



# COLOMBIA

Colombia - Civil Law

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## Incorporating a company in Colombia

# Colombia taxes

This article explains the tax laws in Colombia, this article will educate you on the tax laws for a PLC(SA) which is the most common company type in Colombia.

Colombia imposes corporate tax on resident entities worldwide income. The headline tax rate for offshore income, from our research, and this is not personal tax advice, is 34%. CO doesn't have major incentives to bring in offshore income earned abroad. Taxes are high in Colombia as the headline corp. tax rate is 34%. Reduced rate at 20% may apply to companies established in Free Trade Areas. Colombia ranks 163rd overall with regards to corp. taxation rate internationally.

The value added tax (VAT) rate in CO is 19.00%, which ranks Colombia as 98th overall in terms of VAT taxation rate internationally. In terms of other taxation, an employer will contribute 20.50% to the equivalent of a social security fund and an employee will contribute 8%. The overall complexity of the tax system is medium. This is measured by average time to comply with a country's labor tax requirements is as it is 87hours. Contributing to this is the number of yearly labor tax payments, which is 1 in CO.

Thin cap laws are in play. This refers to any sort of restrictions on companies' debt-to-asset ratios. Dividends distribution between residents are taxed between 0% and 10% after tax profits. Dividends received from foreign entities are considered taxable income and subject to CIT standard rates. Dividends are distributions of company earnings, passed by the board of directors, to a particular class of shareholders. Dividends can be one of the following shares of stock, cash payments, or other property. Most Capital Gains are taxed separately from income tax, at a rate of 10%. A capital gains tax is levied on the profits that a corporation or natural person realizes when they sell a capital asset for a price that is higher than the purchase price.

The interest withholding rate is estimated at 15%. This means that the taxman expects relevant legal entities to automatically withhold 15% of payments abroad on interests. Dividends paid to non-residents from profits that were not taxed at a Corporate level are subject to a withholding tax of 35% plus an additional tax of 5%. If profits were taxed, dividend payments to foreign entities or individuals are subject to a 5% withholding tax. The royalties withholding tax rate is 15%. This should be interpreted usually that the tax authorities expects companies to automatically withhold 15% of money remitted abroad on royalties. Colombia has concluded tax treaties with 11 countries, that may reduce or eliminate withholding taxes.

There is a tax on net wealth in Colombia. There are no known inheritance and transfer taxes in CO. There are real property taxes. There are well know credits for innovation spend that include tax relief in this country.

The above is not tax or legal advice for your particular personal tax obligations. Incorporations.io can refer you to an expert in Colombia who will help you. Contact us today. Click the free consultation button above.

The vat rate in Colombia is 19% which ranks 127 in the world.

- ✗ Patent box
- ✓ RND credit
- ✗ Wealth tax
- ✓ Estate tax
- ✗ Transfer taxes
- ✗ Asset taxes
- ✗ Capital duties

- 15 Tax treaties
- 34% Offshore Tax
- 34% Corp rate
- Loss carryback years
- 86 Corporate time
- 19% VAT rate
- 10% Capital gains

# Colombia Legalese

When incorporating, you must look at the law in the country, in Colombia is civil law law. You will want to get some local advice as to how to best structure a company in Colombia. Electronic signatures are permitted.

The abbreviation CO is for Colombia and the most common company structure in Colombia is a PLC(SA).

The average time to incorporate is 7 weeks to put together the paperwork and file a PLC(SA) in CO. is 0, This means you don't have any minimum share capital. The types of cash you can use to fund your business is most commonly any legal tender.

Yes, one is allowed to re-domicile a PLC(SA) from CO. You are usually allowed to change the jurisdiction of the company, pending certain procedures.

There must be at least This means it is not possible for you to own a PLC(SA) in Colombia as a sole shareholder. You must have other shareholders, they can be nominees or de facto shareholders. Corporate Shareholders are encouraged, which means you can have a corporate shareholder. Foreign ownership is tolerated, up to 100% of the total equity of the company.

There is a requirement to have at least 2 directors. Additionally, corporate directors are permitted. Directors should not have an expectation of privacy, as they are not kept private in Colombia. There is a requirement to have annual meetings of shareholders.

A registered legal firm must be retained for an address, paid by the company on an annual basis, for a legal services company which can receive any lawsuit papers on behalf of the registered legal entity. Moreover, a corporate secretary is not always necessary, at least not by law.

There is a requirement to file accounts to relevant authorities. Furthermore, there is oftentimes a requirement to have these accounts audited.

Overall we think Colombia is a ok option and have given it a score of 57 as an IO score, using the Incorporations.IO proprietary formula.

- ✗ Directors not disclosed in a public registry
- ✗ Shareholders not disclosed in a public registry
- ✓ Redomiciliation permitted
- ✓ Registered office required
- ✓ Corporate director permitted
- ✗ Local Secretary not required
- ✓ Local Director not required
- ✓ Electronic signature

- 2 Shareholders required
- 2 Directors required
- 7 weeks to form



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## Country Info



🏴󠁧󠁢󠁥󠁮󠁧󠁿 National Flag of

**República de Colombia  
(spa)**

\$ Currency

**COP**

☎ Area Code

**+57**

🏰 Capital

**Bogotá**

✈ Region

**South America**

🌿 Native Languages

**Spanish**