



## Tax Reform Bill

### Extraordinary newsletter No. 1

September, 2024

# Tax Reform Bill No. 300 of September 10, 2024

The National Government of Colombia, through the Ministry of Finance and Public Credit, has filed a bill titled "By means of which financing rules are issued for the General Budget of the Nation and other provisions are enacted." This project proposes several important modifications in the fiscal and financing area:

## Corporate Income Tax in Colombia

- It is proposed to include general marginal rates in the corporate income tax that would start with a rate of 27% on net taxable income not exceeding 6,285 UVT (\$295,803,525 in 2024); in the range of net taxable income between >6285 UVT and 120,000 UVT (\$5,647,800,000 in 2024) the net taxable income would start in 2025 at a rate of 34% and each year would be reduced by 1% until reaching 30% in 2029; and the range of net taxable income exceeding 120,000 UVT would be taxed in 2025 at the rate of 34%, and in the following years at the rate of 33%.

Net taxable incomes in UVT ranges		Income tax assesment	RATE				
From (UVT)	Up to (UVT)		2025	2026	2027	2028	2029
0	6,285	Net taxable income (NTI) en UVT * 27%	27%	27%	27%	27%	27%
> 6,285	120,000	6,285 UVT * 27% + (NTI – 6.285 UVT) * MR1	34%	33%	32%	31%	30%
> 120,000		6,285 UVT * 27% + (113.715 UVT) * MR1 + (NTI – 120.000 UVT) * MR2	34%	33%	33%	33%	33%

NTI = Net Taxable Income ("RLG" as per acronym in Spanish).

MR1 = Marginal Rate 1 ("TM" as per acronym in Spanish).

MR2 = Marginal Rate 2.



- Financial institutions, insurance and reinsurance companies, stock brokerage companies, agricultural commission agents, agricultural, agro-industrial, or other commodities exchanges, as well as infrastructure providers of the stock market, must pay an additional surtax of five (5) points to the marginal rate of income tax and complementary tax (i.e. occasional gains) during the taxable periods 2024, 2025, 2026 and 2027.
- To Domestic companies, permanent establishments of foreign entities and foreign legal entities engaged in economic activities related to the extraction of hard coal, coal and oil (i) would not apply the marginal reduction to the income tax rate. Instead, they will have to pay a fixed rate of 35% and (ii) they will have to add between 0 and 15 additional points to this rate, depending on the variation in the average prices of the respective goods. This means that if the prices of these resources increase, the tax burden will also increase, reflecting the economic impact of their activities.
- Taxpayers whose main economic activity is the generation of electric energy through water resources must pay three (3) additional points to the marginal rate of income tax and complementary taxes during the taxable periods 2024, 2025 and 2026.

#### Minimum tax rate

- It is proposed to increase the minimum percentage of the minimum tax rate to 20% (currently 15%) and to modify the formulation for its assessment as in the draft of bill it is clear out that the concept of accounting or financial profit, must compute also the financial loss before taxes.

#### Wealth tax on legal entities

- It would include domestic companies as taxpayers of the equity tax, only taking as a basis the real non-productive fixed assets, defining under this category those tangible and intangible assets that do not generate permanent income or have no causal relationship with the income-producing activity; likewise, it reduces the base on which the equity tax would begin to be to 40,000 UVTs (\$1,882,600,000 in 2024) (currently 72,000 UVTs - \$3,388,680,000 in 2024).

- Likewise, the rates of the wealth tax would be modified as follows:

UVT Ranges		Marginal Rate	Tax
From (UVT)	To up (UVT)		
> 0	40,000	0.0%	0
> 40,000	70,000	0.5%	(Taxable base in UVT minus 40,000 UVT) x 0.5%
> 70,000	120,000	1.0%	(Taxable base in UVT minus 70,000 UVT) x 1.0% + 150 UVT
> 120,000	240,000	1.5%	(Taxable base in UVT minus 120,000 UVT) x 1.5% + 650 UVT
> 240,000		2.0%	(Taxable base in UVT minus 240,000 UVT) x 1.5% + 2450 UVT



### Complementary tax on occasional income

- The occasional profit/capital gains tax rate would be increased to 20% (currently 15%) for foreign and domestic companies and individuals.
- The rate of occasional gains from lotteries, raffles, bets and similar would be increased to 25% (currently 20%).

