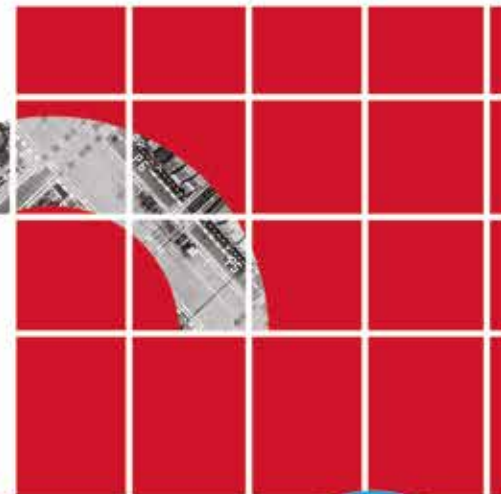


05

CUSTOMS REGIME

AND FREE TRADE
TEATRIES



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What should I know about the Colombian customs regime?

Decree 1165 of 2019 contains the Colombian customs regulation regime, which seeks guaranteeing the users' security and facilitates the processes and procedures involved in the customs regime.

With Law 1879 of 2018, Colombia approved the WTO Agreement on Trade Facilitation, which was later approved by the Constitutional Court. The Colombian participation in this agreement involves significant commitments to simplify, modernize, and harmonize the import/export procedures.

The customs regulation harmonization especially reflects on aspects such as the regulation of the International Logistic Distribution Centers and of

the International Trade Companies, as well as on the customs norms, particularly with respect to the characteristics of the seizure and confiscation circumstances and the inclusion of general conditions, such as the statute of limitation applicable to the collection actions contained in the Contentious Administrative and the Administrative Procedural Codes.

In order to provide a greater efficiency to trade operations, the Authorized Economic Operators mechanism has been strengthened to include reliable companies, reducing paperwork and providing some benefits. For this, the government has decided that, as of March 22 of 2020, the Permanent Customs User and the Highly Exporting User mechanisms will be eliminated.

How many free trade agreements does Colombia have?

There are over 15 commercial agreements providing benefits to Colombian products and preferential access to certain foreign markets.

Also, there have been signed agreements with Israel and Panama.

Country	Effective date	Name of the Agreement
Mexico	FTA effective from 1995 Ammendment Protocol since 2011	FTA between the United States of Mexico and the Republic of Colombia
Chile	May 2009	FTA between the Republic of Colombia and the Republic of Chile-Additional protocol to the Agreement of Economic Complementation for an Extended Economic Region between Colombia and Chile (ACE 24), December 6th 1993. Signed in Santiago, Chile, November 27th 2006.
Northern Triangle	Guatemala: November 2009 El Salvador: February 2010 Honduras: March 2010	FTA between the Republic of Colombia and El Salvador, Guatemala and Honduras.
AELC	Switzerland: July 2011 Liechtenstein: July 2011 Norway: September 2014 Island: October 2014	FTA between the Republic of Colombia and the EFTA states.
Canada	August 2011	FTA between the Republic of Colombia and Canada
United States	May 2012	United States-Colombia Trade Promotion Agreement, attached letters and the understanding signed in 2006
Caribbean Community	January 1995	Agreement on Trade, Economic and Technical Cooperation between the Caribbean Community (CARICOM) and the Government of the Republic of Colombia
Mercosur	Effective between Colombia and Argentina: 20 December 2017 Effective between Colombia and Brasil: 20 December 2017 Effective between Colombia and Uruguay: 11 June 2018 Effective between Colombia and Paraguay: 29 January 2019	Acuerdo de Complementación Económica No. 72 Colombia Mercosur (Economic Complementation Agreement)



Country	Effective Date	Name of the Agreement
European Union	July 2013	Trade Agreement between the European Union, Colombia and Perú
United Kingdom	Pending	Trade Agreement between the United Kingdom and the Republic of Colombia
Korea	June 2016	FTA between the Republic of Colombia and the Republic of Korea
Costa Rica	July 2016	Free Trade Agreement between Colombia and Costa Rica
Pacific Alliance	May 2016, effective date of the Additional Protocol of the Framework Agreement	Pacific Alliance
Comunidad Andina de Naciones (CAN)	October 1969	Acuerdo de Integración Subregional Andino (Andean Subregional Integration Agreement)

* Source: www.tlc.gov.co

Will the commercial relationship with the United Kingdom continue after Brexit?

Yes, there is a Continuity Agreement between Colombia and the United Kingdom, aiming to continue with the commercial relationship among the states. Despite the agreement is not yet in effect, an internal procedure is being carried out in order to ratify this Agreement.

How does the imports regime work?

Imports consist of bringing foreign goods into the Colombian

customs territory, which will remain in it either permanently or temporarily according to the specific purpose they were brought into the country. Bringing goods from a free trade zone or from a customs deposit into the Colombian territory is also considered an import. Decree 1165 of 2019 contains various import modes, the most common being:



Ordinary import

The mechanism most used by Colombian importers. The goods are received for their free and indefinite use once all ob-

ligations and formalities have been met.

