



Doing Business

in Colombia

Your investment guide

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Foreword Doing Business 2024

2022 marked a milestone for Latin America and the Caribbean, receiving more than USD 224.579 billion in Foreign Direct Investment (FDI), reflecting the dynamism and attractiveness of the region for investors from around the world. However, the outlook in 2023 presented significant challenges due to the intensification and convergence of various crises worldwide. Factors such as the conflict in Ukraine and the Middle East, the increase in macroeconomic indices such as inflation and interest rates, together with a series of uncertainties in the international financial system, generated a negative impact on the region's economic indicators.

In the specific case of Colombia, the flow of FDI experienced a notable contraction towards the end of October 2023, registering an inflow of USD 853 million, which represents a reduction of 12% compared to the same period of the previous year. This setback is framed within a context of economic slowdown, which has moderated the country's growth after the results obtained in 2021 and 2022. Colombian economic activity during 2023 was influenced by a decrease in domestic demand, political uncertainty and the implementation of high interest rates by the Central Bank as a strategy to contain inflation. These measures, although necessary, have contributed to cooling the country's economic growth during the last year.

On the other hand, in a positive turn, Colombia registered a slight improvement in the Corruption Perceptions Index (CPI) 2023, reaching 40 points out of a possible 100, according to Transparency International. This advance, the first in five years, took the country from 91st to 87th place globally, among 187 countries evaluated. To consolidate this positive trend in the future, it is important to implement a National Anti-Corruption Strategy and strengthen sanctions for the identification of acts of corruption. The fight against this scourge requires a systemic approach that includes preventive measures,

greater access to public information, and the strengthening of the justice system and regulatory bodies.

Despite these challenges, FDI continues to be a fundamental pillar of Colombia's economic development. In a complex global scenario, the country faces the challenge of attracting and maintaining foreign investment that fosters sustainable growth. Colombia is committed to intensifying its efforts in attractive public policies and strengthening the business fabric to attract new investors, seeking not only to attract capital, but also to promote technology transfer, the creation of quality jobs and greater diversification of its economy. This approach aims to overcome current obstacles, as well as strengthen the foundations for a prosperous and resilient future.

Doing Business in Colombia 2024 aims to provide valuable information for individuals and companies interested in investing or consolidating their investments in the



country. This updated edition is designed to be an indispensable tool, providing a comprehensive overview of the business environment in Colombia. It offers a detailed analysis of current conditions, covering the main economic indicators and summarizing vital regulatory aspects for companies and investors.



Carlos Mario Lafaurie Scorza
Lead Partner of
PwC Colombia



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Colombian environment





1.1 Global Perspective

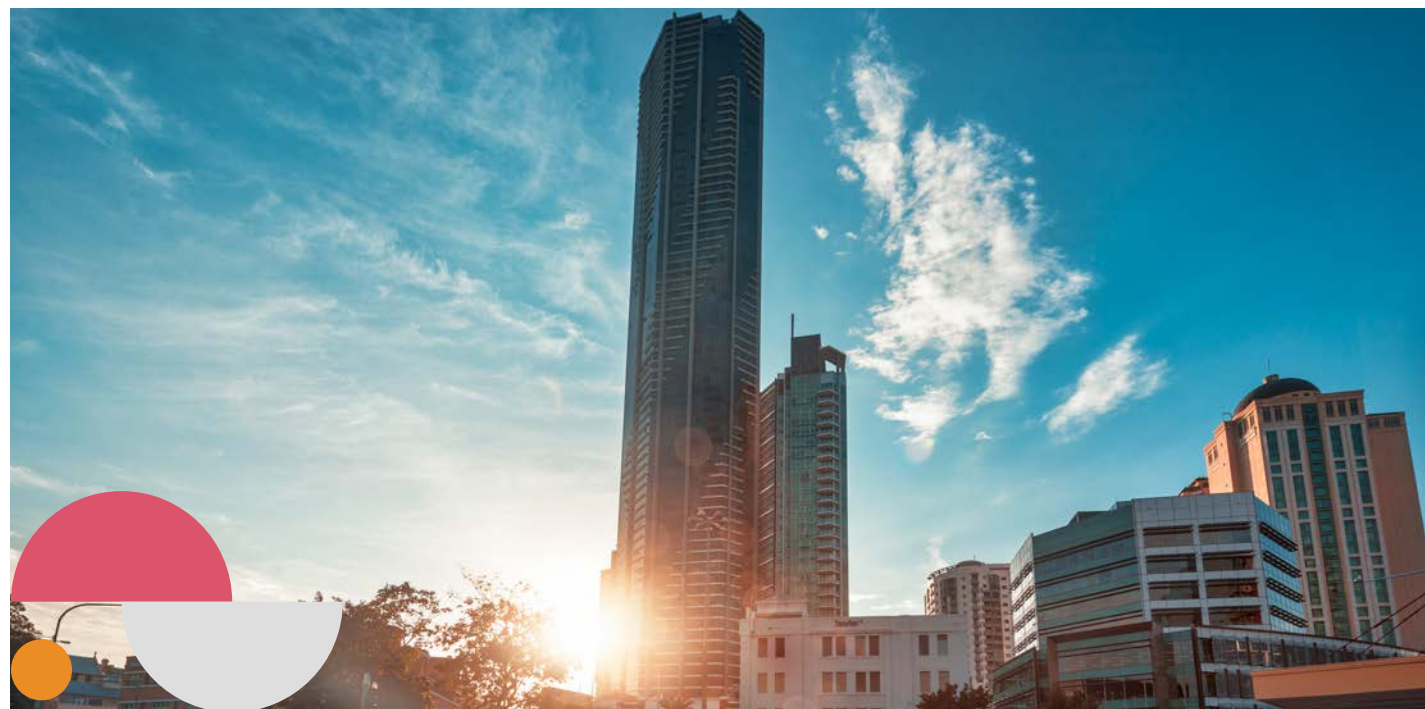
Economic context in 2023 and outlook for 2024

The overlapping crises of recent years have brought to an end a period of nearly three decades of sustained economic growth that saw the world experience a massive reduction in extreme poverty by that time.

The global economy continues its slow recovery from the blows of the pandemic, Russia's invasion of Ukraine, and the cost of living crisis. In hindsight, global resilience in the face of these major events has been remarkable.

Despite the disruption to energy and food markets caused by the war and the unprecedented tightening of international monetary conditions to combat inflation not seen in decades, the global economy has slowed, but not stagnated. Still, growth is slow and unequal, with growing divergence globally; the world economy is proceeding at a slow pace as global activity bottomed out at the end of 2022, while inflation is gradually coming under control in most countries. However, full recovery to pre-pandemic trends seems increasingly out of reach.





According to the latest projections of the International Monetary Fund (or IMF), world growth will decelerate to figures that are estimated to be well below the historical average; on the side of general inflation -i.e. worldwide- its deceleration continues, from 9.2% in 2022 to 5.9% as of October 2023 and an estimated 4.8% for 2024.

The slowdown is expected to be more pronounced in advanced economies than in EMDEs. On the one hand, regarding advanced economies, the United States has surprised positively, with resilient consumption and investment, while Eurozone activity has slowed in these same two areas. On the other hand, many emerging market economies have shown considerable resilience and have surprised positively too, with the notable exception of China, which is facing increasing difficulties stemming from its real estate crisis and deteriorating consumer confidence.

These results derive from the intervention of three forces at the global level: First, a nearly full recovery in the services sector has been achieved as strong demand for labor-intensive services over the past year has provided incentives for service-oriented economies, including major tourist destinations such as France and Spain, to tighten labor markets persistently in services. However, this strong demand in service sector activity is weakening in parallel to the persistent slowdown in manufacturing economies, suggesting that services inflation will slow in 2024 and that labor markets will face a gradual slowdown but not stagnation.

Second, part of the global slowdown is a result of the monetary contraction needed to reduce inflation. The monetary policy tightening is starting to have an effect, although it is patchy across countries; on the credit side, it is affecting housing and investment markets, more so in countries with a higher percentage of variable-rate mortgages or where households are less willing or able to draw on their savings.

Third, inflation and manufacturing were impacted by commodity prices during 2023, economies that rely heavily on energy imports from Russia experienced a stronger increase in energy prices and a sharper slowdown. Some of the IMF research shows that the effect of higher energy prices had a significant impact on the increase in inflation in the euro area, for the case of the United States inflation pressures indicate instead a shortage of labor supply.

Despite signs of a slowdown, labor markets in advanced economies remain dynamic, with historically low unemployment rates; so far, there is little evidence of a “wage-price spiral” and real wages remain below pre-pandemic levels.

Table 1:

Economic growth: historical results (2020-2022) and projections 2023-2024²

	2020	2021	2022e	2023p	2024p
World	-3.2%	5.9%	2.9%	1.7%	2.7%
Advance Economies	-4.3%	5.3%	2.5%	0.5%	1.6%
Emergin markets and developing economies	-1.5%	6.7%	3.4%	3.4%	4.1%

e: estimated p: projected

Source: World Bank.

PwC Colombia. (2024). Economic growth: Historical results (2020-2022) and projections 2023-2024 [Table]. In Doing Business in Colombia 2024. Data from the World Bank.

1. Wage-price spiral: A proposed explanation for inflation, in which wage increases lead to price increases which in turn lead to wage increases, in a positive feedback loop. Taken from Mankiw, N. Gregory. “15, Aggregate demand and aggregate supply.” Brief Principles of Macroeconomics (5th ed.). p. 353.

2. [World Economic Outlook: Navigating Global Divergences \(2023, October\). International Monetary Fund. Access date: December 19, 2023.](#)

As mentioned above, global growth will continue to slow this year, due to the lagged and ongoing effects of tight monetary policy, similarly tight financial conditions, and weakness in global trade and investment. Downside risks to the outlook include an escalation of the recent conflict in the Middle East and associated disruptions in commodity markets, financial stress due to high debt and high borrowing costs, persistent but falling inflation, weaker-than-expected activity in China, trade fragmentation, and weather disasters.

In this context, governments around the world face enormous challenges. While investment in EMDEs is likely to remain subdued, lessons from the episodes of accelerating investment growth over the past seven decades highlight the importance of macroeconomic and structural policy measures and their interaction with well-functioning institutions in boosting investment and thus long-term growth prospects.



Commodity-exporting EMDEs face a unique set of challenges amid procyclicality and fiscal policy volatility; this underscores the need for a properly designed Fiscal Policy Framework that, combined with a sound institutional environment, can help create “buffers” during commodity price booms that can be drawn upon during subsequent price downturns. At the global level, there is a need to strengthen cooperation to alleviate debt relief, facilitate trade integration, address climate change and alleviate food insecurity.

Table 3:

Behavior of the 3 most relevant economic scenarios during 2023³

Regional outlook	<ul style="list-style-type: none"> • Although some growth improvements are expected in most EMDES regions, the overall outlook remains subdued. • In 2024, growth is projected to soften in East Asia and the Pacific - mainly due to slowing growth in China - Europe and Central Asia, and South Asia. • For Latin America and the Caribbean, only a slight improvement in growth is expected, starting from a weak base in 2023. Sharper growth rebounds are expected in the Middle East and North Africa, supported by rising oil production, and in Sub-Saharan Africa, reflecting the recovery. • In 2025, growth is projected to strengthen in most regions as the global recovery takes hold.
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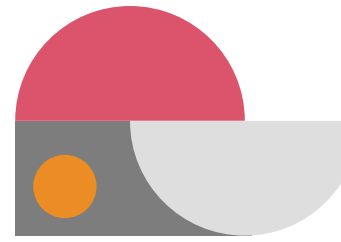
3. [Global Economic Prospects \(2024, January\). World Bank. Accessed January 10, 2024.](#)

Acceleration of investment

- Investment drives economic growth, helps reduce poverty and will be indispensable for tackling climate change and achieving other key objectives of EMDEs. Without new policy measures, investment growth in these economies is likely to remain low for the rest of this decade.
- Countries that experienced investment accelerations often reaped an economic windfall:
 - Output growth increased by about 2 pp⁴ and productivity growth increased by 1.3 pp per year.
 - Other benefits materialized: inflation declined, fiscal and external balances improved and the poverty rate declined.
 - Most of the accelerations were accompanied by policy changes aimed at improving macroeconomic stability, structural reforms or both

Fiscal policy in commodity exporters: A permanent challenge.

- Fiscal policy has been 30% more procyclical and 40% more volatile in commodity-exporting EMDEs than in other countries classified as EMDEs. Both procyclicality and volatility in fiscal policy harm economic growth because they amplify business cycles.
- Structural policies, including exchange rate flexibility and easing restrictions on international financial transactions, can help reduce both fiscal procyclicality and volatility.
- By adopting the average policies of advanced economies in terms of exchange rate regimes, restrictions on cross-border financial flows, and use of fiscal rules, commodity-exporting EMDEs can increase their per capita GDP growth by about one pp every four to five years through reduced fiscal policy volatility.
- A strong commitment to fiscal discipline is critical for these institutions to be effective in achieving their objectives.



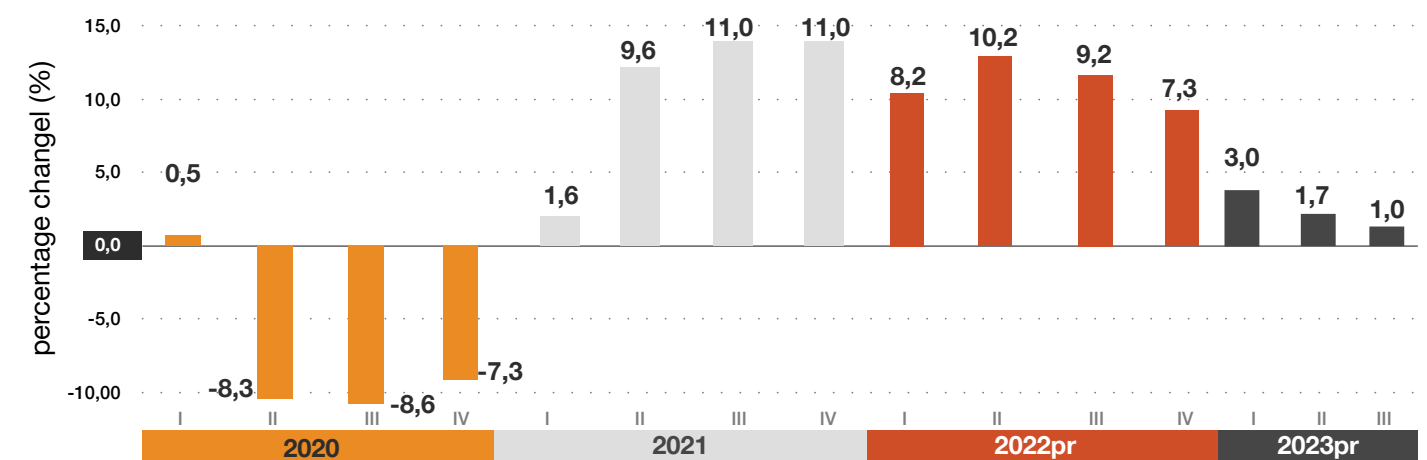
Colombian Perspective

Gross Domestic Product (GDP)

According to DANE⁵ figures for the year 2023 (as of October), i.e. the third quarter of the year, GDP in its original series was 1.0%. The economic activities that most contributed to this dynamic are: manufacturing industry that decreased by 6.2%, followed by Wholesale and retail trade; repair of motor vehicles and motorcycles; Transportation and storage; Accommodation and food services that decreased by 3.5% and the construction sector that decreased by 8.0%; in the case of the sectors that contributed positively to the behavior of the GDP, the Public Administration and Defense sector; mandatory social security plans; Education; Human health care and social services activities grew by 4.0%; the arts and entertainment sector grew by 11.8% and the financial and insurance activities sector grew by 8.8%.

