Bogota Foreign Investment Guide - 2025

Invest in Bogotá

Chapter 3.

Foreign Investment Incentives

Preliminary stage

POSSE
HERRERA
RUIZ

1. Foreign investment incentives.

With the purpose of being one of the main destinations for foreign investment in LATAM, Colombia has some measures that could be beneficial for doing business in different sectors of the national economy. Below, we list some of the incentives that could motivate your investment decision, as well as their applicable regulations:

1.1. Colombian Holding Company ("CHC") Regulations

The Colombian Holding Companies ("CHC") regime has been established as a special regime applicable to those Colombian companies which main activity is: (i) securities or stocks holding; (ii) investment; (iii) holding; or (iv) administration of shares and investments in Colombian or foreign companies.

This regime has multiple tax benefits, as follows: (i) dividends distributed by foreign entities in favor of the CHC will be considered exempt from income tax; (ii) dividends distributed out by a CHC to a foreign individual or company will be deemed foreign-sourced income not taxed in Colombia; and (iii) the profit derived from the transfer of the shares of the CHC by a foreign individual or entity, is not taxed in Colombia.

1.2. Colombia has Double Taxation Avoidance Agreements (DTAs)

To prevent foreign investors from facing double taxation scenarios in Colombia, the country has signed several DTAs. To date they are in force with: Spain, Chile, Canada, Portugal, Switzerland, India, Mexico, Czech Republic, Korea, United Kingdom, France, Italy and Japan (For details refer to Chapter 3).

1.3. Investment protection.

Colombia has signed treaties that contain chapters for the protection of investments. These, through the inclusion of standards recognized by international law on the promotion and protection of investments, provide investors with a safe environment for the incorporation and development of their investment in the national economy. (For more details, see Chapter 3).

1.4. Contributions to Colombian companies

The incorporation and capitalization of Colombian companies through contributions in cash or in kind, will not generate fiscal effects in income tax for neither the investor, nor the receiving company. In any case, the contributions made will be subject to registration tax. In any case, contributions will trigger registry tax at a rate of 0,7 % per the increase of paid-in capital and 0,3 % per the share premium increase. In the case of an investment in a micro-company[1] incorporated in Bogota D.C., or any of the cities of Cundinamarca, there will be preferential registration fees, as follows: (i) Capital account increase. A rate of 0.6 %; and (ii) Increase of Shares Issuing Premium a rate of 0.2 %.

1.5. Benefits applicable to different businesses:

1.5.1. **Tourism.** As an incentive for investment in Tourism, income derived from the provision of hotel, ecotourism and agrotourism services may benefit from differential income tax rates.

According to Law 2277 of 2022, the applicable rate in these cases would be 15 % for a term of 10 years, which represents a difference of 20 percentage points compared to the corporate rate, which would remain at 35 %.

[1] Micro-company is understood as an entity whose annual income is less than 23,563 UVT (USD $277.250 approx.).

1.5.2. **Subsidies for social housing projects.** To increase the supply of social housing projects, investors may consider exempt from income tax in Colombia, the profit derived from the first sale of real estate destined to the development of these housing projects or from the sale of these housing units.

1.5.3. **Non-Conventional Energy Sources (FNCE).** The national legislation has contemplated certain tax incentives for investment in energy generation projects from non-conventional sources (FNCE), meaning to come from environmentally sustainable energy sources. Among the energy sources eligible for this purpose are wind, solar, ocean, biomass, geothermal, hydroelectric, green, and blue hydrogen.

The tax incentives include the following: (i) deduction of 50 % of the value of the investment; (ii) accelerated depreciation of equipment necessary for pre-investment, investment, operation, measurement and evaluation of potential resources; (iii) exemption of VAT on the acquisition or importation of goods and services during the pre-investment and investment phases of the project; and (iv) exemption from import tariffs on imported goods during the pre-investment and investment phases of the projects, which will be exempt from import tariffs.

2. Special incentives – Job creation.

2.1. Income tax deduction for first employment.

Domestic companies that hire young people between 18 and 28 years old, as their first job, will be entitled to deduct 120 % of the salary payments made to such employees. This shall be certified by the Ministry of Labor.

2.2. Income tax deduction for hiring women victims of violence.

Employers who hire women who have been victims of violence are entitled to deduct from their income tax 200 % of the value of salaries and social benefits paid to these persons during a maximum limit of three (3) years.

2.3. Income tax deduction for hiring people with physical disabilities.

Employers who hire people with disabilities will be able to deduct from their income tax 200 % of the value of salaries and social benefits paid to these people during the tax year.