### Benefits and incentives for economic growth

- **Benefits for Investments in Renewable Energy and Energy Efficiency Projects:** A benefit would be established so that, under the compliance of certain requirements, those who make investments evaluated and certified as:
  1. Power generation projects from Non-Conventional Energy Sources (“FNCE” as per acronym in Spanish).
  2. Actions or measures of efficient energy management by the Mining and Energy Planning Unit (“UPME” as per acronym in Spanish), may issue energy transition bonds.

These Taxpayer can issue bonds which will give the right to deduct 50% of the investment effectively made from income tax. The energy transition bonds will be securities that may circulate through endorsement. However, the issuer of the bond will not be able to request the special deduction of 50% with respect to the amount of the investment represented in the bond that has been endorsed to a third party.

- **Preferential VAT rate for the purchase of electric vehicles:** the preferential VAT rate of 5% would be maintained only within tariff headings 87.02, 87.03, 87.04 and 87.05, it is for vehicles completely electric. Hybrid vehicles will be taxed at the general VAT rate of 19%.
- **VAT exclusion for Hotel Services in Small Municipalities:** A VAT exclusion is proposed for certain hotel services supplied in municipalities with less than 200,000 inhabitants.
- **VAT exemption for Renewable Energy Projects:** It is proposed to grant VAT exemption (currently is VAT excluded) treatment to the acquisition of goods and services destined to the development of projects for the generation of energy from Non-Conventional Energy Sources (FNCE) and efficient energy management. This includes services rendered in Colombia as well as those performed abroad that have the same purpose.

### Elimination of VAT exemption for lotteries and online gaming

- It is proposed to eliminate the exception that currently applies to lotteries and games of chance operated exclusively through the Internet, so that these would be taxed with VAT at a rate of 19%.

### National carbon tax

- The project seeks to significantly increase the national carbon tax rate, with the purpose of levelling out Colombia's rates with those established internationally.

Fossil fuel	Unit	Rate in UVT
Coal	Tons	4.048
Fuel oil	Gallon	0.019
ACPM	Gallon	0.016
Jet fuel	Gallon	0.016
Kerosene	Gallon	0.016
Gasoline	Gallon	0.014
Liquefied petroleum gas	Gallon	0.010
Natural gas	Cubic meter	0.003



## Income tax for natural persons

- The marginal income tax rate for individuals on the top range 31,000 UVTs (\$1,459,015,000 in 2024) would be increased to 41% (currently 39%). The other (lower) ranges would remain unchanged.
- Withholding tax rates would be established for salaried employees, so that they are as close as possible to the tax payable by the taxpayer.
- Procedure two for withholding at source on salaries of individuals, which currently provides for the determination of the withholding rate on a semi-annual basis based on the income of the previous 12 months, would be eliminated.
- The percentage of expenses supported with electronic invoices that individuals may take as deductible would be increased in 2025 (5%) and 2026 (3%). However, as from 2027, such percentage would return to 1%.
- A mechanism is created for the automatic refund of credit balances within 90 days following the expiration of the filing deadline when 80% of the taxpayer's income corresponds to earned income.

## Tools to strengthen auditing

- Having practiced withholding tax on payments to third parties shall be a requirement for the deductibility of costs and expenses. In any case, this omission may be remedied by filing the income tax return containing the expense to be deducted.
- A reward system is established for citizens who provide information on tax irregularities, such as tax evasion or smuggling. Those who offer concrete evidence that proves an omission or an incorrect tax assessment, resulting in a higher balance to be paid in the corrected or filed return, will be entitled to receive a reward equivalent to 20% of the total additional balance to be paid that is settled in the corresponding tax return.
- The presumptive interest rate between loans between companies and shareholders would be doubled to twice the Securities to Fixed Term's rate (currently only the 1X the Securities Fixed Term's rate). Likewise, loans granted or received by permanent establishments would generate presumptive interest.
- Voluntary Recognition of Invoicing Non-Compliance: a mechanism would be established so that the parties obliged to issue invoices and/or equivalent documents may voluntarily recognize the non-compliance with this obligation. This applies when the issuance of the invoice has been omitted at the time of the sale or rendering of the service, or when the invoices have been issued without complying with the requirements established in article 617

of the E.T. (Tax Code). By voluntarily recognizing the noncompliance, taxpayers may extinguish the offense, provided that they settle and pay a penalty for each transaction not invoiced or invoiced without fulfilling the requirements. This penalty varies according to the value of each operation, as follows:

1. If the value is equal to or less than 6 UVT, the penalty is 10 UVT per operation.
2. If the value is between 6 and 12 UVT, the penalty is 20 UVT per operation.
3. If the value exceeds 12 UVT, the penalty is 30 UVT per operation.