Figure 1:

Annual growth rate^{6 7}



Source: PwC Colombia. (2024). Annual growth rate [Graphic]. In Doing Business in Colombia 2024. Data from DANE, national Accounts.

4. pp: percentage points.

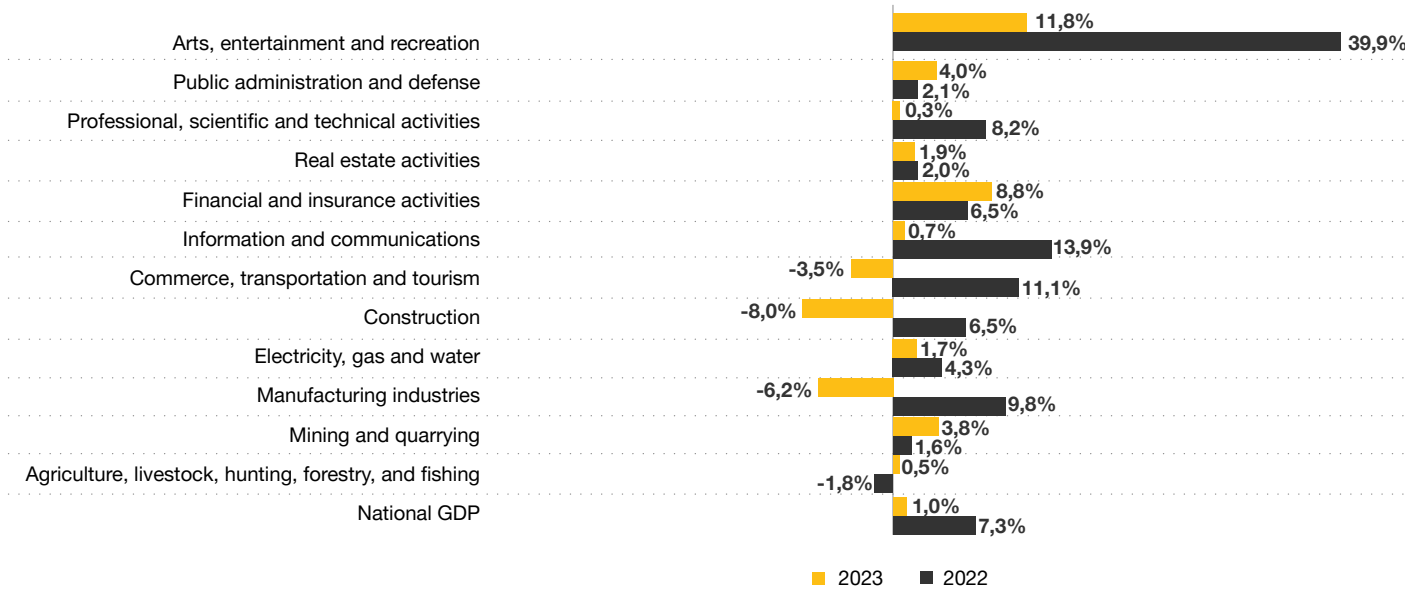
5. [Technical Report: Gross Domestic Product \(GDP\). November 15, 2023. DANE. Accessed on: December 19, 2023.](#)

6. p. Preliminary Data - pr. Provisional Data

7. DANE, National Accounts updated as of October 2023 and published on November 15, 2023. Date of consultation: December 19, 2023.

Figure 2:

Growth rate by economic sector (%) Growth rate for the current year (2022 and 2023)⁸



Source: Prepared by PwC. Data: DANE. National Accounts.

According to analysts of the Portafolio newspaper, 2023 has been a year in which the sectors have made several warnings about the economic slowdown and its effects on employment, productivity, investment, and even the trade balance (imports and exports), as well as the impacts of inflation, which remained in double digits throughout the year and only in December 2023 reaches a single digit (9.28%), this decrease in GDP is mainly due to the deceleration of investment, in which gross capital formation decreases by 33.5% with respect to the same period of 2022⁹, these decrease in gross capital formation is due to the fact that companies are postponing their investment, which in general terms is a reflection of the outlook of businessmen and how they see the economic future of the country, which implies lower possibilities of growth in the short, medium and long term. In addition to the above, the sectors that decreased in the third quarter of 2023, are those that are quite important in the national economy, which require large investments, which in turn require financing and these contemplate high interest rates, therefore investment in these sectors is highly affected.

The OECD estimates that growth of the Colombian economy will be weak but with a steady trend as long as monetary policy remains restrictive, growth will gradually recover with the Central Bank's easing cycle starting in 2024, even though there is a considerable delay in the pass-through of reference rates to lending rates. The OECD estimates an acceleration of growth starting in the second half of 2024 that will be driven especially by a rebound in investment driven by the easing of financial conditions contrary to the 2023 scenario in which investment has been negatively impacted so the acceleration estimated in 2024 will only partially offset the 2023 decline. Exports, currently dominated by oil, will continue to be subdued by the weakness of the global economy and investment in production, while inflation will continue to decline progressively, reaching around 5% by the end of 2024, driven by tight monetary policy and weak domestic demand. Domestic risks include non-compliance with fiscal rules and difficulties in realizing debt sustainability, especially due to high projected public spending, and a larger-than-expected El Niño phenomenon¹⁰.



8. Information as of the fourth quarter of 2022 and third quarter of 2023.

9. Taken from the Portafolio newspaper and from the opinion given to this newspaper by Andrés Giraldo, associate professor at the Pontificia Universidad Javeriana.

10. [Economic Panorama of Colombia: Country Note - Colombia \(2023\). OECD.](#)

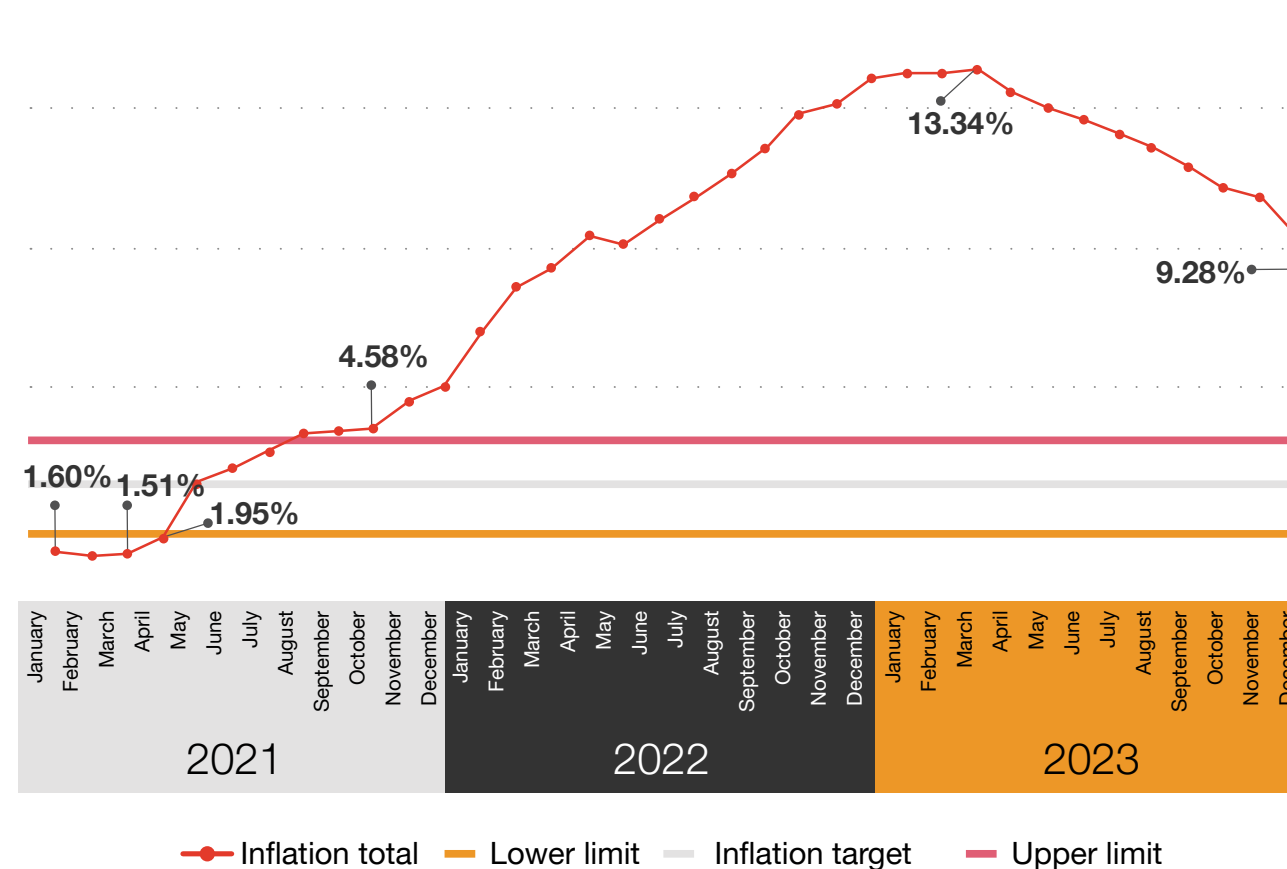


Inflation

In the month of December 2023, the CPI (Consumer Price Index) registered a variation of 9.28% compared to December 2022. In the last year, the Transport (15.42%), Restaurants and hotels (13.22%), Alcoholic beverages and tobacco (1.95%), Education (11.41%), Miscellaneous goods and services (10.08%) and finally, Health (9.49%) divisions were above the national average (9.28%).

Meanwhile, the Housing, water, electricity, gas and other fuels (9.26%), Furniture, household articles and articles for ordinary household maintenance (8.94%), Recreation and culture (7.10%), Clothing and footwear (5.23%), Food and non-alcoholic beverages (5.00%) and finally, Information and communication (0.12%) were below the national average.

Figure 3:
Inflation behavior in Colombia. Period 2021-2023 (September)¹¹



Source: PwC Colombia. (2024). Inflation behavior in Colombia. Period 2021-2023 [Graphic]. In Doing Business in Colombia 2024. Data from Banco de la República.

Inflation, after 18 months, reached single digits, complying with the Government’s projections and estimates; however, this result is still far from the target set by Banco de la República (3%), without taking into account that the Colombian economy will have to face great challenges in 2024, which could hinder the pace of CPI reduction, according to economic analysts it is important that there is a public-private intervention so that the downward

trend continues given that as mentioned the Colombian economy is in a phase of economic deceleration in addition to other factors that could affect the downward trend of inflation such as the increase of the minimum wage 3 points above inflation, with a negative productivity due to the decrease in investment, as many other services that have had considerable increases such as SOAT and tolls, a situation that will put upward pressure on costs and would then

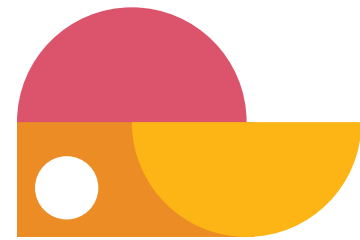
slow down a more sustained reduction of inflation.

According to analysts, these factors plus some additional factors that have been implemented progressively during 2023 could negatively affect the downward trend of inflation, these factors refer for example to the increase in electricity and gasoline prices, measures that have been implemented to mitigate budget deficits.

Inflation and how much it oscillates around the target, has always been fundamental for households, but it has generated higher expectations, month by month, since the end of 2021 when it started its progressive increase, which culminated in a peak reached in March 2023, when it reached 13.34 %, although inflation has been decreasing, December’s results were below analysts’ expectations, the Minister of Finance looks favorably on this result arguing that “(...) TThe path of recovering purchasing power is the one that interests the government and in this perspective we expect to continue to reduce inflation in 2024, reaching around 5%”¹², this forecast will be tied to the weather with the El Niño phenomenon and the management of the tariff option in energy and adjusting the price of diesel.



11. [Inflación total y meta \(n. d.\). Banco de la República. Date of consultation: January 11, 2024](#)
12. [Inflation closed lower for 2023 in Colombia and reached a single digit \(2024, January 9\). El Espectador newspaper.](#)



Monetary Policy

Due to the macroeconomic context observed at the end of the third quarter of 2023, characterized by total and basic inflation¹³ declining at a moderate pace, but still above the established target, Banco de la República's Monetary Policy Report highlights the need to maintain a contractionary monetary policy. This approach aims at ensuring the convergence of inflation towards the target, adjusting aggregate demand to levels that do not exceed the productive capacity of the economy and consolidating a sustainable external position¹⁴.

In December 2023, the Board of Directors of Banco de la República (JDBR) opted to maintain the interest rate at 13%¹⁵, with the objective of controlling inflation to bring it closer to the 3% target. According to



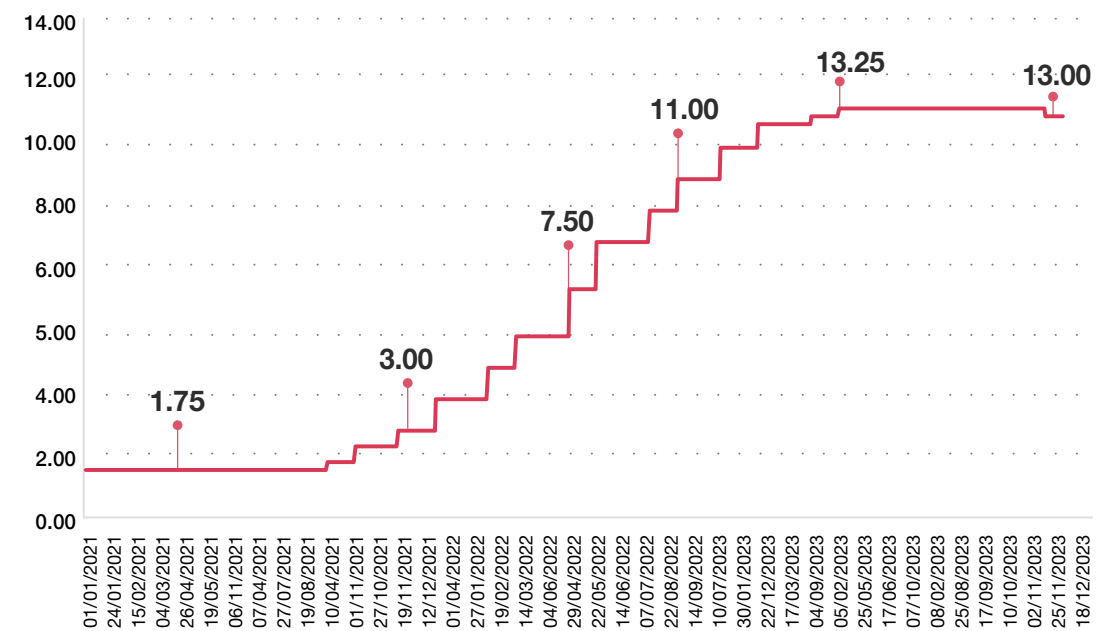
Banco de la República's Monthly Expectations Survey, a gradual decrease in the monetary policy interest rate is expected throughout 2024, reaching 8.9% in the fourth quarter¹⁶.

