



BUSINESS

C R E A T I O N



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What should I know about the process to create a company in Colombia?

The corporate mechanisms applicable to the creation and development of companies in Colombia are supported, among others, by the constitutional right of association, the right to equality, the freedom of enterprise and private initiative.

What types of companies are there?

- Corporation
- Simplified joint-stock company
- Limited Liability Company
- General partnership
- Limited partnership
- Publicly traded partnership

General partnerships, limited partnerships and publicly traded partnerships are uncommon forms of association.



The most common forms used by local and foreign investors are corporations and simplified joint-stock companies, which guarantee their shareholders' limited liability. However, the flexibility of SAS presents significant advantages compared to the other types of associations, including the reduction of transaction costs, achieved with a simple and much more flexible structure.

Which are the main characteristics of the various corporate schemes?

	Stock Corporation (SA)	Limited Liability Company (Ltda.)	Simplified Joint-Stock Company (SAS)
Legal nature	Legal person		
Incorporation	With a public deed. Fees corresponding to 0.3% of the subscribed capital value apply, in addition to a 19% VAT.		With a private document properly signed by the founding shareholders before a public notary. No notary fees apply, however a moderate fee being required to authenticate the signatures.
Registration	The public incorporation deed (SA and SAS) or the private incorporation document (Ltda.) should be registered before the Chamber of Commerce where the company is domiciled. A fee of 0.7% of the subscribed capital value is charged.		
Number of partners	Minimum of 5. There is no maximum number of shareholders. No shareholder may have more than 94.99% of the company's capital stock.	Minimum of 2, maximum of 25. There is no limitation to the participation percentage a single partner may have.	One or more shareholders. There is no limitation to the maximum number of shareholders the company may have.
Capital	The capital is divided into shares of the same value. Upon the company's incorporation the shareholders must subscribe at least 50% of the authorized capital and pay at least 1/3 of the subscribed capital.	The capital is divided into quotas of the same value, which should be fully paid upon the company's incorporation.	The capital is divided into shares that, in general, are freely negotiable.
Company management	The company is managed by the manager and the Board of Directors, consisting of at least three members and appointed by the Assembly.	The company is managed by the partners, who may delegate such faculty to the manager.	The company is managed as decided by the Shareholders Assembly. The company should have a legal representative (who may be the sole shareholder) and may have a Board of Directors or any other body or position.

Which are the differences between the branch offices of national and foreign companies?

	Colombian national company	Foreign branch office
Are the Colombian assets and revenues subject to liens?	Yes	
Are assets and revenues abroad subject to liens?	Yes	No
Are contributions to companies subject to liens?	Yes, unless previous compliance with Article 319 of the Tax Code.	Yes
Are contributions in labor subject to liens?	Yes	
General rules	Profits from the sale of assets in kind as neutral contribution, and shares issued as neutral contributions, cannot offset with fiscal losses or presumptive income surpluses.	Subject to the transference price system.

What steps should I follow to incorporate and register a foreign branch office?

1



Gather the documents

- Make sure that the branch's office name is made available in the Commercial Registry.
- Preparation of a resolution from the parent company's competent body authorizing the creation of the company in Colombia.
- Translation and legalization of seals and documents received from abroad.
- Job acceptance letter from the appointed legal representative, branch office alternate, and/or statutory auditor.
- Copies of the IDs of the legal representative, the branch office alternate, and the statutory auditor.
- Preparation and signature of the public deed before a Notary Public in order to formalize the branch office opening.



Need more information on how to register a branch office of a foreign company?

Action / Document	Implementation costs
Signature of the public deed of the incorporation certificate of the foreign office, the opening resolution and the other documents detailed in the Code of Commerce.	0,3% of the capital allocated to the foreign branch office (notary fees) + 19% of VAT over the notary fees.
Registration before the Chamber of Commerce of the public deed mentioned above.	0,7% of the subscribed capital stock (registration tax) plus the applicable fees according to the company's assets (commercial registration) and COP 41.000 in registration fees.
Requesting and obtaining a Unique Tax Registration (RUT) before the Tax and Customs Administration.	Free
Request a certificate of incorporation and legal representation issued by the Chamber of Commerce.	COP 5,800

2



Company registration before the Chamber of Commerce and paperwork required by the Colombian Tax and Customs Administration (DIAN)

- Preparation of the Chamber of Commerce registration forms.
- Registration of documents before the Chamber of Commerce.
- Issuance of the branch office's Certificate of Existence and Legal Representation.
- Request an appointment with DIAN to update/request the branch office and the legal representatives' Tax Registration (RUT).
- Appear on the indicated day in order to obtain the RUT and the legal representatives' electronic signature and update the branch office's tax identification number.
- Activate the appointed legal representative's electronic signature.