In cases of continuous violations, i.e., when a taxpayer does not issue invoices in multiple transactions within the same month, the applicable penalty may not exceed a specific percentage of the total of the transactions not invoiced or of those invoiced without complying with the established requirements. This penalty will be calculated as follows:

- 5% of the total value of unbilled transactions.
- 3% of the total value of transactions invoiced without complying with the requirements.



## Derogations

- The SIMPLE Taxation Regime would be repealed as of January 1, 2026.
- Procedure two for withholdings at source would be repealed as of January 1, 2025.
- Article 869-1 of the Colombian Tax Code, which establishes the special procedure for abuse in tax matters, would be eliminated, with which the general anti-abuse clause would be applied through the procedure provided for in Title V, such as the Review procedure.
- The audit benefit that had been extended by Article 69 of Law 2294 of 2023 for taxable years 2024, 2025 and 2026 would be repealed.

**Source:** Ministry of Finance and Public Credit, Bill “Whereby financing rules are issued for the General Budget of the Nation and other provisions are enacted” of 2024.

[https://www.minhacienda.gov.co/webcenter/ShowProperty?nodeId=/ConexionContent/WCC\\_CLUSTER-256788](https://www.minhacienda.gov.co/webcenter/ShowProperty?nodeId=/ConexionContent/WCC_CLUSTER-256788)



# Contacts

**Diego Cubillos**

**Lead Partner Tax & Legal Services  
Colombia**

[dcubillos@deloitte.com](mailto:dcubillos@deloitte.com)

**Luis Rubio**

**Tax & Legal Services Partner**

[lurubio@deloitte.com](mailto:lurubio@deloitte.com)

**Javier Prieto**

**Corporate Tax Partner**

[jprietof@deloitte.com](mailto:jprietof@deloitte.com)

**Javier Blel**

**Tax & Legal Services Partner**

[jblel@deloitte.com](mailto:jblel@deloitte.com)







Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their societies affiliated to a member firm (hereinafter “Related Entities”) (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and Related Entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and Related Entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see [www.deloitte.com/co/conozcanos](http://www.deloitte.com/co/conozcanos) to learn more.

Deloitte provides industry-leading audit and assurance, tax and legal, consulting, financial advisory, and risk advisory services to nearly 90% of the Fortune Global 500® and thousands of private companies. Our people deliver measurable and lasting results that help reinforce public trust in capital markets, enable clients to transform and thrive, and lead the way toward a stronger economy, a more equitable society, and a sustainable world. Building on its 175-plus year history, Deloitte spans more than 150 countries and territories. Learn how Deloitte’s approximately 457,000 people worldwide make an impact that matters at [www.deloitte.com](http://www.deloitte.com).

As used in this document, Deloitte & Touche S.A.S., Deloitte Asesores y Consultores S.A.S., D Contadores S.A.S., Deloitte S.A.S. and D Profesionales S.A.S., has the exclusive legal right to engage in, and limit its business to, providing auditing, consulting, tax consulting, legal, risk and financial advisory and other professional services, under the name "Deloitte". Deloitte & Touche S.A.S., has the exclusive legal right to engage in, and limit its business to, providing auditing and other professional services, under the name "Deloitte". Deloitte Asesores y Consultores S.A.S., has the exclusive legal right to engage in, and limit its business to, providing consulting, risk, financial and legal advisory and other professional services, under the name "Deloitte". D Contadores S.A.S., has the exclusive legal right to engage in, and limit its business to, providing accounting and other professional services, under the name "Deloitte". Deloitte S.A.S., has the exclusive legal right to engage in, and limit its business to, providing assurance and other professional services, under the name "Deloitte". And D Profesionales S.A.S., has the exclusive legal right to engage in, and limit its business to, providing services to the other Deloitte companies in Colombia.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms or their Related Entities (collectively, the “Deloitte organization”) is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, Related Entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their Related Entities, are legally separate and independent entities.

© 2024 Deloitte & Touche S.A.S., Deloitte Asesores y Consultores S.A.S., D Contadores S.A.S., Deloitte S.A.S. and D Profesionales S.A.S., according to the service provided by each one.