In line with the above and based on information provided by credit institutions, the Superintendencia Financiera (SFC) adjusted the usury rate, establishing the current banking interest rate for consumer and ordinary loans at 23.32% effective annual interest rate. This change is effective from January 1 to January 31, 2024, representing a reduction of 172 basis points with respect to the rate in effect as of December 2023, which was 25.04%¹⁷.

In conclusion, faced with the challenge of persistent inflation, Banco de la República maintains a contractionary monetary policy to stabilize prices and promote sustainable economic growth. Likewise, the adjustment of the usury rate by the Superintendence of Finance aims to promote economic stability driven by an environment of confidence in the market.

Figure 4:

Monetary policy interest rate in Colombia¹⁸



Source: PwC Colombia. (2024). Monetary policy interest rate in Colombia [Graphic]. In Doing Business in Colombia 2024. Data from Banco de la República.

13. Excluded from the CPI basket are those items with very volatile price behavior or which are outside the control of monetary policy. For example: Food prices..

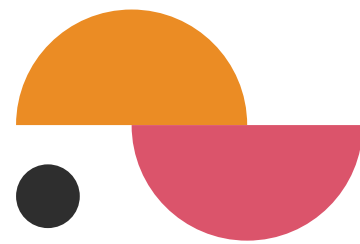
14. [Banco de la República. Monetary Policy Report - October 2023.](#)

15. [Banco de la República. Banrep Minutes](#)

16. [Banco de la República. Monetary Policy Report - October 2023.](#)

17. [Revista Semana. Loans will become cheaper as of January: usury rate dropped.](#)

18. [Series from January 1, 2021 to January 9, 2024, left axis in basis points.](#)



Interest rates

During the third quarter of 2023, a temporary tightening in the financing conditions of credit institutions was observed. On the other hand, the concentration of longer-term CDT maturities increased in July and August, possibly raising the cost of term funding, in compliance with the requirements established by the NSFR¹⁹. These factors were reflected in the increase of deposit interest rates up to August for different terms.

In a context of economic slowdown, high interest rates and significant household indebtedness, demand for loans has been affected, resulting in a less dynamic portfolio. Furthermore, on the supply side, credit institutions have been very strict when granting loans, in an environment of deteriorating portfolio quality indicators and increased loan provisioning expenses. According to BanRep's Monetary Policy Report as of June 2023, the supply of new loans in all modalities has decreased since the close of 2022. Additionally, a preference for less risky placements has been observed, highlighting the increase in disbursements backed by "libranza" in the consumer portfolio.

However, as mentioned above, given that in the last meeting of 2023, the JDBR made the decision to reduce interest rates, thus marking the beginning of more affordable loans for 2024. Therefore, it is expected that these measures will encourage consumers to consider buying cars in 2024, for example. It is important to highlight that the upward trend in interest rates of the Central Bank, which began in October 2021 and reached its highest level since 1999, had an impact on several industries in the country²⁰.

Asobancaria indicated that as of September 2023, the total portfolio of its member institutions reached \$539.46 trillion pesos, distributed mainly in commercial credit (50.34%), consumer (30.52%), housing (18.82%), and microcredit (0.32%). In the housing segment, the portfolio balance was \$105.3 trillion, experiencing an 8% growth with respect to the third quarter of the previous year. According to this entity's projections, an increase of 8.19% is expected by 2024, reaching \$116.30 trillion, and suggests that the decrease in interest rates will make it easier for households to purchase their own homes²¹.

19. The Net Stable Funding Ratio (NSFR) adopted from the Basel III agreements and implemented by the Superintendencia Financiera de Colombia in 2019, seeks that credit institutions have a better matching of the maturities of their assets and liabilities.

20. [Asobancaria. Press release.](#)

21. [La República. Así arrancan las tasas de interés si su propósito para el año nuevo es comprar carro.](#)

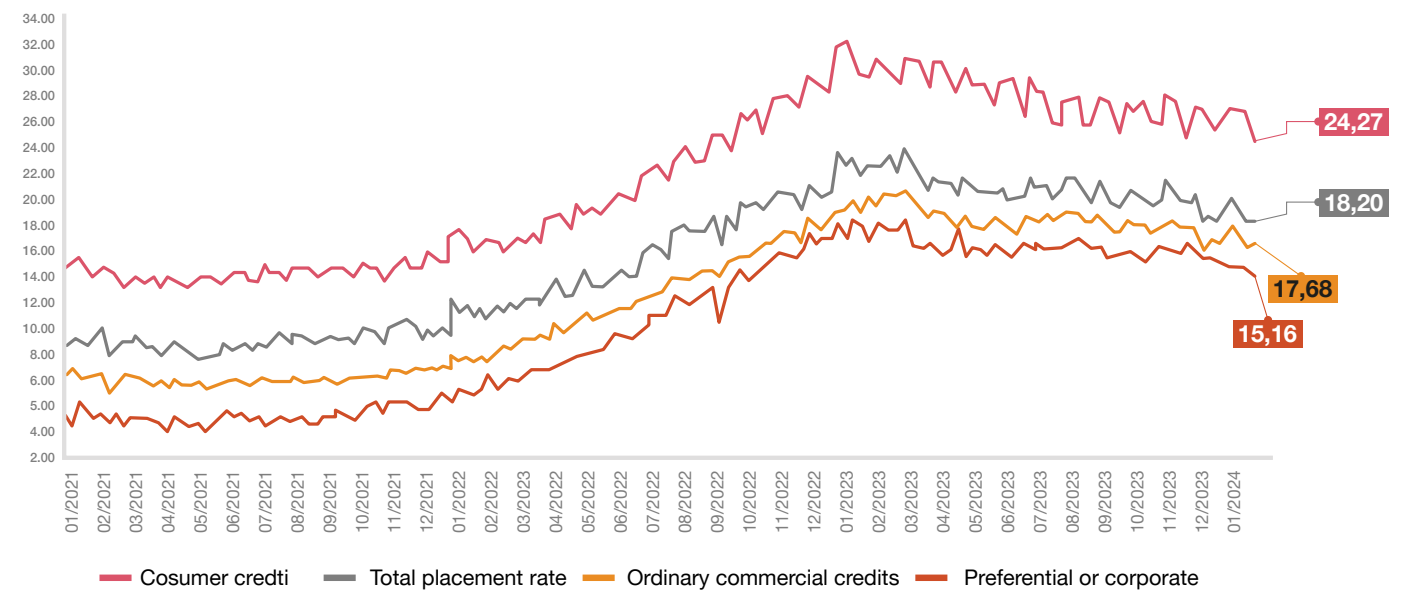
22. Weekly periodicity (left axis in percentages). Run 2023: Week 51 of December

23. [Banco de la República. January 2024](#)

24. [Monthly periodicity. Left axis in percentages. Banco de la República. October 2022.](#)

Figure 5:

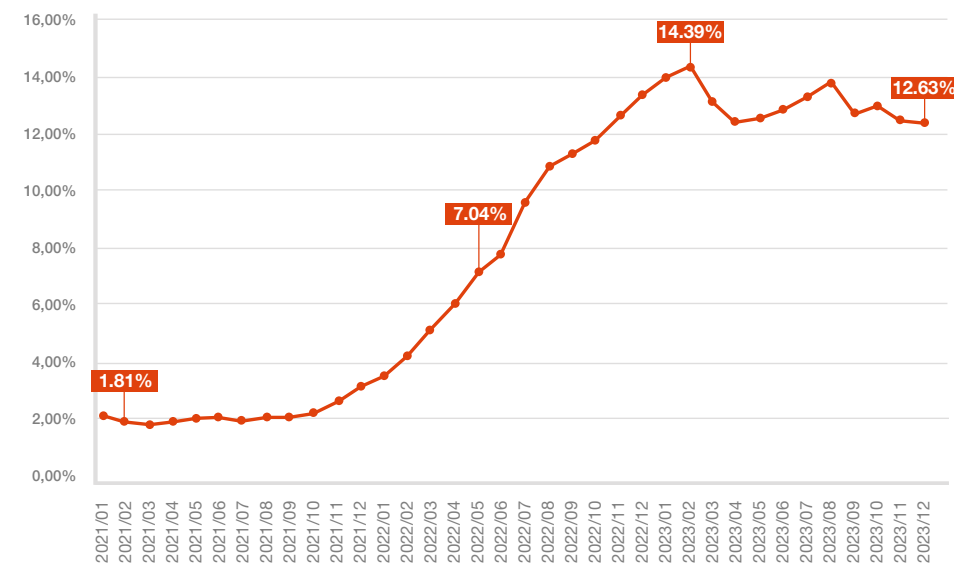
Interest rates in Colombia 2021 - 2024^{22 23}



Source: PwC Colombia. (2024). Interest rates in Colombia 2021 - 2024 [Graphic]. In Doing Business in Colombia 2024. Data from Banco de la República.

Figure 6:

Deposit rate - Annual Effective DTF²⁴



Source: PwC Colombia. (2024). Deposit rate - Annual Effective DTF [Graphic]. In Doing Business in Colombia 2024. Data from Banco de la República.

According to the report of the Superfinanciera and Banco de la República, the DTF had an average behavior of 12.63% EA²⁵ for the month of December 2023, representing a decrease of 0.79 pp with respect to the closing rate for the year 2022, which was 13.42% EA.

Table 4:Average monthly interest rates²⁶

	Sep-21	Dec-21	Dec-22	Jun-23	Sep-23
Interbank					
TPM	1.75	2.70	11.42	13.25	13.25
TIB overnight	1.79	2.73	11.41	13.28	13.25
IBR overnight	1.77	2.72	11.41	13.28	13.25
1 - month IBR	1.93	2.96	11.80	13.25	13.23
3 - months IBR	2.27	3.36	12.08	13.25	13.11
6 - months IBR	2.76	3.97	12.31	13.03	12.71
12 - months IBR	-	-	12.17	11.99	11.59
Deposit rates					
Savings	0.97	1.19	5.72	6.23	6.40
90 -day DTF	2.05	3.08	13.42	13.02	13.07
180 -day DTF	2.45	3.71	15.58	13.30	13.49
360 -day DTF	3.16	5.10	17.08	14.17	13.78
DTF > 360 days	3.68	7.14	19.15	14.44	13.62
Credit					
Preferential	4.98	6.00	18.57	17.65	17.30
Ordinary	7.34	8.18	19.27	19.20	19.04
Purchase of non-VIS housing	9.06	9.40	17.22	17.97	17.44
Purchase of VIS housing	10.98	11.55	17.00	16.41	16.12
Consumption without Libranza	17.09	17.51	31.23	31.65	29.74
Consumption with Libranza	11.23	11.65	19.45	19.82	19.55
Credit card	23.49	24.47	39.01	39.58	37.60

Source: PwC Colombia. (2024). Average monthly interest rates [Table]. In Doing Business in Colombia 2024. Data from Superintendencia Financiera de Colombia, Banco de la República calculations.



Exchange Rate

The Market Representative Rate (TRM for its acronym in Spanish) is defined by the Banco de la República as the amount of Colombian pesos per U.S. dollar. The TRM is calculated based on the purchase and sale of foreign currency between financial intermediaries that trade in the Colombian Foreign Exchange Market, with compliance on the same day that the foreign currency is traded.

According to Corficolombiana's report on the impact of liquidity on the exchange rate in Colombia, in 2023, the Colombian peso appreciated significantly against the dollar, outperforming other Latin American currencies and closing the gap that had been generated in the second half of 2022 after the change of government in Colombia.

In addition, this report establishes that this appreciation is attributed to several reasons related to the liquidity of the system, where the following factors stand out: (i) the demand for future dollars by the different agents of the exchange market, (ii) regulatory

requirements associated with the funding of financial entities; (iii) the inflow of foreign currency for the payment of taxes and the distribution of dividends from the oil sector; (iv) a lower than expected government budget execution; (v) growth of the credit portfolio; and (vi) a high maturity profile of Term Certificates of Deposit (CDT)²⁷.

Additionally, this downward trend is also due to the decisions made by the Federal Reserve of the United States on interest rates, who opted to keep interest rates stable for the third consecutive time in 2023, which could be an indication of the end of its aggressive hike campaign. As can be seen in the following chart, the behavior of the dollar for the fourth quarter of 2023 presented a downward trend, where the closing rate for December was \$3,822.05. According to the Financial Opinion Survey conducted by Fedesarrollo in December, it is indicated that by the end of 2024 the exchange rate will be at \$4,150 Pesos²⁸.