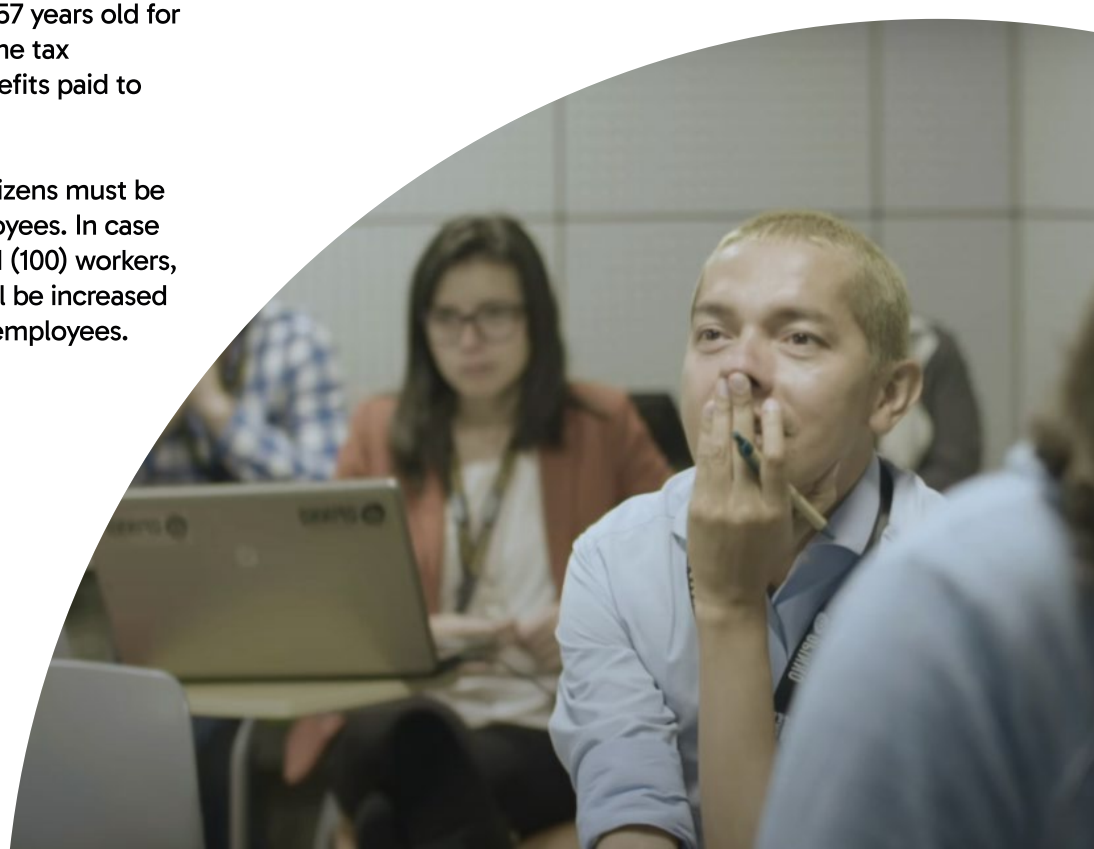
2.4. Income tax deduction for hiring senior citizens.

Employers who hire persons who are not retired and who are older than 62 years old in the case of men and 57 years old for women, are entitled to deduct from their income tax 120 % of the value of the salaries and social benefits paid to these persons during the taxable years.

To access this benefit, the number of senior citizens must be at least 2.5 % for everyone hundred (100) employees. In case the employer has hired more than one hundred (100) workers, the minimum number of older adults hired shall be increased by 0.5% for each additional one hundred (100) employees.

2.5. Exoneration of the payroll taxes and social security health contributions of employees.

Employers who pay income tax will be exempt to pay payroll taxes in favor of the National Learning Service (SENA), the Colombian Institute of Family Welfare (ICBF) and the contributions to the Contributory Health Regime, in relation to their employees who earn less than 10 monthly minimum wages.



2.6. Generation of new employee's incentives:

To stimulate the creation and retention of new formal employment opportunities, the national government has established a financial incentive for the hiring of specific segments of the population:

Condition	Benefit
Additional workers aged 18-28 who have contributed to the respective subsystems for a minimum of 6 months prior to the application date.	30 % of a monthly minimum wage per worker (approx. USD $100).
Additional female workers over 28 years old earning up to 3 minimum wages.	20 % of a monthly minimum wage per worker (approx. USD 65).
Additional male workers over 28 years old earning up to 3 minimum wages.	15 % of a monthly minimum wage per worker (approx. USD 45).
Additional male workers over 28 years old earning up to 3 minimum wages.	15 % of a monthly minimum wage per worker (approx. USD 45).
Additional male workers over 28 years old earning up to 3 minimum wages.	3 5% of a monthly minimum wage per worker (USD 110).

3. International Commerce – Incentives.

3.1. VAT in exportations.

3.1.1. **Exportation of goods.** Exports of goods are exempt from VAT and are subject to a bimonthly refund.

