns submitted?	<ul style="list-style-type: none"> — VAT returns are filed and VAT due is paid every 2 months or quarterly depending on the previous year's earnings. — VAT accrued via the reverse charge mechanism must be declared and paid by the customer through a monthly withholding tax return. — Excise tax returns are filed and excise tax is paid every 2 months. — Regional excise duties are filed and paid every 15 days. However, there is a special period in regard to cigarettes. — 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 (<i>Banco de la Republica</i>) regulates the exchange system.
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?	Only registered taxpayers are entitled to recover or deduct the input VAT. Procedures for an overseas company rendering taxable services have not been established yet.
	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, among them exportations, provided several requirements are met.
VAT/GST recovery	Are there any restrictions to the deduction of input VAT?	<ul style="list-style-type: none"> — The VAT paid on the acquisition of goods and services for the production and/or sale of excluded goods/services is not recoverable as input VAT. — The VAT paid on the purchase or importation of fixed assets. <p>When taxpayers undertake activities that generate VAT, zero-rated activities and VAT excluded activities at the same time, deduction of input VAT is subject to a proportionality calculation (i.e. not all input VAT would be recoverable).</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?	<p>It is possible when requirements are met, but not mandatory.</p> <p>Pursuant to the dispositions of the recent tax reform, electronic invoicing would be mandatory as of 2019 once the government and the tax administration regulate the subject.</p>
	Is it possible for the vendor to issue an invoice, i.e. is self-billing possible?	No, however in certain specific circumstances, the taxpayer is required to prepare an internal document denominated 'equivalent document' to formalize operations with individuals that are not required to issue invoices.

Audits	Do tax audits take place on a regular basis?	Audits are random. They are generally triggered by a VAT refund request submitted by the taxpayer or due to audit programs of the tax authority.
	Are 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 100% or 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	Are there any special rules for the sale of a company by a taxpayer to another where VAT is not due on the sale?	There is not a specific VAT rule applicable on 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 and intangibles associated with industrial property (i.e. brands, patents, commercial names, industrial designs, industrial secrets, etc. — copyrights are not included) involved in such a sale would be taxable. In the event of the acquisition of a company by the purchase of its shares, no VAT would be triggered.
	Are there unique specific indirect tax rules that you would not expect to find in 'standard' VAT jurisdictions?	Yes. Pursuant to the dispositions of the recent tax reform, overseas companies rendering taxable services from abroad to Colombian entities/ individuals are liable to register for VAT purposes and file the respective returns; procedures for registration and filing of the returns have not been established yet.
	Does a reverse charge mechanism apply for goods or services?	Yes, there is a reverse charge applicable by the Colombian entity benefited by taxable services rendered by non-residents, either from abroad or within the Colombian territory. As of 1 January 2017 pursuant to the new dispositions incorporated by the tax reform, non-residents providing taxable services from abroad should register for VAT purposes and file returns declaring the VAT on taxable operations; however, such registration would take place as of July 2018. In the meantime, the reverse charge would continue to apply; the tax authority shall list the transactions upon which the same is applicable.

Special indirect tax rules (continued)

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

- Reduced tax rates are expressly indicated (e.g. complementary health).
- 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 or 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).

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

- 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.

It should be highlighted that mining, hydrocarbons and heavy chemicals are considered basic industries (among others).
- VAT paid on importation/acquisitions on capital goods: Income taxpayers would be allowed to deduct, in the determination of the tax, the VAT paid in the acquisition/importation of capital goods (levied with VAT at the general rate). Several conditions are applicable.

Are rulings and decisions issued by the tax authorities publicly available?

Rulings are publicly available. However, rulings in Colombia do not cover particular or specific taxpayer situations, but are general interpretations of the tax law. Rulings are not mandatory for taxpayers, although they can be used to support their operations with the tax authority.