25. EA: Effective annual interest rate

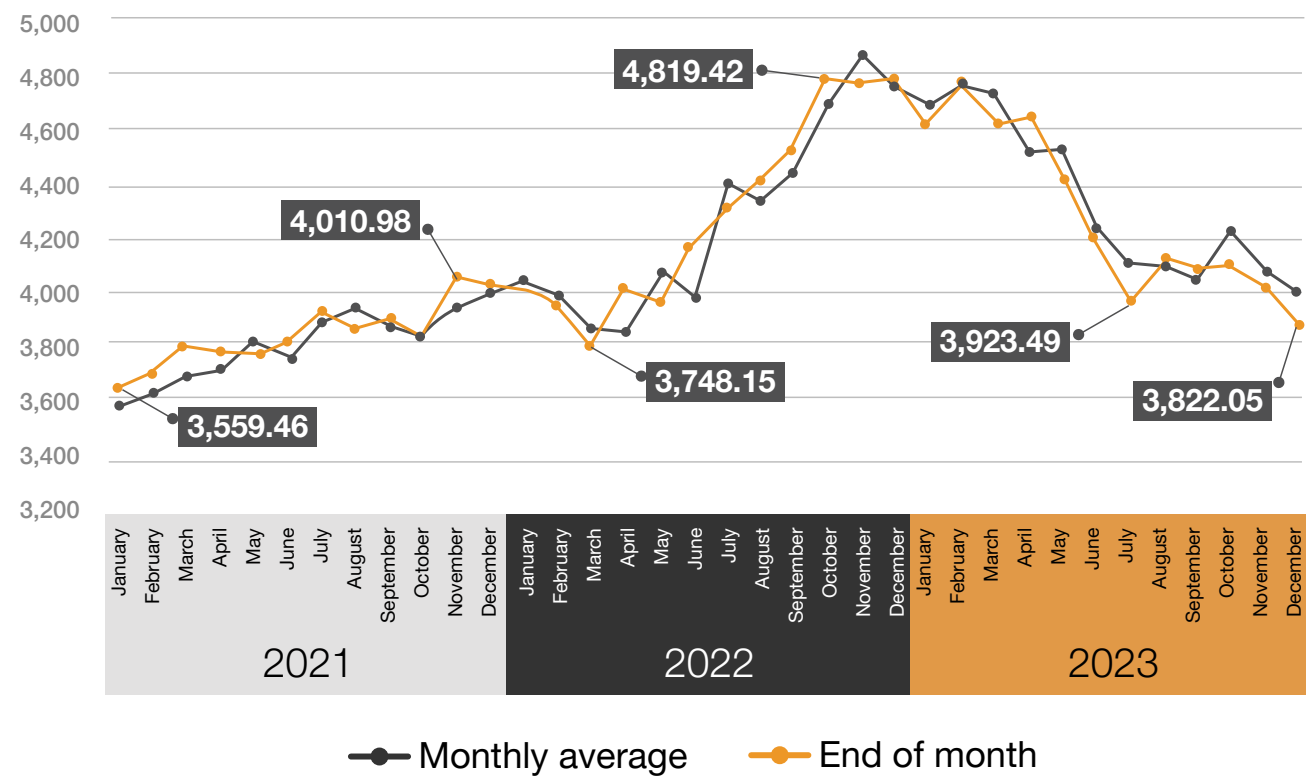
26. Banco de la República. [Monetary Policy Report - October 2023](#)

27. Corficolombiana. [Impact of liquidity on the exchange rate in Colombia: 2023 diagnosis and 2024 outlook](#).

28. Encuesta de Opinión Financiera. [Results December 2023 - Fedesarrollo \(s. f.\)](#).

Figure 7:

Market Representative Rate 2021-2023 monthly average and month-end series²⁹



Source: PwC Colombia. (2024). Market Representative Rate 2021-2023 monthly average and month-end series [Graphic]. In Doing Business in Colombia 2024. Data from Banco de la República.

Balance of payments

The overall result of the balance of payments for the third quarter of 2023 recorded a current account deficit of US \$1,680m³⁰ equivalent to 1.7% of quarterly GDP, lower by US\$ 665m and by 1.0 pp of GDP with respect to the immediately preceding quarter. On the other hand, the financial account recorded net capital inflows of US \$1,387m equivalent to 1.4% of quarterly GDP, lower by US \$1,268m and by 1.7 pp of GDP compared to what was reported a quarter earlier. Errors and omissions were estimated at US \$293m.

For the first nine months of 2023, the current account deficit is estimated at US\$7,092m, equivalent to 2.7% of GDP as of September, US\$9,521m and 3.6 pp of GDP lower than a year earlier. In turn, the financial account, including an increase in international reserves of

US\$ 1,222m, recorded net capital inflows of US\$ 6,800m, which represent 2.6% of GDP as of September, lower by US\$ 8,925m and by 3.4 pp of GDP compared to what was reported a year earlier³¹.

On the current account side³², specifically in exports processed by DANE and DIAN, in November 2023 the country's external sales were US\$4,151.8 m FOB and presented a 9% decrease in relation to November 2022; this result was mainly due to the 19.1% drop in external sales of the group of Fuels and products of extractive industries.

In November 2023, exports of Fuels and products of extractive industries accounted for 51% of the total FOB value of exports; likewise, Manufactures with 19.8%, Agriculture, food and beverages with 21.5%, and Other sectors with 7.8%³³.

29. [Banco de la República](#).

30. m. millions

31. [Banco de la República. Informe de la Evolución de la Balanza de Pagos y de la Posición de Inversión Internacional - Enero a septiembre de 2023: Publicaciones periódicas y revista trimestral.](#)

32. Agriculture, food and beverages: Food products, live animals, tobacco, fats and oils, among other products // Fuels and extractive industry products: Crude oil and its derivatives, coal, among others // Manufactures: Chemical products, machinery and transportation equipment, among others // Other sectors: Non-monetary gold and products not classified in the previous groupings

33. [Technical Bulletin: Exports - November 2023. \(2024, January 5\). DANE. Date of consultation: January 11, 2024.](#)

Table 5:Exports by macro sector 2020-2023 (November), in thousands of dollars FOB³⁴

	2021	2022	2023-Nov	var	var
Total	41,223,982	52,268,053	45,097,412	26.79%	-13.72%
Agricultural, food and beverage	9,440,331	10,623,863	9,168,345	12.54%	-13.70%
Fuels and mining and quarrying products	19,685,516	29,299,474	23,531,254	48.84%	-19.69%
Manufacturing	8,938,939	9,660,907	9,285,717	8.08%	-3.88%
Other sectors	3,159,195	2,683,809	3,112,096	-15.05%	15.96%

Source: PwC Colombia. (2024). Exports by macro sector 2020-2023 (November), in thousands of dollars FOB [Table]. In Doing Business in Colombia 2024. Data from DANE: international trade, exports.

According to the import declarations registered with the DIAN in October 2023, imports amounted to US\$5,375.7 m CIF and presented a decrease of 12.3% compared to the same month of 2022. This behavior was mainly due to the 14.9% decrease in the manufacturing group.

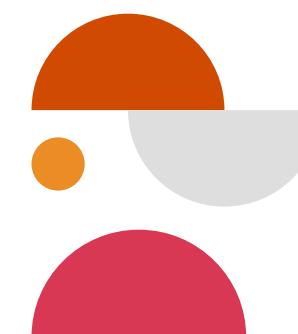
In October 2023, imports of Manufactures accounted for 71.9% of the total CIF value of imports, followed by Fuels and products of extractive industries with 14.2%, Agriculture, food and beverages with 13.7%, and Other sectors with 0.2%³⁵.

Table 6:Imports by macro sector 2021-2023 (October), in thousands of dollars CIF³⁶

	2021	2022	2023-Nov	var	var
Total	61,101,362	65,517,764	52,374,239	7.23%	-20.06%
Agricultural, food and beverage	9,003,630	9,569,696	8,040,153	6.29%	-15.98%
Fuels and mining and quarrying products	4,930,645	7,371,956	6,038,350	49.51%	-18.09%
Manufacturing	47,082,335	48,464,124	38,239,080	2.93%	-21.10%
Other sectors	84,752	111,988	56,656	32.14%	-49.41%

Source: PwC Colombia. (2024). Imports by macro sector 2021-2023 (October), in thousands of dollars CIF [Table]. In Doing Business in Colombia 2024. Data from DANE: international trade, exports.

Colombia is a country that has been characterized for permanently receiving flows of Foreign Direct Investment (FDI). Although subject to the ups and downs of international capital movements produced by the most recent crises, FDI has reached all economic sectors uninterruptedly. As of September 2023, FDI registered a balance of US\$12,224 million; for the period between January and September 2023, it should be noted that US\$8,438 million was reported for oil and mining activities, that is, 81.2% of total FDI. In this case, according to analysts, foreign companies dedicated to the exploitation of these resources in the country may reinvest part of the resources obtained, so this is considered as FDI.



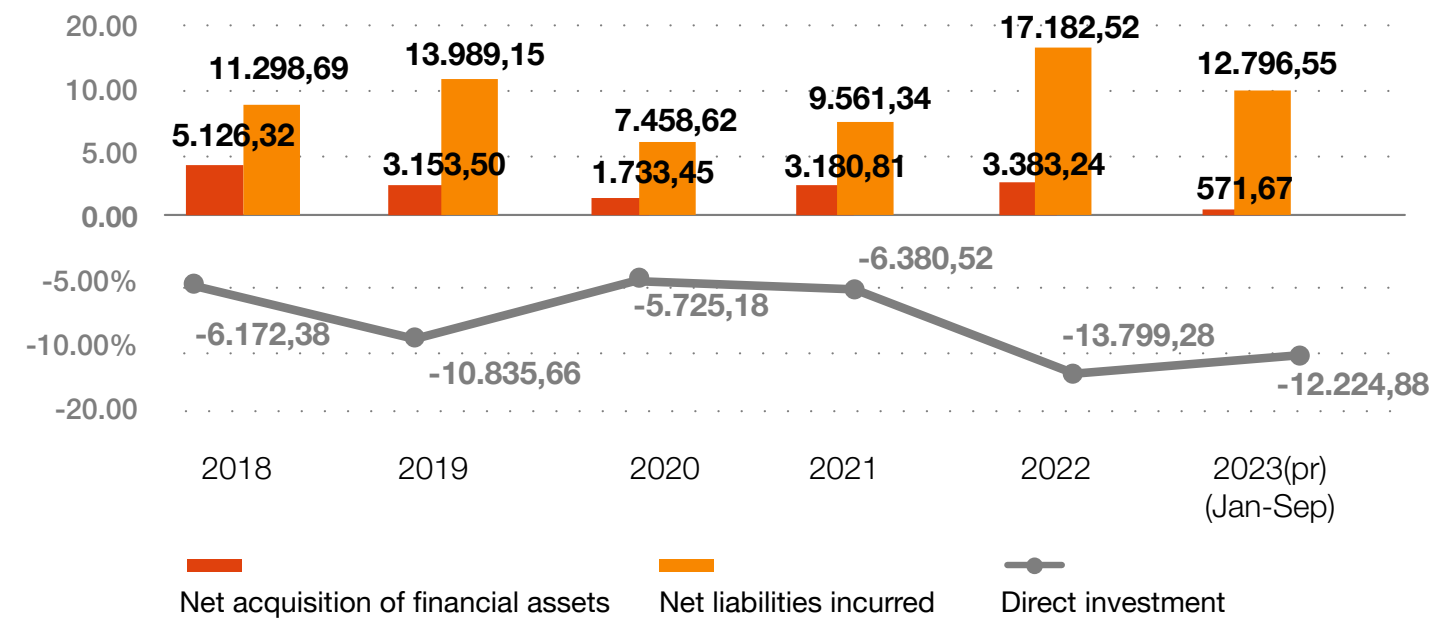
34. Information available as of November 2023.

35. [DANE. Technical Bulletin: Imports. October 2023.](#)

36. Ibid.

Figure 8:

Foreign direct investment 2018-2023 annual periodicity, in billions of dollars³⁷



Source: PwC Colombia. (2024). Foreign direct investment 2018-2023 annual periodicity, in billions of dollars [Graphic]. In Doing Business in Colombia 2024. Data from Banco de la República. Updated as of September 2023.



On the other hand, the figures of the Foreign Exchange Balance of Banco de la República also show that during the first months of 2023 there was a net outflow of US\$3,702 million in portfolio, i.e., Colombian debt securities.

This situation contrasts with the figures for 2022, when by the ninth month portfolio investments of US\$2,711 million had arrived in the country, and for 2021, when US\$1,460 million were invested.

Finally, Colombians closed September of 2023 with investments abroad for US\$1,730 million, which represents US\$514 million more than those that had closed the total record in the same month of 2022, when the figure was US\$1,216 million.

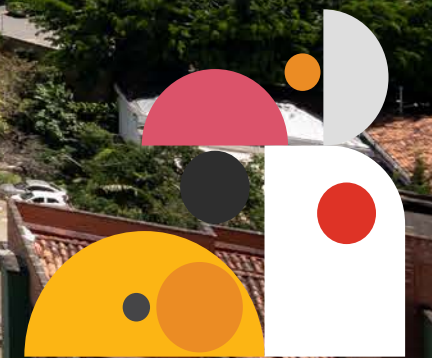
As evidenced, economies worldwide including Colombia have had an economic slowdown derived from the growth after the Covid-19 pandemic, this slowdown does not imply a stagnation in itself of the economy and the path taken by the economies will then depend in a relevant way on the monetary policy in each country and how restrictive it is towards the stabilization of inflation, which plays an important role in the growth of an economy.

37. pr: preliminar.

1.2

Why is it attractive to invest in Colombia?

According to the latest publication of the PwC Global Investor Survey, the factors that guide investors' decisions and capital are constantly evolving, although some elements stand out for their ongoing influence on decision-making. Cutting-edge technology, especially in the area of Artificial Intelligence (AI) and other emerging technologies, occupies a central place in these preferences. According to this study, 71% of investors surveyed consider the rapid adoption of AI to be crucial, highlighting the transformative impact of the technology on business value creation in the short and medium term. This trend highlights not only the pursuit of innovation, but also a strategic vision of how these tools can redefine the competitive and operational landscape of the companies in which they invest.



At the same time, sustainability emerges as an equally significant pillar of investment criteria, with three-quarters of respondents highlighting the management of sustainability-related risks and opportunities as a determining factor. This approach reflects a deep understanding that sustainability is not just an ethical responsibility, but an essential component of a company's resilience and long-term success.

In line with these global investor expectations, this chapter will explore in detail the reasons that make Colombia an attractive investment destination.

Colombia: committed to technological advances and innovation

Recent technological advances in Colombia, backed by significant investments from both the public and private sectors, highlight the country's growing potential in the technological field. With investments amounting to \$2.9 billion pesos by the Ministry of Science, Technology and Innovation in key sectors for the development of science and innovation projects, and \$4 billion pesos allocated by the MinTIC to boost connectivity, transformation and digital education, Colombia is emerging as an epicenter of innovation in the region.

Added to this are the investments of the business sector in access to new technologies, such as 5G, marking a milestone in the country's technological evolution. The adoption of 5G technology represents a fundamental change for Colombia, significantly improving connectivity and internet speed, and enabling a wide range of innovative services in sectors such as the internet of things (IoT), telemedicine, online education, among others. This technological breakthrough promises to transform entire industries, opening up a range of opportunities for investors.