Its requirements include submittal of import statements, payment of customs duties, prior acceptance of import licenses, authorizations from the competent authorities, and compliance with the customs valuation norms.



Temporary import

Applies to non-permanent imports, not being possible to freely use the imported goods. There are various types of temporary imports, depending on their purpose

- **Short-term temporary import:** Allows importing goods for a specific purpose, resulting in their short-term stay in the country. The maximum time allowed is six months after the goods are received, extendable by the customs authorities for an additional three months. No customs duties have to be paid.
- **Long-term temporary import:** Allows deferring customs duty payments applicable to the imported



capital goods, their parts, and their accessories, for up to five years after having been received, in bimonthly payments.

- **Temporary import for active formalization of capital goods:**

Allows to temporarily import capital goods and their parts and spare parts, suspending the obligation to pay any customs duties. They should be re-exported within a maximum of six months after having been repaired or conditioned. Their use while being in the country is restricted and limited.



Postal imports and urgent deliveries

With this mechanism, using any means of mail delivery it is possible to import elements arriving through the national

postal service and urgent deliveries, provided their FOB value does not exceed US \$2,000 and requiring a speedy delivery.



Early import statement and early resolutions

The customs regime includes the possibility of submitting import statements at the most 15-day in advance of the arrival of the goods. This mechanism was created in order to facilitate the imports' delivery within an average of 48 hours.

How does the exports regime work?

This mechanism means that the goods will be leaving the

national customs territory for delivery to a foreign country. In addition to those contained in Decree 1165 of 2019, goods leaving a free trade zone or a free deposit will be considered being exported.

Authorized exporter: The person having requested and obtained a favorable risk rating opinion from the DIAN. For this, more than four final export customs statements should have been submitted during the previous year. They will be able to issue origin statements or statements in the invoice, according to the commercial agreement of the country the goods are to be exported to.

What is the Risk Management System?

This is a mechanism that allows an effective control by customs authorities in order to counter smuggling and facilitating international trade. It uses the information of those participating in the logistic chain and that related to payment of and compliance with the tax, customs, and exchange obligations and with the economic solvency obligations applicable to foreign trade operations. Based on this system, among others the tax authority is entitled to:

- Automatically refund income and sales tax balances, according to article 98 of Law 1943 of 2018.
- Provide a special treatment, giving to the person the condition of authorized exporter or authorized economic operator.
- Decide on the obligation to submit the import statement in advance.
- Decide to make documentary or physical customs inspections.
- Issue the customs clearance authorization.
- Decide not to authorize the customs transit.

Export steps:

- 1 Process the Tax Registration document (RUT), as an exporter, before any DIAN or SuperCade office.
- 2 Obtain the customs tariff applicable to the product to be exported.
- 3 Obtain the applicable authorizations.
- 4 Perform the respective customs procedures, including submittal of the shipping authorization application, the entry to the primary zone, the shipment, the shipping certificate, and other elements required for the export.



What are the 'authorized' customs deposits?

These are public or private deposits in which foreign goods are stored and whose legal import processes have not yet been concluded. They may remain there for up to two months and have the following benefits:

- They are an option for companies needing to store their goods without having to purchase or lease real properties.
- They facilitate the foreign trade procedures.
- They improve cash flows upon allowing paying customs duties once the goods have been delivered to the end user.

How do the international logistic distribution centers work?

These are private deposits located in ports, in airports, or in specialized logistic infrastructures that can be used to store various types of products, including national or foreign goods and freely available goods pending conclusion of a temporary im-

port or being transformed and/or assembled, which will be re-shipped, imported, or exported. Their benefits include:

- Foreign goods can be stored during one year from the day they enter the national customs territory, extendable for an additional year.
- The importer will not be required to pay customs duties during the time the goods are stored in such centers.
- Revenues obtained from the sale of foreign goods property of foreign companies or persons not residents in the country and being stored in these centers after having been received from a foreign country will not be subject to the income tax.

What is an authorized economic operator?

This is a special authorization given by the customs authority to exporters, importers, and customs agencies to facilitate foreign trade operations, considering their recognition as secure and reliable commercial entities. They have the following benefits:

- Consolidated payment of customs duties, sanctions, interests, and rescue values.
- No guaranties required to guarantee compliance with customs obligations.
- Goods are customs cleared in the customs agency facilities.
- Use of special channels and mechanisms for foreign trade activities carried out before the control authorities.
- Reduction in the number of physical inspections and documents for import operations, by DIAN.

How does the Foreign Trade Window operate?

This is the main trade facilitation tool in the country. It manages the users' foreign trade processes before the Government agencies in order to exchange information, suppress procedural redundancies, implement efficient controls, and encourage transparent administrative acts.