3.1.2. **Export of services.** The export of services rendered from Colombia is exempt from VAT complying with certain requirements. It is understood that there is an export of services exempt from VAT in cases of services related to the production of film, television, audiovisual works of any genre and the development of software, which are protected by copyright, and that once exported are disseminated from abroad by the beneficiary of these in the international market.

3.2. Tax credit for the ordinary importation of real productive fixed assets.

VAT paid on the ordinary importation of real productive fixed assets may be deducted from income tax to the extent that companies fulfill some requirements.

3.3. Other importation incentives

a) **Compliance with environmental standards:** The importation of goods intended to comply with environmental provisions, regulations and standards is exempt from VAT.

b) **Research or technological development centers:** Imports by research or technological development centers recognized by "Colciencias" will be exempt from VAT.

3.4. Tariff preferences established in Free Trade Agreements ("FTAs")

Colombia has 18 FTAs in force through which importers who can credit the importation origin may access the preferential treatment established therein; therefore, they would pay a 0 % tariff or a reduced tariff at the time of import.

3.5. Customs incentives. Special export and import systems (SEIEX and "Plan Vallejo")

The SEIEX allows the temporary import of goods with total or partial exemption of custom taxes if they are utilized to produce goods to export; provide services to produce goods or services to export. The "Plan Vallejo" must be authorized by the Ministry of Commerce.

3.6. International Commerce companies ("C.I." For its acronym in Spanish)

The C.I. are legal entities whose main benefits are[2]:

i) VAT exemption for the seller or producer in Colombia.

ii) C.I's are not subject to withholding tax on purchases for export purposes.

ii) To obtain tax refund certificates under the Government's terms. This benefit is not currently available.

[2] In accordance with the new customs regulations (Decree 659 of 2024), for sales of goods made by a free trade zone industrial user of goods or goods and services to a Customs Union (C.I.), a certificate may only be issued to the supplier when the goods being sold are 100% national or nationalized. In the event that such goods are to be exported, they must re-enter the national customs territory for their subsequent export to the rest of the world.

3.7. Free Trade Zones

Free Trade Zones may apply to the following benefits (among others):

i) Goods coming from abroad will not be subject to customs taxes (import tariffs /VAT) while they remain in the free trade zone.

ii) The purchase by industrial users of supplies necessary to develop their corporate purpose, coming from the customs national territory, is exempt from VAT. .

ii) As from 2024, industrial users that have not been expressly excluded may apply the preferential income tax rate of 20% on the percentage of taxable net income from exports.

3.8. Logistical benefits

Los beneficiarios del maro del Régimen Franco tendrían las siguientes prerrogativas principalmente:

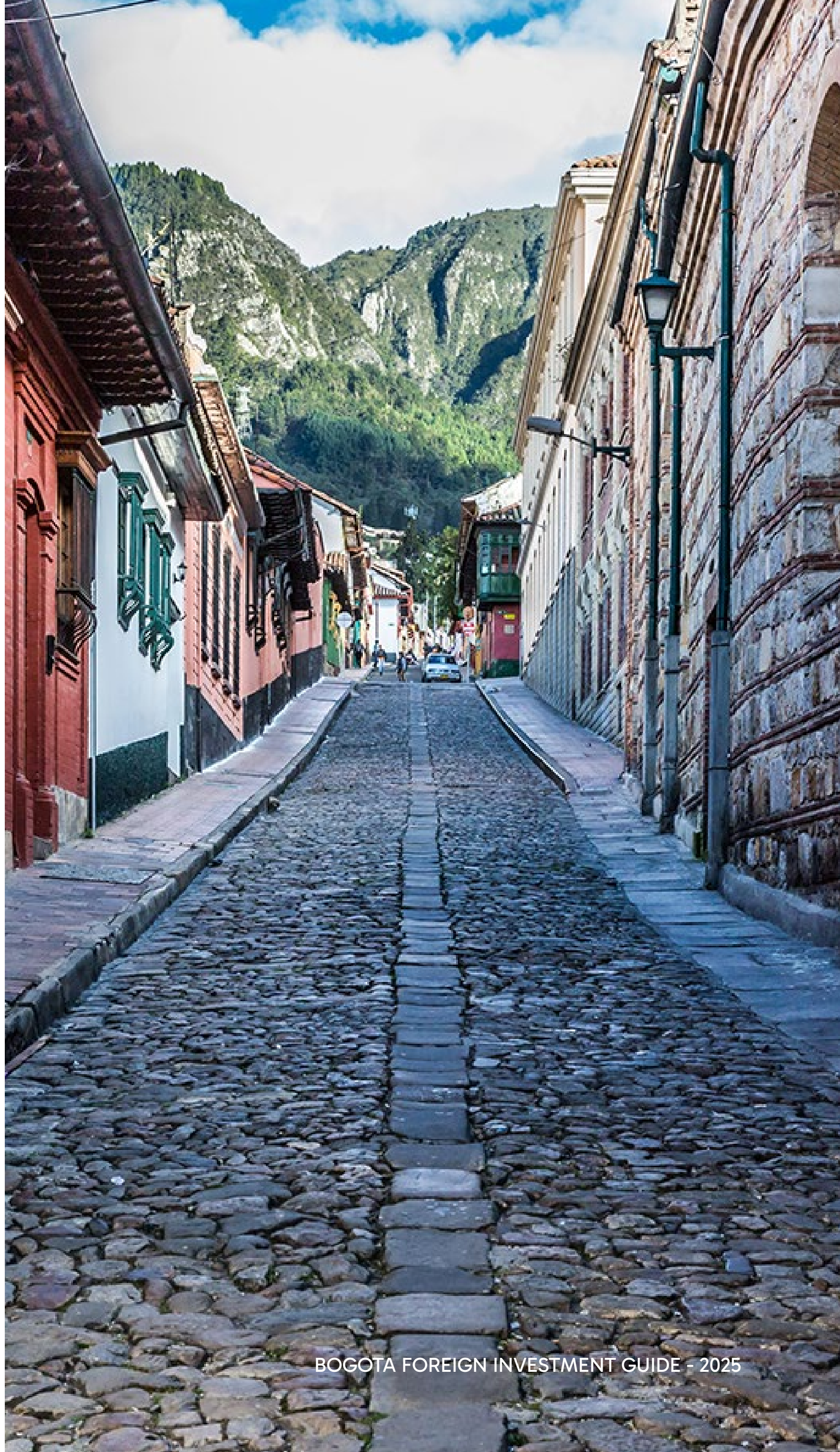
3.8.1. Logistics Distribution Centers ("LDCs"). Income obtained from the sale of goods owned by foreign companies or individuals without residence in the country, and that have entered the country to LDCs do not constitute taxable income in Colombia. Additionally, foreign goods may remain in the LDCs without being nationalized and with import tariffs suspended, up to a term of one (1) year, counted upon arrival to the National Customs Territory (term that may be automatically extended for an equal 1-year term). The LDCs must be authorized by the Tax Authority (DIAN).

3.8.2. Authorized Economic Operator ("AEO"). AEO's are not required to provide guarantees to support compliance with their customs obligations. They may present the shipping authorization at the place of shipment and will receive preferential attention in customs controls; they may access the possibility of making consolidated payments of import tariffs, penalties, interest and redemption value on a monthly basis, among other benefits. The AEO authorization is granted by the Tax Authority to foreign trade companies that have high security standards in their supply chain.

Pursuant to Decree 659 of 2024, Authorized Economic Operators (AEOs) must submit import declarations in advance with at least forty-eight (48) hours' notice[3].

3.8.3. Simplified Procedure Users ("UTS" for its name in Spanish). UTS are customs users that, due to their favorable qualification according to risk management criteria, obtain benefits when performing foreign trade operations. The most important benefits of UTS are: (i) they may constitute a single global guarantee; (ii) obtain the automatic release of imported goods; (iii) correct import declarations without authorization; and (vi) make the consolidated payment of import tariffs, penalties, interests, and redemption value.

[3] The entry into force of this regulation will depend on the implementation of a system by the DIAN. It may come into effect in the second half of 2025.



3.8.4. Other warehouses. The following warehouses involve some logistical benefits that should be considered:

OTHER DEPOSITS		
Deposit type	**Definition**	**Advantages**
PUBLIC OR PRIVATE WAREHOUSES	Places authorized by the Tax Authority for the storage of goods under customs control.	Avoid paying import tariffs and taxes while the merchandise remains in the warehouse. This is temporally limited.
PRIVATE TRANSITORY WAREHOUSES	Temporary deposits that are created due to special needs for a term of three (3) months.	Avoid payment of import tariffs and taxes while the goods remain in the Warehouse.
PRIVATE WAREHOUSES FOR TRANSFORMATION AND/OR ASSEMBLY	Warehouses enabled to store the goods to be processed and/or assembled.	Defer payment of taxes and import tariffs while the transformation and/or assembly process takes place. This is temporally limited.
PRIVATE WAREHOUSES FOR INDUSTRIAL PROCESSING	Private warehouses authorized for the storage of raw materials and inputs that will be subject to transformation, processing or industrial manufacturing.	It avoids the payment of taxes and import tariffs while the industrial process is being carried out.

Download
the guide, here:

https://en.investinbogota.org/

Invest in Bogotá

Invest in Bogotá