

## NEW TAX REFORM BILL INTRODUCED TO CONGRESS

On July the 20th of 2021, the Colombian Government introduced a new Tax Bill to Congress. In this issue, Colombian Tax Flash® summarizes some of the main changes proposed in this Bill, as well as some aspects not included in the Bill but that may be discussed throughout the legislative process.

### 1. CORPORATE INCOME TAX ("CIT")

- ➔ Increase of the general CIT rate from 30% to 35%.
- ➔ No modification of special regimes with reduced CIT rates such as free trade zones, mega-investments, simple regime and hotel activities.
- ➔ For financial entities, the CIT rate would be 38% between 2022 and 2025.
- ➔ Only 50% of the local turnover tax paid would be creditable from CIT.<sup>1</sup>

### 2. WITHHOLDING TAX ON PROFITS OBTAINED FROM FOREIGN INVESTMENTS IN FIXED-INCOME SECURITIES

To attract foreign investment flows in fixed-income securities, the withholding tax on profits obtained from foreign capital investments in this type of securities would be reduced from 5% to 0%.

### 3. REGULARIZATION TAX 4.0

Fourth version of the regularization tax at a rate of 17%. The tax would be levied on undisclosed assets or non-existent liabilities held by January 1st, 2022.

### 4. ANTI-EVASION PROVISIONS

- ➔ Real estate transfers would be subject to a georeferencing mechanism to verify the commercial value of the property.
- ➔ Based on crosschecks of information reported by third parties, DIAN could assess the income tax payable by taxpayers through the issuance of an invoice.
- ➔ Unification of the definition of final beneficiary based on international exchange of information standards.

<sup>1</sup> According to current regulations, as of 2022, 100% would be creditable.

## 5. INCENTIVES FOR THE CREATION OF NEW JOBS.

Employers would receive a government stimulus of 25% of the minimum monthly wage (approx. COP 227,000 (USD 59)) for each new worker between 18 and 28 years.

## 6. INSIGHTS OF ASPECTS NOT INCLUDED IN THE BILL

The following measures were not included by the Government in this new Bill, but could eventually be discussed by Congress in its legislative procedure <sup>2</sup>.

### ➔ Mutual Agreement Termination Procedures

As in previous tax reforms, Congress could establish mutual agreement termination of controversies with the DIAN. Usually, these facilities grant a reduction of penalties and interests in exchange for an acceptance of the tax liability from the taxpayer.

### ➔ Capital Gains Tax

The Bill does not include any changes regarding the taxable base or rate of the capital gains tax, which is currently comparatively low (10% rate). We highlight the fact that the first reform bill filed by the Government in 2021 proposed a change to the taxable base for donations, inheritances and other operations. According to this proposal, the taxable base would be the commercial value, and not the tax cost of the assets. Other academic papers have stressed the convenience of increasing the rate.

### ➔ Net-Worth Tax

Unlike the first Tax Reform Bill presented by the Government in March 2021, this new bill does not contemplate a new net-worth tax.

### ➔ Green Taxes

Possibly, during the legislative process the convenience of approving other taxes levied on consumption of single-use plastics or carbon emissions will be discussed.

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<sup>2</sup> Some of these measures were included in the previous 2021 tax bill that was filed and withdrawn by the Government before Congress..