

LEWIN & WILLS
1978

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COLOMBIAN
2024 TAX
REFORM BILL

SEPTEMBER, 2024

GENERAL COMMENTS

1. GENERAL INCOME TAX RATE FOR INDIVIDUALS

The maximum marginal rate would increase from 39% to 41%. The new maximum marginal rate, which would take effect starting in 2025, would apply to taxpayers with net taxable income exceeding 31,000 UVT (equivalent to COP\$1,459,015,000 for 2024).

The maximum withholding tax rate on employment payments and pension payments would increase from 39% to 41%.

2. GENERAL INCOME TAX RATE FOR FOREIGN COMPANIES OR THEIR PERMANENT ESTABLISHMENTS

The general Corporate Income Tax rate (currently 35%) would decrease as follows:

Taxable net income		Marginal rate				
Ranges in Colombian Tax Units (UVT)		2025	2026	2027	2028	2029 onwards
0	6,285 (approx. USD 80K for 2024)	27%				
6,285	120,000 (approx. USD 1.4M for 2024)	34%	33%	32%	31%	30%
more than 120,000	Onwards	34%	33%			

Only **taxpayers developing in the extraction of coal or crude oil will not be eligible for the progressive reductions** in Corporate Income Tax rates.

In their case, the Corporate Income Tax rate will remain at 35%, to which the applicable surcharges will be added.

The tax reform bill also modifies the surcharges on Corporate Income Tax as follows:

Economic Activity	Surcharge	Time Limit
Financial institutions, insurance and reinsurance companies, stock brokerage firms, agricultural brokerage firms, agricultural, agro-industrial, and other commodities exchanges, and stock market infrastructure providers.	5%	2024 to 2027
Coal and crude oil extraction	0% - 15%	Permanent
Electricity generation through hydropower resources	3%	2024 to 2026

3. MINIMUM INCOME TAX RATE

The proposal is to **increase the minimum income tax rate from 15% to 20%**, which is applicable to foreign companies that are Colombian tax residents, and to permanent establishments.

Additionally, under the proposed project, the minimum taxation rate would apply not only to business groups required to consolidate financial statements (as is currently the case), but also to economic groups that combine financial statements.

4. WEALTH TAX FOR INDIVIDUALS

Its permanent nature would be maintained. The bill proposes modifications that lower the threshold for taxable assets and increase the marginal rate. Currently the rates are as follows:

Ranges (in Colombian Tax Units - UVT)		Currently applicable rate
From	Up to	
0	72,000 (approx. USD 800K for 2024)	0%
72,000	122,000 (approx. USD 1.4M for 2024)	0,5%
122,000	239,000 (approx. USD 2.8M for 2024)	1%
239,000	Onwards	1,5%

The bill proposes to modify the wealth tax rates as follows:

Ranges (in Colombian Tax Units - UVT)		Proposed rate
From	Up to	
0	40,000 (approx. USD 500K for 2024)	0%
40,000	70,000 (approx. USD 800K for 2024)	0,5%
70,000	120,000 (approx. USD 1.4M for 2024)	1%
120,000	240,000 (approx. USD 2.8M for 2024)	1,5%
240,000	Onwards	2%

5. SIMPLE TAXATION REGIME

The Simple Taxation Regime would be repealed as of 1 January 2026.

6. CAPITAL GAINS

The applicable rate would **increase from 15% to 20%** for gains arising from the sale of fixed assets held for more than 2 years, and for donations and inheritances received.

7. INCENTIVES FOR SUSTAINABLE DEVELOPMENT

Those who invest in energy generation projects from non-conventional sources (FNCE), would be able to issue transferable transition bonds, which would allow for the holder to deduct 50% of the investment made.

Goods and services related to FNCE projects, currently classified as VAT-excluded, would become VAT-exempt.

8. NATIONAL CARBON TAX

Proposed changes to the national carbon tax include adjustments to the taxable base and the tax rate, which will be calculated in UVT and updated annually based on UVT variation plus 1%. The full tax rate for coal will be applied in 2026, two years earlier than initially planned.

Regarding the allocation of funds, 27% will go to environmental projects, 7% to the PNIS, and 66% will be assigned to the National General Budget.

9. AUDIT BENEFIT

The audit benefit extended by the National Development Plan would be repealed as of 1 January 2025.

10. TAX ABUSE PROCEDURE

The special procedure for tax abuse would be repealed as of 1 January 2025. We consider that the special procedure to be repealed constitutes a guarantee for taxpayers.

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If you have questions about these topics, you may contact:

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