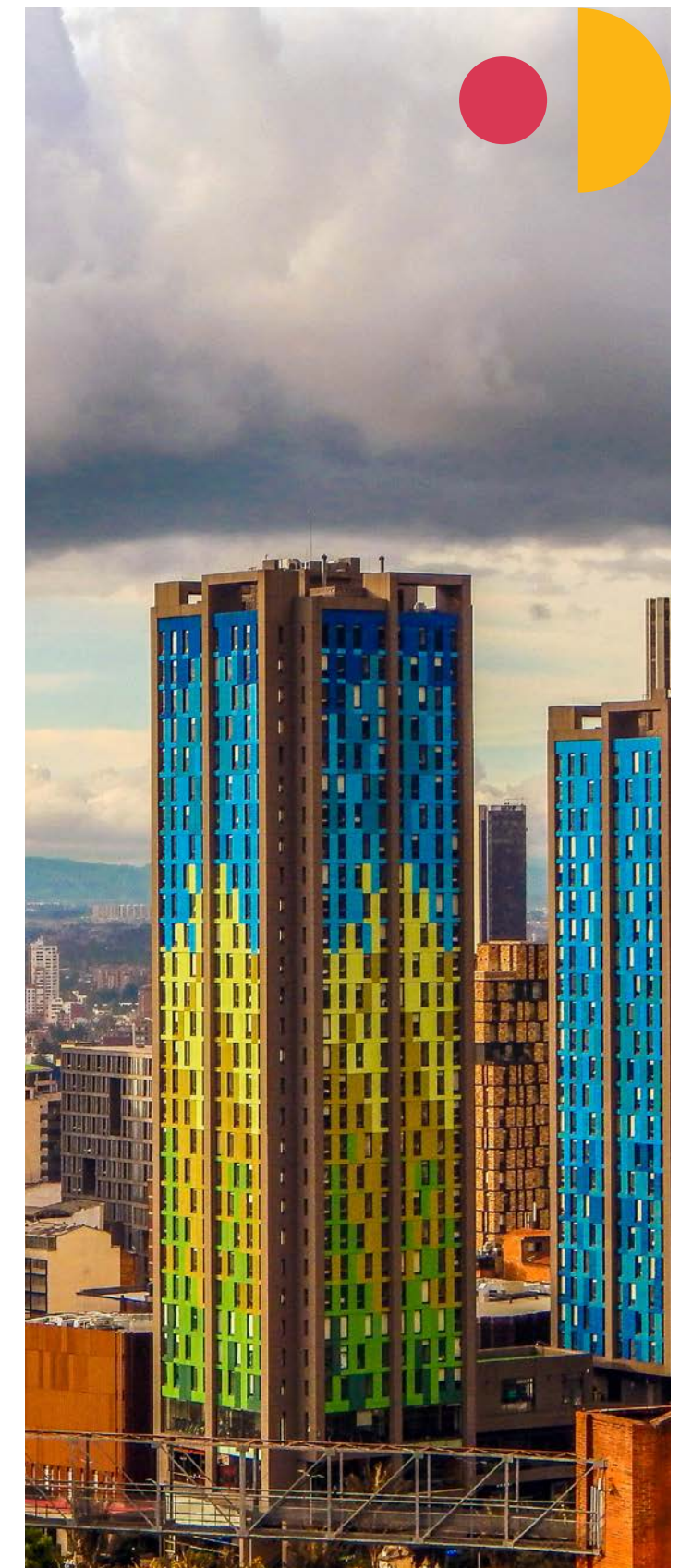
In addition, the initiative to establish artificial intelligence centers in cities such as Bogota, and its expansion throughout the country, not only improves the quality of life of citizens, but also opens doors for companies to explore new technological solutions, optimize operations and offer better quality services.

Colombia and its commitment to Sustainability

Colombia's strong commitment to sustainable development and its active participation in addressing global challenges such as reducing greenhouse gas emissions, zero deforestation and the goal of achieving carbon neutrality by 2050, underscore its position as an attractive and conscientious investment destination. These goals reflect a commitment to environmental preservation and open up a spectrum of opportunities for investors interested in emerging sectors and at the forefront of sustainability.

The integration of the Sustainable Development Goals (SDGs) into the national development agenda and the adoption of a green taxonomy send a strong signal to the international market about the country's strategic orientation towards sustainability. This proactive stance toward investment-friendly environmental regulation creates an enabling environment for companies seeking to align themselves with green and responsible practices. The green taxonomy, in particular, provides a clear framework for identifying those investments that contribute significantly to climate change mitigation, thus facilitating informed decision-making consistent with global environmental objectives.

Colombia's recognition as one of the most attractive emerging markets for renewable energy investments, according to BNEF's 2022 Climatescope report, highlights its potential in the energy transition. This leadership in renewable energy not only evidences the country's capabilities in this sector, but also opens the door to investments in clean technologies, sustainable infrastructure and innovative projects in fields such as the bioeconomy, circular economy and sustainable tourism.





The importance of human talent and equity in attracting investors in Colombia

The presence of a broad social fabric and a skilled labor force are crucial aspects when considering investment opportunities in a country. These components are signs of an environment conducive to sustainable business development, innovation and economic stability, fundamental pillars for the lasting success of any investment.

A diverse social network indicates a society rich in varied talents, skills and knowledge, essential for driving innovation and creativity in the business world. Diversity in the work environment promotes greater generation of ideas and innovative solutions to complex challenges, an invaluable resource in sectors that demand constant renewal to remain competitive.

On the other hand, having a skilled workforce at all levels ensures that companies have the personnel necessary for efficient operations from the outset. This ranges from technical workers to highly specialized professionals, facilitating rapid integration and adaptation to the local market. The availability of qualified talent minimizes training costs and time, accelerating the process of business establishment and expansion.

Colombia at the World Economic Forum:

On the Davos stage, Colombia focuses on attracting investment in strategic sectors essential to its progress, underscoring its commitment to sustainability, innovation and sustainable economic development. The nation presents an attractive vision for investors seeking to contribute to the growth of environmentally conscious emerging economies. In addition, scheduled meetings with key countries such as the United Arab Emirates, Qatar, Saudi Arabia, Switzerland and the United States, not only seek to attract investment but also to strengthen bilateral trade relations, adapting the terms of investment protection treaties to emphasize environmental justice.

Colombia is taking advantage of its presence at the WEF to highlight its progress in energy transition, environmental sustainability and tourism infrastructure, aspiring to lead sustainable tourism in the region. This approach includes the promotion of projects

in road infrastructure, eco-parks, hotels and sustainable mobility, reinforcing its image as a country committed to sustainable development. Its active participation in the WEF not only raises its international profile, but also facilitates strategic connections and collaborations with leaders of influential organizations, reinforcing its position as a key player in solving global challenges and highlighting its attractiveness as a destination for investors and tourists committed to a sustainable future.

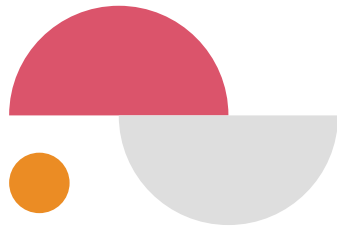




Sustainability

In the last decade, Colombia has stood out for its alignment with the implementation of internationally relevant agendas such as the United Nations Sustainable Development Goals (ODS for its acronym in Spanish), for the adoption of best practices such as those established by the Organization for Economic Cooperation and Development (OCDE for its acronym in Spanish), and for its commitment to global alliances in the fight against climate change, as evidenced by the ratification of its ambition to reduce greenhouse gas emissions and achieve carbon neutrality, as announced at COP 26 in Glasgow. On this matter, Colombia, as President of the Independent Association of Latin America and the Caribbean (AILAC for its acronym in Spanish), and the developing countries G77+China achieved at COP 27 the creation of an independent and specific fund for developing and vulnerable countries to face the losses and damages related to this phenomenon, which has shown great leadership on the part of the country on climate change issues.





In regards to ODS, Colombia was one of the 193 countries that in 2015 voluntarily committed to 17 goals and 169 targets that seek concrete progress in caring for people and the planet, achieving prosperity and peace. and the realization of alliances for sustainable development by 2030. To make this commitment viable, the National Council for Economic and Social Policy (CONPES for its acronym in Spanish) issued in 2018 the Strategy for the Implementation of the ODS in the country (CONPES document 3918), which contemplates a multi-stakeholder approach that recognizes the private sector as a fundamental component in the materialization of this agenda.

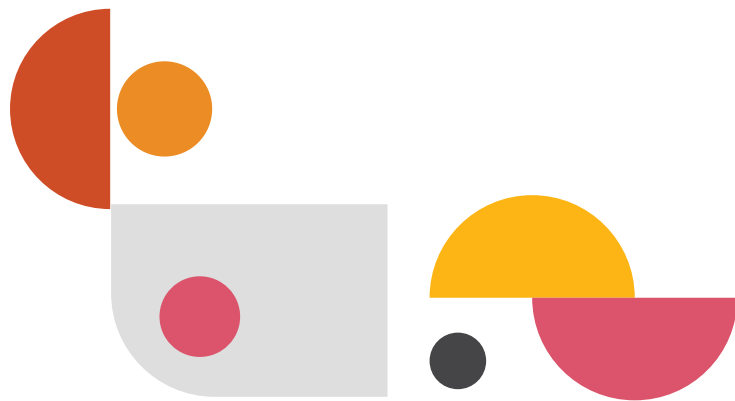
Despite an overall progress of 67.8% as of December 2021 concerning the annual goal set for the previous reporting period, it is necessary to maintain the efforts and commitments of the private sector to achieve the projected progress year by year. According to the National Planning Department, the SDG that presents the highest percentage of progress in terms of the annual target are SDG 17 Partnerships for the goals, SDG 14 Life below water, and SDG 12 Responsible Consumption and production; on the contrary, the SDG that lags in meeting the annual target are: SDG 7 Affordable and clean energy, SDG 1 No Poverty and SDG 10 Reduced Inequalities.



Colombia's official incorporation as a formal member of the OCDE on April 28, 2020, has led the country to adopt and strengthen environmental and social practices, including the implementation of economic instruments to improve the efficient use of natural resources and the social costs of resource use, waste and pollution. In addition, the country has committed to reducing labor informality, protecting the rights of subcontracted workers, and establishing a constructive framework for social dialogue.

Regarding energy transition, document CONPES 4075 (2022) was issued, which refers to the Energy Transition Policy that will be carried out in the period between 2022 and 2028, and its implementation will involve several national entities This policy will present an indicative value of 306,378 million Colombian pesos (COP) for the development and implementation of the 97 actions that will allow the country to consolidate and advance in its energy transition process. Furthermore, the environmental objective of the National Development Plan for 2022-2026 is to prioritize energy transition through the formulation of the Geoscientific Knowledge Plan and the designation of strategic mining reserve areas. These efforts are directed towards developing collaborative projects to obtain the strategic minerals necessary for energy transition.

Regarding the commitments to mitigate climate change, the Colombian State has promulgated Law 2169 of 2021, also known as the "Climate Action Law", which ratifies the national commitment to reduce gas emissions by 51% of the greenhouse effect



compared to the base year 2019 and achieve carbon neutrality by 2050. As a complement to the above, and to promote compliance with the Paris Agreement, the Long-Term Climate Strategy of Colombia E2050 was established, this strategy outlines the process for identifying the necessary transformations that must occur in Colombia to build a long-term socio-ecological climate resilience. Additionally, the National Development Plan for 2022-2026 creates the National Safeguard System for greenhouse gas mitigation initiatives, to promote a regulatory framework on this matter.

This requires coordinated action to reduce emissions from major sources, including sectors such as agriculture, forestry and other land uses (or AFOLU)³⁸, responsible for 59% of the country's emissions in 2018. Similarly, efforts must be made to reduce emissions from the burning of fossil fuels and the energy industry, which account for 31% of emissions in 2018³⁹.

The Climate Action Law also establishes the need to establish carbon budgets for the period 2020-2030, no later than 2023, and to achieve a reduction in net natural forest deforestation to zero hectares/year through the implementation of both policy instruments and cooperative and market-based measures. In addition, it establishes measures to promote and develop carbon markets, including: i. Mandatory reporting of greenhouse gas emissions (ROE for its acronym in English) based on the size of reporting entities; and ii. The creation of a Study Commission for the promotion and development of carbon markets in Colombia. This commission, established in 2022 and consisting of 6 expert commissioners, 2 representatives of the Executive, and 2 congress representatives, has issued a report with its recommendations for the regulation of carbon markets in the country, as well as for the reorganization of the state structure, required to boost the development of these markets.

Although Colombia contributes approximately 0.57% of global greenhouse gas emissions, according to the Ministry of Environment and Sustainable Development, due to the fact



that 68% of the installed capacity of electricity comes from renewable sources, its geographical location, with its extensive coastline, three mountain ranges and six natural regions, makes Colombia a country highly vulnerable to the effects of climate change. The “El Niño” and “La Niña” phenomena, including their winter waves, intense droughts, forest fires and water shortages in different parts of the country, represent a risk today and in the future for

38. Fostering Carbon Sequestration in Agriculture, Forestry and Land Use Change (AFOLU) is an effective way to reduce and avoid emissions. VCS leads the development of carbon accounting frameworks that unlock the power of reductions in AFOLU projects.

39. The third Biennial Update Report on Climate Change, which includes the National Inventory of Greenhouse Gas Emissions, establishes that in the year 2018 Colombia emitted 279 (Mton) of net CO₂ equivalent, being the most recent data available the country.



companies operating in the country, given the challenges in planning, management and scope of economic results that these events entail.

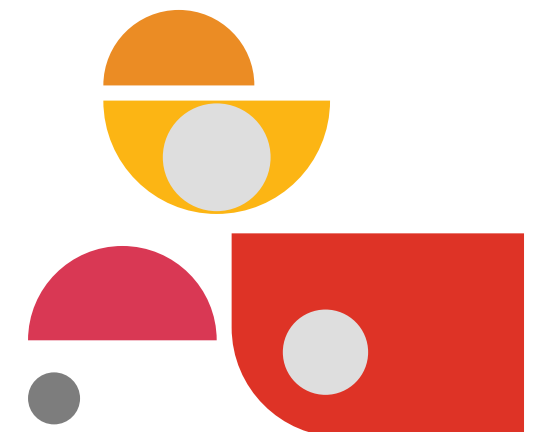
For these reasons, Colombia has developed a National Plan for Adaptation to Climate Change (PNACC for its acronym in Spanish), which includes a general reference framework and actions aimed at reducing the long-term negative effects on the population, the productive sector and ecosystems. The National Plan has also

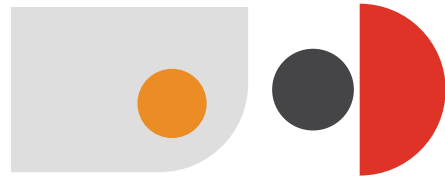
made it possible to assess the threats to vulnerable communities and to anticipate the impacts on territories, ecosystems and the economy. This plan is constantly being updated as information on the threat posed by climate change and the country's experience accumulates; for this reason, various methodological frameworks and guides have been developed.

For its part, the Climate Action Law establishes different objectives for adaptation to climate change and disaster risk management, broken down by sector. In the Housing, Urban and Territorial Sector, the Government intends to develop protection and conservation measures in 24 basins that feed aqueducts in municipalities at risk of water scarcity, and to reuse ten percent (10%) of domestic wastewater treated by public aqueduct and sewerage service providers. In the transportation sector, the law establishes the need to prepare 2 technical guidelines for conducting risk studies on transportation infrastructure. In the environment sector, the law establishes the implementation of a minimum of seis for climate change adaptation and risk management for the sustainable use of mangroves (blue carbon ecosystem).