3



Open a bank account in Colombia and register the foreign investment before the Central Bank

- Open the bank account in Colombia.
- Register the foreign investment before the Central Bank.

The estimated time for the fulfilment of these procedures is 5 working days, from the day the documents are submitted before the Chamber of Commerce. The estimated time does not include the opening of the bank account, which depends on the bank.

What steps should I follow to create a commercial company?

1



Gather the documents

- Make sure that the company's name is available at the Commercial Registry.
- Prepare the representation document (when the creation of the company is made through an agent).
- Job acceptance letters by the companies' appointed legal representatives and alternates.
- Copies of the IDs of the legal representatives and alternates.

2



Company registration before the Chamber of Commerce and paperwork required by the Colombian Tax and Customs Administration (DIAN)

- Translation and legalization of the official seals and documents that were issued in a different language.
- Preparation of the Chamber of Commerce registration forms.
- Registration of documents before the Chamber of Commerce.
- Issuance of the branch office's Certificate of Incorporation and Legal Representation.
- Request an appointment with DIAN to update/request the branch office and the legal representatives' Tax Registration (RUT).
- Appear on the indicated day in order to obtain the RUT and the legal representatives' electronic signature and update the branch office's tax identification number.
- Activate the appointed legal representatives' electronic signatures.
- Apply for a personal RUT for all the company's administrators before the DIAN.
- Activating the electronic signature of the designated legal representative.
- Issuance by the DIAN of a copy of the company's RUT.
- Registration of the corporate books before the Chamber of Commerce.

Implementation costs

Action / Document	Implementation costs
Register before a notary public the corporate bylaws of the main office abroad, the incorporation resolution and the rest of the documents required by the Code of Commerce.	0,3% of the capital allocated to the foreign branch office (notary fees) + 19% of VAT on the notary fees.
Registration of the public deed mentioned above before the Chamber of Commerce.	0,7% of the subscribed capital stock (registration tax) plus the applicable fees according to the company's assets (commercial registration) plus COP 41,000 in registration fees.
Requesting and obtaining a Tax Registration Certificate (RUT, for its acronym in Spanish) from the DIAN.	Free
Request a certificate of incorporation and legal representation issued by the Chamber of Commerce.	COP 5,800

3



Open a bank account in Colombia and register the foreign investment before the Central Bank

- Open the bank account in Colombia.
- Register the foreign investment before the Central Bank.

How does the system of parent companies, subsidiary companies, and corporate groups work?

Existence of a control situation

A company is considered subordinated or controlled when its decision-making faculties are subject to the decision of other persons, that is, its parent or controlling company, either directly - in which case it will be called an affiliate - or with the participation of or through the parent company's subordinated companies - in which case it will be called a subsidiary.

An affiliate is a company directly controlled by a parent company. The subsidiary is controlled by the parent company's subordinated companies.

Existence of a corporate group

A corporate group shall be deemed to exist when - in addition to the subordination (control) relationship - there is a unity of purpose and management established by the parent company.

The situation exists should the companies' existence and

activities seek an objective established by the parent or controlling company according to the administrative faculty they have over the group, without prejudice to their own individual development of the corporate object or activity.



A corporate group is a collection of companies with a relationship of subordination, with a common purpose and management as determined by the parent company.

Obligation to register the corporate group and/or the control situation

Should a corporate group situation exist, the controlling company will make this registration through a private document, which should be registered before the Commercial Registry of the related parties' jurisdiction 30 business days after the group situation comes into being.

Sanctions for late registrations

Should the above control and/or corporate group registration not have been made within the time allowed, the Superintendence of Companies will declare the relationship situation and will order the registration in the Commercial Registry.

Without prejudice to the above and according to Law 222 of 1995, the Superintendence of Companies may apply sanctions for up to 200 minimum legal monthly salaries as a result of the obligation default.