In terms of biodiversity, Colombia has committed to doubling the number of hectares with sustainable production systems and conservation to 1.4 million, and to reaching 260,000 hectares with payment for environmental services schemes and conservation incentives. In addition, in November 2023, the government created the Fund for Life and Biodiversity, a financial instrument that will enable the transition to a

low-carbon economy, promote adaptation to climate change, protect natural capital, and benefit the most vulnerable populations. The Fund will mobilize close to four billion COP by 2026, from five main sources: 80% of the national carbon tax collection, the National General Budget, national and international cooperation, donations, and contributions from public and private entities.





Regulatory framework

In addition to what has already been mentioned, the regulations related to climate change mitigation include Law 1931 of 2018, the Comprehensive Climate Change Management Plans at the sectoral (PIGCCS for its acronym in Spanish) and territorial (PIGCCT) levels, the National Carbon Tax and the Non-Carbon Neutrality Tax (Law 1819/2016, Decree 926/2017 and Law 2277 of 2022); Law 1715 of 2014 on Renewable Energy; Law 2099 of 2021' on Energy Transition and Economic Reactivation; Resolution 1447 of 2018 of the Ministry of Environment and Sustainable Development on the Monitoring, Reporting and Verification System of Mitigation Actions at the National Level; Law 1964 of 2019 on Electric Mobility; Law 1972 of 2019 on Air Quality, in addition to important policy instruments such as CONPES 3874 on Comprehensive Solid Waste Management, CONPES 3919 on Sustainable Construction, CONPES 3934 on Green Growth, the National Strategy for the Circular Economy of 2019, among others.

With regard to the regulations for the reduction of deforestation, the protection of ecosystems and the conservation of the environment, the demarcation of the agricultural border in 2018, the creation of the National Council for the Fight against Deforestation and Other Related

Environmental Crimes in 2019, the guidance and signing of the Leticia Pact in 2019; Law 1930 on the Protection of Paramo Ecosystems; Decree Laws 870 of 2017 and 1007 of 2018 on payments for environmental services; Article 255 of the Tax Statute, Decree 2205 of 2017 and Resolution 0509 of 2018 on incentives for investments in environmental control and conservation. Likewise, the implementation of the Amazon Vision REDD+ Program as of 2016, the Low Carbon Sustainable Development Program for Orinoquia and the signing of the Joint Declaration of Intent with Norway, the United Kingdom and Germany on Deforestation Reduction and Sustainable Development in 2015 and approved in 2019, and Law 2111 of 2021, which establishes crimes against natural resources and the environment.

Among the new legislation and regulations to be considered is Law 2327 of 2023, related to the definition of environmental liabilities, guidelines for their management, and other provisions. This Law includes: i. The creation of the National Committee for the Management of Environmental Liabilities, ii. The establishment of an environmental liabilities information system, and iii. The creation of Environmental Liabilities Intervention Plans, as environmental management tools aimed at rehabilitating,

remediating, restoring, or isolating the area where an environmental risk is located.

From the aforementioned regulatory and institutional framework, **the aspects of greatest interest to be considered by a foreign investor in Colombia** are summarized below:

Tax benefits for investment in renewable energy and energy efficiency

On May 14, 2014, the National Government, foreseeing the possible obstacles to the incorporation of non-conventional energy sources (FNCE) in the national electrical matrix, signed Law 1715. Its purpose includes, among others, the promotion of investments, research and development in this matter, and the use of non-conventional energy sources, mainly those of a renewable nature. In addition, the law seeks to promote the integration of non-conventional sources into the national energy system and their participation in non-interconnected areas as a necessary means for sustainable economic development, the reduction of greenhouse gas emissions and the security of energy supply. and to promote efficient energy management (GEE).

Similarly, Law 2099 of 2021 aims to contribute to the economic reactivation of the country through the revitalization of the energy market and the strengthening of electricity and fuel gas services. This law extends the tax incentives established in Law 1715 of 2014 to green and blue

hydrogen production technologies and expands the tax benefits for efficient energy management and smart metering projects. The procedures and requirements for energy tax incentives are established by Resolution 319, issued by the Mining and Energy Planning Unit (UPME For its acronym in Spanish) on August 5, 2022. Similarly, Law 2099 opens the door for the government to develop the necessary regulations for the promotion and development of Carbon Capture, Utilization and Storage technologies - CCUS.

In this way, natural or legal persons interested in investing in FNCE, GEE, green and blue hydrogen production and smart metering projects can benefit from VAT exemption on goods and services, customs exemption, accelerated depreciation of investment assets and a 50% income tax deduction on the total investment for a maximum period of 15 years.

The entry into force of Law 2099 marks the beginning of the process of regulating the exploration and exploitation of geothermal resources in the country, which has been limited by the lack of a technical and environmental regulatory framework. The National Government will implement instruments to promote and encourage subsoil exploration and research and, through its ministries, will establish the technical requirements for the development of geothermal energy projects and the process for environmental licensing.

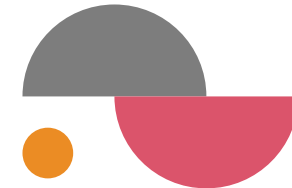
Tax benefits for environmental investments

Within the framework of article 424 number (7) and article 428 literals (fi) of the Tax Statute for the acquisition of elements, equipment and/or machinery; necessary for environmental control and monitoring systems, environmental programs, among others, the National Government establishes the VAT exclusion tax incentive for environmental investments. In addition, article 255 of the Tax Statute establishes that legal entities that make direct investments in the control, preservation and improvement of the environment, will be able to access tax incentives translated into income tax discounts of up to 25% of the investments made in the respective fiscal year.

Decree 1564 of 2017 establishes the partial modification of Decree 1625 of 2016 in relation to the articles that deal with the IVA exclusion incentive; Resolution MADS 978 of 2007 establishes the requirements and procedure for obtaining the VAT exclusion certificate that deals with Article 428 lit. f and lit. i and Resolution 2000 of 2017 of the Ministry of Environment and Sustainable Development (MADS for its acronym in Spanish), establishes the requirements and procedure for obtaining the VAT exclusion certificate that deals with Article 424, numeral 7.

Regarding the rent reduction incentive, Decree 2205 of 2017 establishes the partial modification of Decree 1625 of 2016 regarding Article 255, and Resolution MADS 509 of 2018 establishes the requirements

and procedures for obtaining the rent reduction certificate that deals with Article 255.



In addition to the above benefits, the Colombian government requires compliance with environmental licensing requirements for the construction and operation of projects.

The environmental license in Colombia was defined in Article 50 of Law 99 of 1993 as “the authorization granted by the competent environmental authority for the execution of a work or activity, subject to compliance by the beneficiary of the license with the requirements established in relation to the prevention, mitigation, correction, compensation and management of the environmental effects of the authorized work or activity”.

Decree 2041 of 2014 adopts the considerations related to the scope of projects, works or activities, which includes the planning, siting, installation, construction, assembly, operation, maintenance, dismantling, abandonment and/or termination of all actions, uses of space, activities and infrastructure related and associated with its development.

In Colombia, the environmental license is an instrument of environmental policy management that makes it possible to predict and anticipate possible environmental impacts and, in turn, to assign responsibilities to interested actors, to require the internalization of environmental externalities, to promote the reduction of pollution and the use of clean technologies.

Finally, the Government of Colombia, through its strategy and policies for the transition to a low-carbon economy, as well as the initiatives, actions, alliances and fiscal incentives implemented within the framework of environmental sustainability, biodiversity conservation and business and community participation, has provided favorable and attractive scenarios to stimulate the interest of investors to develop projects and new businesses in a sustainable, technological and responsible context.





02

Fraud Prevention

Colombia and Latin America: a fertile ground for disputes and arbitration, where choosing the right experts and advisors makes all the difference.

The political environment in the region puts on the table a highly favorable scenario for a boom in disputes and arbitration cases. If your business is involved in this scenario, being prepared and choosing the right advisors and experts is the key between success and failure.



Context in Latin America

It is no secret that over the past few decades, Latin America has seen significant investments in a variety of sectors, including infrastructure, renewable energy, mining, agribusiness, oil and gas, and others. And while this interest in the region as a source of opportunity is unlikely to diminish, the reality is that these investments are not without risk. In particular, the growing political instability, mainly due to the election of left-wing governments in various countries of the region, together with important and drastic regulatory changes that contribute to a legal framework favorable to the resolution of disputes, may become a favorable ground for companies and their investment arbitration cases in the region. Given this scenario, most of the claims that may arise will require the support of trusted advisors who know how to properly navigate these turbulent waters, as well as experts who can increase the chances of bringing these cases to a successful conclusion.

Although Latin America has historically been a very active region in terms of commercial arbitration, the trend is set to increase. For example, in 2020, 396 parties to ICC arbitration cases came from Latin America and the Caribbean, representing c15% of the total number of cases worldwide⁴⁰.

Historically, what has protected and may protect companies from this type of scenario for the time being is the political fragmentation that exists in most regional congresses, which can somehow counterbalance the radical reforms that

governments are trying to push through. However, this will not always be the case, and as those of us who deal with risk know well, the best way to mitigate it is to be prepared. Given this possible scenario, in which arbitration cases are likely to increase, it is therefore important that companies that expect to be involved in disputes and arbitrations know which companies in which they operate can advise them properly and thus provide them with the necessary resources, including technical expertise. This is especially true if they anticipate, as they should, that their investments in the region are planned for several decades and that the changes of government in the region and its traditional political instability will cyclically make these risks in conflict resolution and dispute resolution permanent.

Choosing Advisors and Experts

Once a company is involved in an arbitration, it should not doubt the importance of expert evidence, as the outcome of the case will depend to a large extent on such expertise. However, in many cases, both companies and attorneys/counsel do not take the time to engage the right firms and to rigorously go through the process of selecting the experts they will use, when selecting their advisors for this purpose should be of the same importance as any other trial preparation.



Being advised by consolidated firms with experience in arbitration cases can make the difference between feeling the support that the situation deserves or feeling like you are sailing through turbulent waters without a life preserver and without seeing land around you.

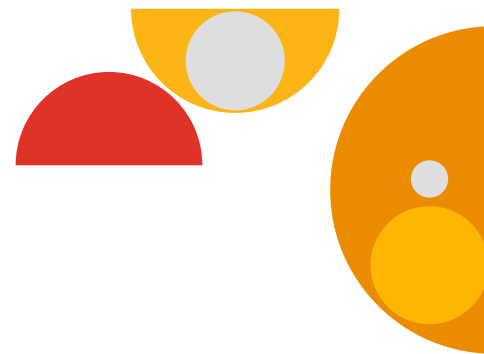
Because of the importance of what is at stake in most of these cases, the expert and the consulting firm that assists you is fundamental to supporting the legal strategy throughout the judicial process. But what aspects should I take into account when approaching a firm and consulting an expert,

and what aspects should I take into account when choosing an expert per se?

- **Conflict of Interest:** The first thing to do is to ensure that there is no conflict of interest between the consulting firm and the expert. Has the expert had any kind of relationship with the other party or the arbitrators? Has he/she worked for them in the past? These types of questions will help us to avoid problems that would be difficult to resolve later.

40. ICC, ICC Dispute Resolution 2020 Statistics, 2021.

- **Reputation and experience:** This point is fundamental and should be evaluated from two perspectives. The first is technical expertise in the subject matter, and the second is experience when testifying in court. Professional and academic experience is preferable because of the nature of the proceeding and the way in which the opinions must be presented, but it is not the only factor to consider. The credibility of the expert, including that of the consulting firm with which he or she is associated, should be a priority in the selection of the expert. At this point, elements such as independence, objectivity, ethics and professionalism, among others, should be measured. This means that the expert must be truly impartial during the interviews, which means that he/she must not benefit the party that hires him/her by being dishonest, exaggerating or making concessions.
- **Communication skills:** Those of us who have been involved in litigation and arbitration know that written and oral communication is the mainstay of the arbitration process. The expert may have the necessary knowledge, but if he/she does not have the ability to adequately communicate it in his/her written and oral presentations to a group of arbitrators who may not be experts in the field, the effort will be in vain. The clarity, persuasiveness, and confidence conveyed are as important as the person's Ph.D. or years of experience.



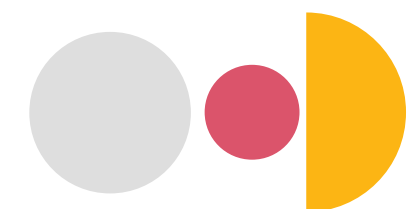
- **Personality and control of the situation:** The personality of the expert can also be fundamental and decisive in the partial evidence, since decisions are ultimately made by human beings. If the expert is arrogant, self-centered, dismissive, without prejudice to his/her experience, this can overshadow the message to be conveyed. On the contrary, an assertive personality that conveys conviction, strength, and credibility is ideal. A person who is overly modest, unwilling to take criticism, and quick to change positions should also be treated with caution. It is also very important to control one's nerves and not get into situations where the other party or the arbitrators question one's credibility. Self-control, calmness and composure are therefore essential skills.
- **Language or local knowledge:** Depending on the specific needs of the case, it may be essential that the expert speak the local language or that his or her experience be tied to a jurisdiction of interest. This is the case when there is a need to provide a type of testimony that demonstrates that the expert has local knowledge of the subject matter.

However, there may be instances where it is also valuable for the expert to have international experience, either because of the subject matter under discussion or simply the fact that he or she has testified before international tribunals.

- **Fees:** It is clear that the price of the services is fundamental in the choice of consulting firm and expert. However, in many cases, companies make the mistake of choosing the cheapest option without considering the consequences this may have on the litigation process. There are even cases where companies decide not to hire an independent expert, but to have their internal staff perform the validations, which ends up being a significant mistake. The suggestion is to make a reasonable assessment of the situation and evaluate the circumstances objectively, not just thinking about a factor of limiting costs. In the market there will always be good alternatives between costs and benefits, but usually the cheapest is directly proportional to the results it provides.
- **Acceptance of the position of the case:** It is essential that the expert agree from the outset with the client's theory of the case and the legal strategy as a defense mechanism. If the expert is skeptical of the approach, it is obvious that this will come out during the deposition and cross-examination. Therefore, it is crucial to present a hypothetical scenario that allows the expert's position to be understood; the more committed and convinced

the expert is of his /her position, the lower the risks will be during the trial. However, if objective circumstances arise during the course of the case that cause the expert to change his or her position, the expert must maintain his or her independence.

- **Attorneys' rapport and knowledge of the litigation world:** Another requirement is that there be a proper relationship between the attorneys handling the case, the expert, and the consulting firm supporting him or her. Simply put, the right relationship will allow processes to flow efficiently and decision-making throughout the case will not be subject to recurring bottlenecks. Similarly, the fact that the consulting firm supporting the expert has knowledge of the arbitration process will greatly facilitate the process. In many cases, attorneys do not have the time and the fact that the firm can support them in the process of preparing or writing a bulletproof report in arbitration is invaluable.



- **The brand of recognized firms:** the brand of recognized firms behind the experts is also fundamental and brings significant advantages in determining the success or failure of a process. Consulting firms that know how these processes are carried out and have significant experience can guarantee fundamental elements such as:

Technical quality: To ensure that the expert reports have the necessary quality and technique, both in terms of form and substance, which can contribute to obtaining favorable decisions.

Independence: To guarantee an objective and independent opinion that supports the legal strategy, but free from any influence that could lead the arbitrators to questioning that could cause them to lose all credibility.

Confidentiality: It is guaranteed that the information will be treated with the highest standards of confidentiality and information security.

Backed by a suite of knowledge and resources: While the testimony and opinion in the courtroom belongs to the expert witness, having the support of a consulting firm and team can make all the difference. Having a suite of resources that can support the expert in their respective analyses to reach

conclusions or make their work smoother and more efficient should never be overlooked.

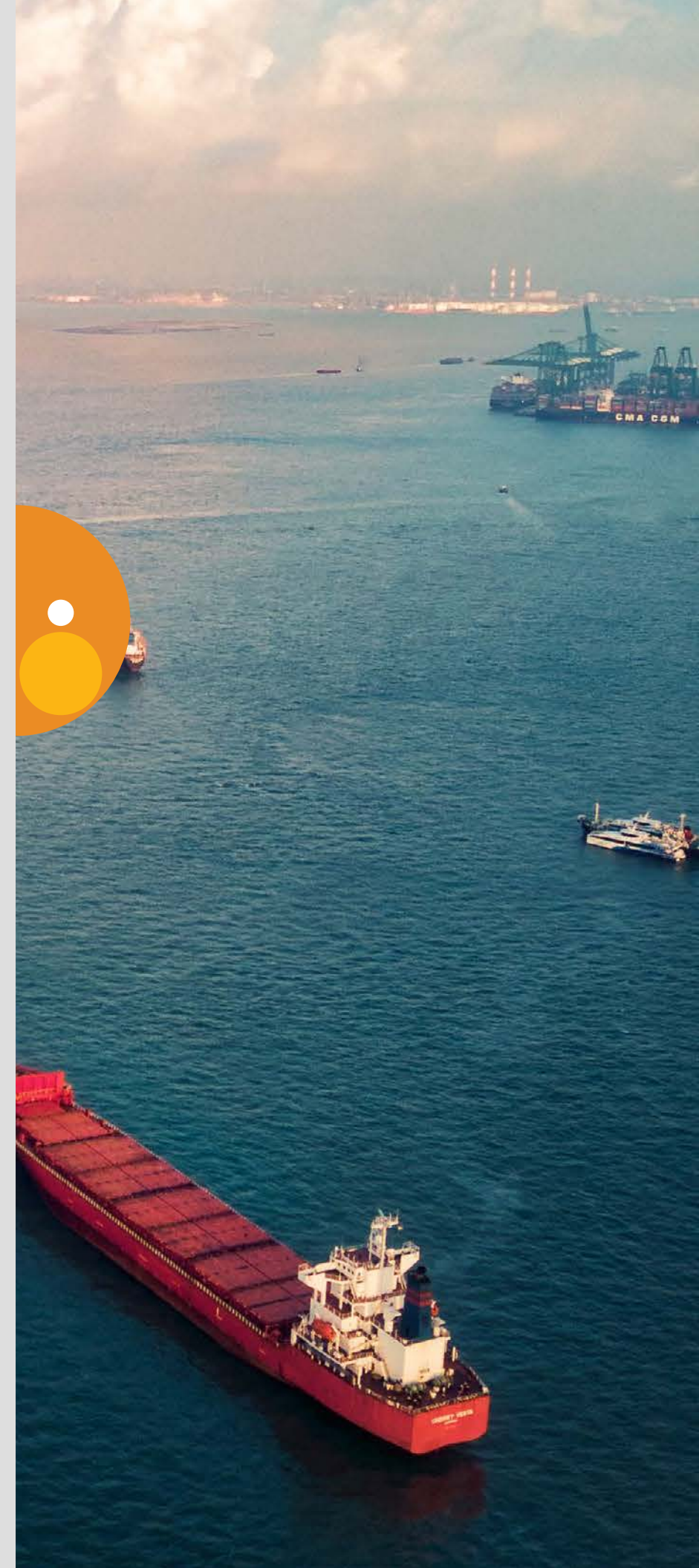
Robust legal strategy: Typically, when a consulting firm is engaged, it will seek to understand in detail what the legal strategy and case is. This allows the firm to provide other consulting resources to the attorneys or client to identify facts that support the legal strategy without compromising the expert's independence. Similarly, the consulting firm's support will provide the expert with a clear and planned direction.

In the current environment of the region, where we will see a boom in arbitration cases, getting the right advice from firms that have the experience in supporting dispute resolution processes and have experts on staff can make the difference between business success and failure. The best expert is undoubtedly the one who is selected on a customized basis; the one who adequately supports the legal strategy; the one who meets a series of requirements that must be analyzed one by one; and the one who is supported by firms that guarantee quality. If you find yourself in this situation, the first step is to have a short list of firms that can help you, so that you can pick up the phone and feel that you have a trustworthy ally that can provide the solutions you are looking for.





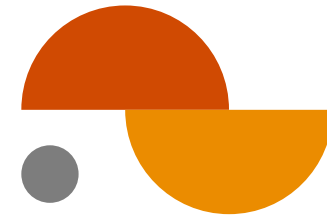
International Trade, Foreign Exchange and Customs





International Investments

International investments include (1) foreign capital investments in the country (direct and portfolio) and (2) Colombian capital investments abroad. The Foreign Exchange Regime considers both situations as an operation of obligatory channeling that implies that it must be reported before the Colombian Central Bank, which will be discussed in the chapter.



Foreign investment in Colombia

These operations must be registered before the Central Bank of Colombia, by the investors, their attorneys, or the legal representatives of the companies receiving the capital investment. Once the investment has been made and registered by the terms and conditions established by the Central Bank of Colombia, the foreign investor may exercise the rights to draw foreign currency as indicated in Decree 1068 of 2015, which includes: reinvesting the profits, capitalizing the amounts withdrawing rights, sending abroad the net profits generated by their investments, among other points.

Channeling and registration of foreign investment in Colombia

The local foreign exchange regulatory regime requires that investments made by foreign residents involving the transfer of foreign currency to Colombia must be registered before the Central Bank.

Such transfers must be made through compensation accounts or Foreign Exchange Market Intermediaries (FEMIs). This is known as due channeling of foreign currency, which applies to all foreign currency transfers regulated by the foreign exchange regime, which we will discuss later in the corresponding chapter.

If the channeling is done through the FEMI, the information of the minimum data of the foreign exchange operations for international investments must be provided to the latter; if the channeling is done through the compensation account of the company receiving the investment, the information must be electronically transmitted to the Central Bank of Colombia, thus complying with the registration of the operation.

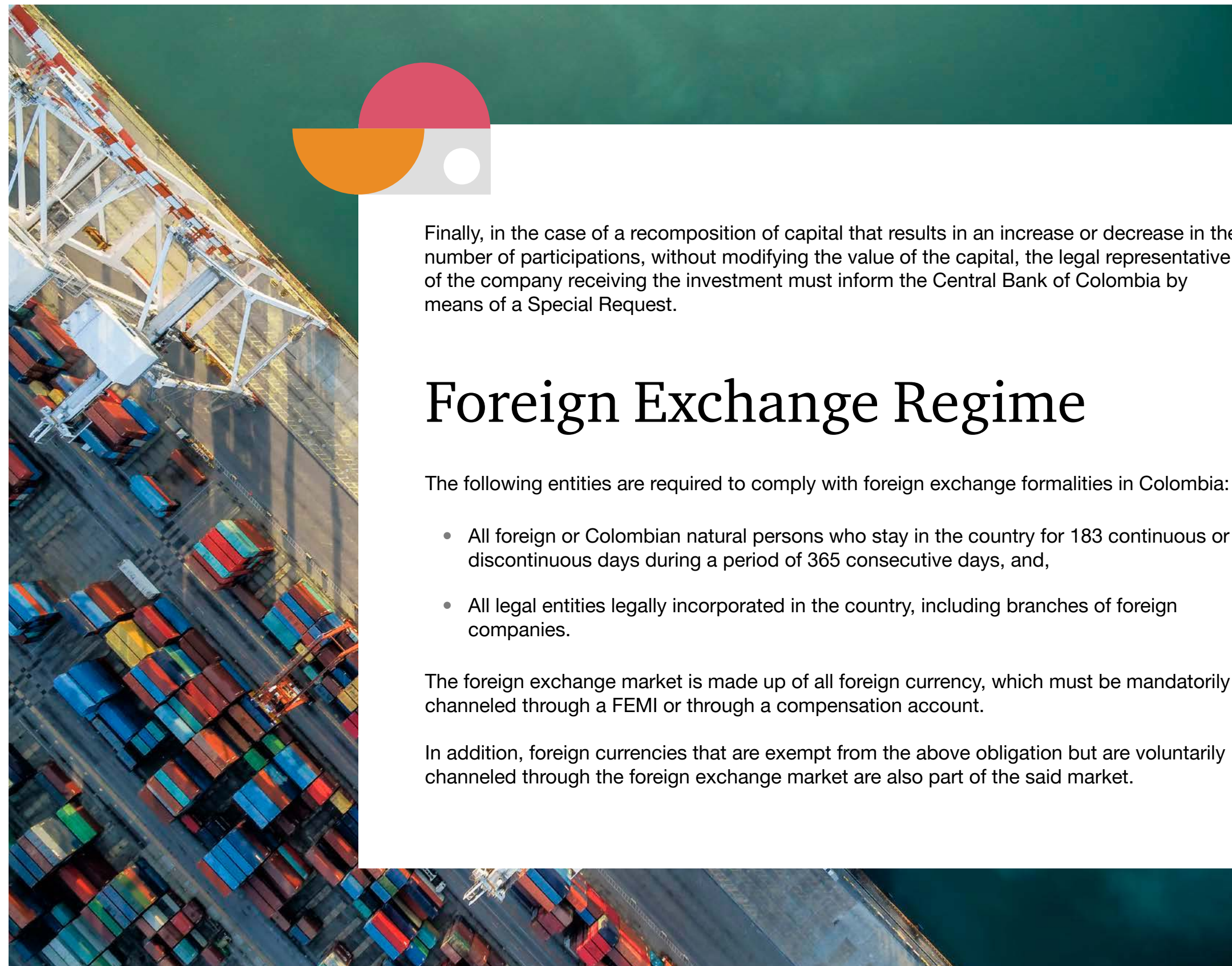
On the other hand, advance payments for future capitalizations made by non-residents in Colombian companies constitute a passive foreign indebtedness and must be reported to the Central Bank of Colombia with the submission of the Foreign Credit Report “, complying with the procedures and terms indicated by said entity.

Foreign Investment Registration without Foreign Currency Channeling

Investments made by virtue of a lawful act, contract or operation (other than foreign currency) must be registered at any time with the presentation of the Declaration of Registration of International Investments through the New Foreign Exchange Information System of the Central Bank of Colombia.

Similarly, in cases where the previously registered foreign investment is reduced or partially or fully liquidated and the foreign investor ceases to be the holder, the corresponding foreign investment registration must be cancelled within six (6) months from the date of the operation, with the submission of the Declaration of Cancellation of International Investments through the New Foreign Exchange Information System.

Likewise, investment substitutions resulting from the change of investment holders for other non-resident investors and the change of the destination or the company receiving the investment must be registered through the New Foreign Exchange Information System within six (6) months. Direct investment substitutions resulting from corporate reorganization processes, such as mergers and spin-offs, must be registered through the New Foreign Exchange Information System.



Finally, in the case of a recomposition of capital that results in an increase or decrease in the number of participations, without modifying the value of the capital, the legal representative of the company receiving the investment must inform the Central Bank of Colombia by means of a Special Request.

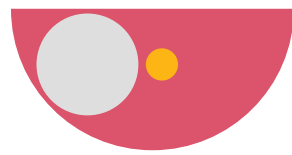
Foreign Exchange Regime

The following entities are required to comply with foreign exchange formalities in Colombia:

- All foreign or Colombian natural persons who stay in the country for 183 continuous or discontinuous days during a period of 365 consecutive days, and,
- All legal entities legally incorporated in the country, including branches of foreign companies.

The foreign exchange market is made up of all foreign currency, which must be mandatorily channeled through a FEMI or through a compensation account.

In addition, foreign currencies that are exempt from the above obligation but are voluntarily channeled through the foreign exchange market are also part of the said market.



Operations belonging to the foreign exchange market

The following transactions must be mandatorily channeled through the foreign exchange market:

- Import and export of goods.
- Foreign debt transactions entered into by residents of the country, as well as the financial costs inherent thereto.
- Foreign capital investment in the country, as well as the returns associated with it.
- Investments of Colombian capital abroad, as well as the returns associated with them.
- Financial investments in securities issued abroad or investments in assets located abroad, as well as the related income, except when the investments are made with foreign currency from operations that should not be channeled through the foreign exchange market.

- Foreign currency guarantees and collateral.
- Derivative transactions.

The Central Bank of Colombia establishes the procedures and conditions for the channeling and registration of these operations, according to their nature.

All other foreign exchange transactions that have not been classified as mandatorily channeled through the foreign exchange market belong to the free market and may therefore be carried out without the need to use FEMIs or compensation accounts, e.g. payments in foreign currency for services rendered.

Foreign Exchange Market Intermediaries (FEMIs)

FEMIs are banking establishments, financial corporations, financing companies, Financiera de Desarrollo Nacional (FDN), Banco de Comercio Exterior de Colombia S.A. –BANCOLDEX–, financial cooperatives, stock exchange brokerage firms, foreign exchange intermediation and special financial services companies (“SICSFE”



for its acronym in Spanish) and companies specialized in electronic deposits and payments (“SEDPE” for its acronym in Spanish).



Compensation Accounts

These are foreign currency bank accounts held by residents in foreign financial institutions, which must be registered

with the Central Bank of Colombia as compensation accounts.

Only the foreign currency necessary for the fulfillment of the holder’s operations may be channeled through this account; the foreign exchange regulation prohibits the use of this account for third-party operations.

The opening, management, and closing of the compensation accounts are subject to compliance, with reports before to the Central Bank of Colombia (monthly) through the New Foreign Exchange Information System and the Colombian Tax and Customs Agency - DIAN (quarterly).

Special Foreign Exchange Regime

The special foreign exchange control regime applies only to branches of foreign companies in the hydrocarbons and mining sector that carry out exploration, exploitation of petroleum, natural gas, coal, ferronickel, or service-rendering activities inherent to this sector.

The Special Foreign Exchange Regime enables for:

- The transfer abroad of the foreign currency equivalent of the amount of foreign capital in the event of the liquidation of the branch, as well as the sums received in legal currency on the occasion of domestic sales of oil, natural gas, coal, ferro-nickel, uranium or services related to the hydrocarbon sector.
- The transfer abroad of other sums received in legal currency related to its operation.
- The reimbursement of foreign currency required to meet expenses in legal currency.
- Receive the proceeds of their sales directly through the main office.
- Enter into and pay for contracts in foreign currency, provided that the foreign currency is derived from resources generated by its operations.
- To consider the availability of capital in the form of goods or services, in addition to the availability of foreign currency, as a complementary investment to the assigned capital.

These branches must record the foreign currency that they have reintegrated during the year, which must be reported for statistical purposes through the New Foreign Exchange Information System.

Likewise, during each annual fiscal year, they must report for statistical purposes the availability of foreign currency held abroad accounted for as supplementary investment to the assigned capital, as well as the goods and services accounted for in the same manner and the contributions to collaboration contracts during each annual fiscal year, all of which must be reported through the New Exchange Information System.

Branches that do not wish to be included in the special regime must notify the Central Bank of Colombia in order to be exempted for a minimum period of ten (10) years from the date of submission of the respective waiver. Consequently, all the foreign exchange operations they carry out will be

subject to the ordinary foreign exchange regime.



International Investment Agreements

Colombia's strategy for improving trade relations includes the negotiation and signing of agreements for the promotion and reciprocal protection of investments ("APPRI" for its acronym in Spanish) and Free Trade Agreements (FTAs) that include chapters on foreign investment.

APPRI are international treaties that govern the treatment of foreign investment. The main objective of both APPRI and foreign investment chapters in FTAs is to establish



clear and stable rules for investment by nationals of one party in the territory of the other party, based on the principles of fairness and transparency and on international standards. In addition, they contain the obligations of treatment and protection to be afforded to investments and the mechanisms for the settlement of disputes related thereto, including the possibility of arbitration of disputes between foreign investors and the States, with regards to violations of the corresponding treaty.

The country has also signed APPRI with Peru, Spain, Switzerland, India, China, the United Kingdom, Kuwait, Japan, Singapore, France, Turkey, and South Korea, among others.

In addition, several FTAs with investment chapters have been signed with Panama, the United Kingdom, and Singapore, and negotiations are underway with Japan and Turkey. Negotiations on the Agreement on Trade in Services are also underway.

Currently, Colombia has trade agreements with CAN (Andean Community of Nations), EFTA (Switzerland, Liechtenstein, Norway and Iceland), Canada, Chile, United States, Mexico, Northern Triangle (Guatemala, El Salvador, Honduras), European Union, Pacific Alliance, South Korea, Costa Rica, CARICOM - Caribbean Community, Cuba, Mercosur: ACE-59 and ACE-72, Venezuela and Israel.



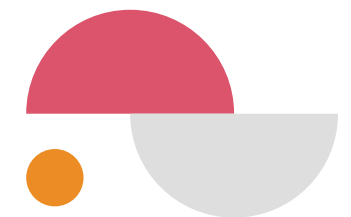
International Trade and Customs

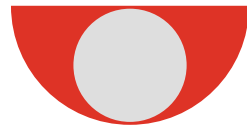
Over the years, Colombia has structured a policy of open integration that has allowed it to grant preferential tariff treatment in eighteen (18) FTAs to date, while five (5) new agreements are being negotiated.

In addition, with the aim of promoting trade, investment and job creation in the country, Colombian customs regulations



provide for a free trade zone regime and other special programs to optimize foreign trade operations. Thus, these customs optimization mechanisms seek to grant customs and tax advantages and facilities to companies that export goods and services, making Colombia a hub for the development of foreign trade operations in Latin America. These comparative advantages compared to other countries in the region have stimulated foreign investment in the country, as a result of the relocation of various industries to Colombia, due to the reduction in costs brought about by these special regimes, as well as the geographical and logistical advantages of operating in the country.





International Trade and Customs Rules

Colombian legislation has focused on facilitating customs transactions involving imports, exports, and the transit of goods by controlling the application of various mechanisms for the promotion of foreign trade.

Our legislation is aligned with the guidelines of the World Trade Organization (WTO), since Colombia, through Law 170 of 1994, approved the Agreement establishing the WTO (signed in Marrakech on April 15, 1994), together with the multilateral agreements annexed thereto, in order to guide and regulate the liberalization of trade in the country.

In addition, since 2005, Colombia has implemented the Foreign Trade Single Window – VUCE (the Spanish acronym for “Ventanilla Única de Comercio Exterior”), an electronic system developed by the Ministry of Trade. This software consolidates all government procedures related to international trade operations and, in this sense, is the most important tool for trade facilitation in the country.

For this purpose, the VUCE has three separate sections: Imports, Exports and Single Foreign Trade Form (“FUCE” for

its acronym in Spanish); these allow the execution of online procedures to obtain authorizations, permits and approvals, and to make electronic payments, with the aim of speeding up procedures. For more information on the VUCE, please consult the following website: <www.vuce.gov.co>.

Customs Authorizations

Authorized Exporter

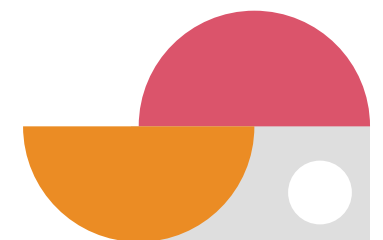
This number is obtained through a request from the interested party to DIAN, which will evaluate compliance with the applicable requirements in order to grant the appropriate authorization.

The person qualified as an authorized exporter may certify the origin of his goods by means of an invoice declaration or a declaration of origin for trade agreements that provide for this (e.g. Agreement with the European Union and EFTA), provided that the affidavit is in force at the time the proof of origin is issued.



Authorized Economic Operator (AEO)

This authorization is granted to those natural or legal persons established in Colombia that, being part of the international supply chain, carry out activities regulated by customs legislation, or that, in turn, are monitored and controlled by the Superintendence of Ports and Transportation, the General Maritime Directorate or the Civil Aeronautics. By complying with the minimum conditions and requirements established by Decree 3568 of 2011, AEO users guarantee safe and reliable foreign trade operations and are therefore authorized by DIAN.



Simplified Customs User (“UTS” for its acronym in Spanish)

The figure was created by Decree 360 of April 7, 2021 and replaces those previously called “eligible users”. In particular, this status is granted to those customs users who are entitled to benefit from the special treatments granted by the DIAN, upon compliance with the conditions set forth in article 773-2 of decree 360 of 2021. These conditions include: obtaining a favorable risk management profile from the DIAN, no debts to be paid to the said entity, no undue refunds, no tax or foreign exchange sanctions, and no serious or very serious customs sanctions, among others.

Thus, importers and/or exporters may be considered eligible according to DIAN’s risk management criteria. In turn, this authorization is automatic for Public Law Entities and Mixed Economy Companies.

Among the benefits derived from the quality as a UTS are: consolidated payment of customs taxes, the possibility of creating a single global guarantee when the user has more than one customs registration, automatic release for the clearance of goods in the national customs territory, correction of import declarations without the need for authorization, among others.

Special Import and Export Programs

In order to promote foreign trade activities, Colombia has developed special import and export programs, or “Plan Vallejo”, through which raw materials and inputs, capital goods and spare parts may be temporarily imported with total or partial exemption from customs duties or with deferral of payment of VAT, in order to manufacture products or provide services for export. Thus, the purpose of this mechanism is to stimulate and promote the export of goods produced in the country in order to diversify the Colombian export basket.

To access the Plan Vallejo program, it is necessary to submit the company’s financial statements as of December 31 of the year prior to the request, a petition signed by an economist, and the location of the imported goods, the available production capacity, as well as the destination of waste, reusable and defective materials resulting from the production process.

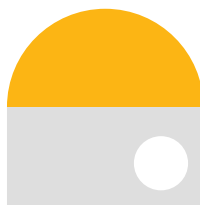


“Plan Vallejo” for raw materials and inputs

This modality consists of the temporary importation, without payment of customs duties, of raw materials and inputs that will be used exclusively and in their entirety in the production of export goods, or goods that, without being directly destined for foreign markets, will be used in their entirety by third parties in the production of goods to be exported.

Once the requirements for access to this program are met, the authority grants an import quota to be used by the Plan Vallejo user during the calendar year.



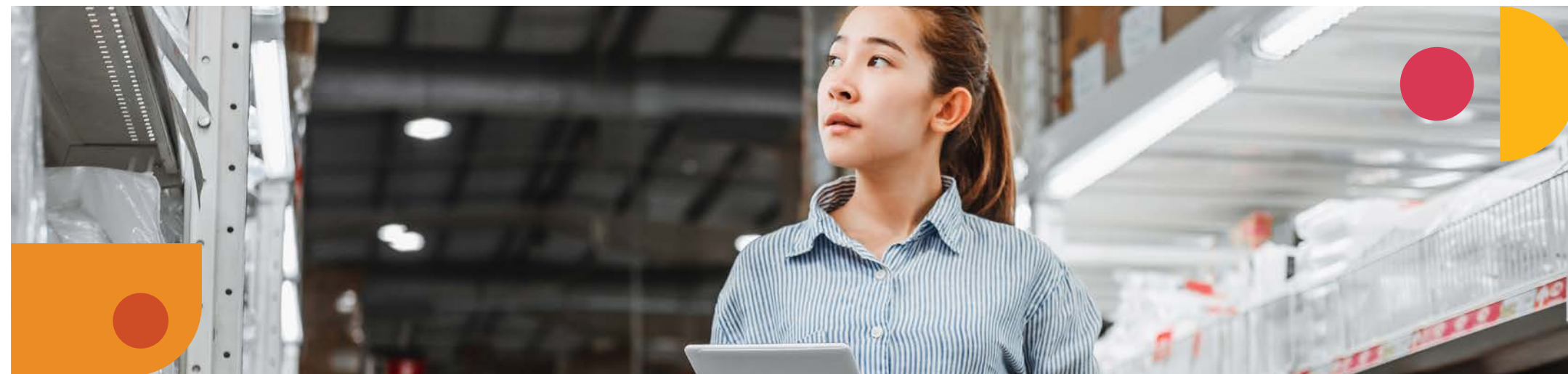


“Plan Vallejo” for capital equipment and spare parts

Under this modality, the user of the *Plan Vallejo* user benefits from the deferral of the payment of customs duties as long as he meets the export obligations provided for in the applicable regulations: at least 70% of the increase in production that would be generated during the time necessary to depreciate 90% of the value of the goods (Article 173c) or at least 1.5 times the FOB value of the import quota used during the time necessary to depreciate 90% of the value of the goods.

Replacement “Plan Vallejo” or “Plan Vallejo Junior”

This “Plan Vallejo” program allows for the replacement of raw materials and inputs for which duties have already been paid, without having to pay such duties again or having to meet a specific export commitment.



“Plan Vallejo” for services

This modality allows the importation without payment of customs duties of those goods classified in the tariff subheadings established by Resolution 1131 of 2020, provided that the obligation to export services for 1.5 times the FOB value of the importation is fulfilled in the time necessary for the depreciation of 90% of the value of the goods. In addition, the service provided with the imported goods may not necessarily correspond to the principal activity of the Plan Vallejo user.

In addition, it is necessary to specify that the benefits of the Vallejo Plan will be granted directly to the importer of goods, raw materials or supplies who produces and exports finished goods or services, or indirectly to the importer or producer of intermediate goods sold to the exporter, or to whoever provides services related to the production of export goods.

Imports

An import, according to current customs regulations, consists of the entry of goods of foreign origin into the national customs territory.

An import is also considered to be the introduction of goods from a free trade zone into the national customs territory with the purpose of remaining in this territory for an indefinite or definite period of time, thus achieving a specific purpose.

According to the Harmonized Commodity Description and Coding System approved by the WTO, imported goods are classified by subheadings or subcodes of six (6) digits –international code–. In addition, two (2) digits are added for the exclusive use of the Andean Community of Nations (“CAN” for its acronym in Spanish) and the last two (2) digits are those to be used specifically in Colombia.

The resulting ten (10) digit subcode is established in the Colombian Tariff Schedule, governed by Decree 1881 of December 30, 2021, and is assigned a general tariff rate depending on the product. On the other hand, the Value Added Tax (VAT), which is also part of the customs taxes, is regulated in the Colombian Tax Statute at a general rate of 19% in most cases.

Decree 1881 of 2021 repealed Decree 2153 of 2016 (previously in force) in order to implement the changes introduced by the VII Amendment Recommendation to the Harmonized Commodity Description and Coding System Nomenclature, which came into force on January 1, 2022. The VII Amendment was promulgated by the Harmonized System Committee of the World Customs Organization (WCO) in an attempt to reconcile the tariff classification of goods with the transformations that world trade has undergone, notably influenced by



environmental protection, the promotion of social interests, the surveillance of controlled substances, the prevention of terrorism, food and nutritional security, and the rise of new technological tools.

Thus, the modifications to the Colombian Tariff Schedule brought about by the VII Amendment relate to a wide range of products, including cell cultures, truffles and certain varieties of mushrooms, controlled chemical substances, wood products, medical diagnostic devices, additive manufacturing machines (3D printers), solar energy products, electrical and electronic waste, smart phones, flat screen display devices, electronic cigarettes, electric and hybrid vehicles, drones, among others.



Import for Consumption

This is the most commonly used import modality. Under this mode, the importer of record in Colombia receives the goods at his free disposal as soon as the customs authority issues the appropriate authorization, either electronically or manually.

The importer's obligations include: declaring the goods (using the forms established by the customs authorities and through the electronic system), complying with the labeling requirements (providing references and completing the necessary prior authorizations according to the nature of the imported goods), paying the applicable customs taxes (customs duties and VAT, as well as anti-dumping or countervailing duties, if applicable), and obtaining permits and authorizations, as the case may be.

Goods are valued according to the methods established in the Valuation Agreement approved by the WTO based on Article VII of the General Agreement on Tariffs and Trade (GATT) 1994. Customs valuation is also governed by the CAN and domestic customs regulations. In Colombia, the valuation of imported goods is done through the Value Return (in Spanish: "Declaración Andina de Valor), which is one of the supporting documents of the import declaration.

Temporary Imports

Temporary imports are imports with suspension or deferment of payment of customs duties (customs and VAT) for a certain period and for certain products. In the case of temporary imports for re-export in the same state, such goods must be re-exported under the same conditions under which they entered the national customs territory, at the end of the specified period. No fungible goods or those that cannot be fully identified may be imported under this modality. The sale or disposal of temporarily imported goods is restricted while they are in the national customs territory.

Temporary imports may be of several types, some of which include:

1.

Short-term import: Applies to those goods that are temporarily imported to comply with a specific purpose that determines their short stay in the country. The maximum import term is six (6) months, extendable up to three (3) more months. Customs duties and import taxes on this type of temporary importation are permanently suspended, unless the importer decides to change the modality to a long-term one, or to nationalize the goods so that they remain permanently in Colombia. The import declaration must indicate the period of permanence of the goods in the national customs territory.

2.

Long-term imports: The long-term modality applies to the importation of capital goods and their accessories, parts and spare parts necessary for their normal operation, provided that they constitute a single consignment.

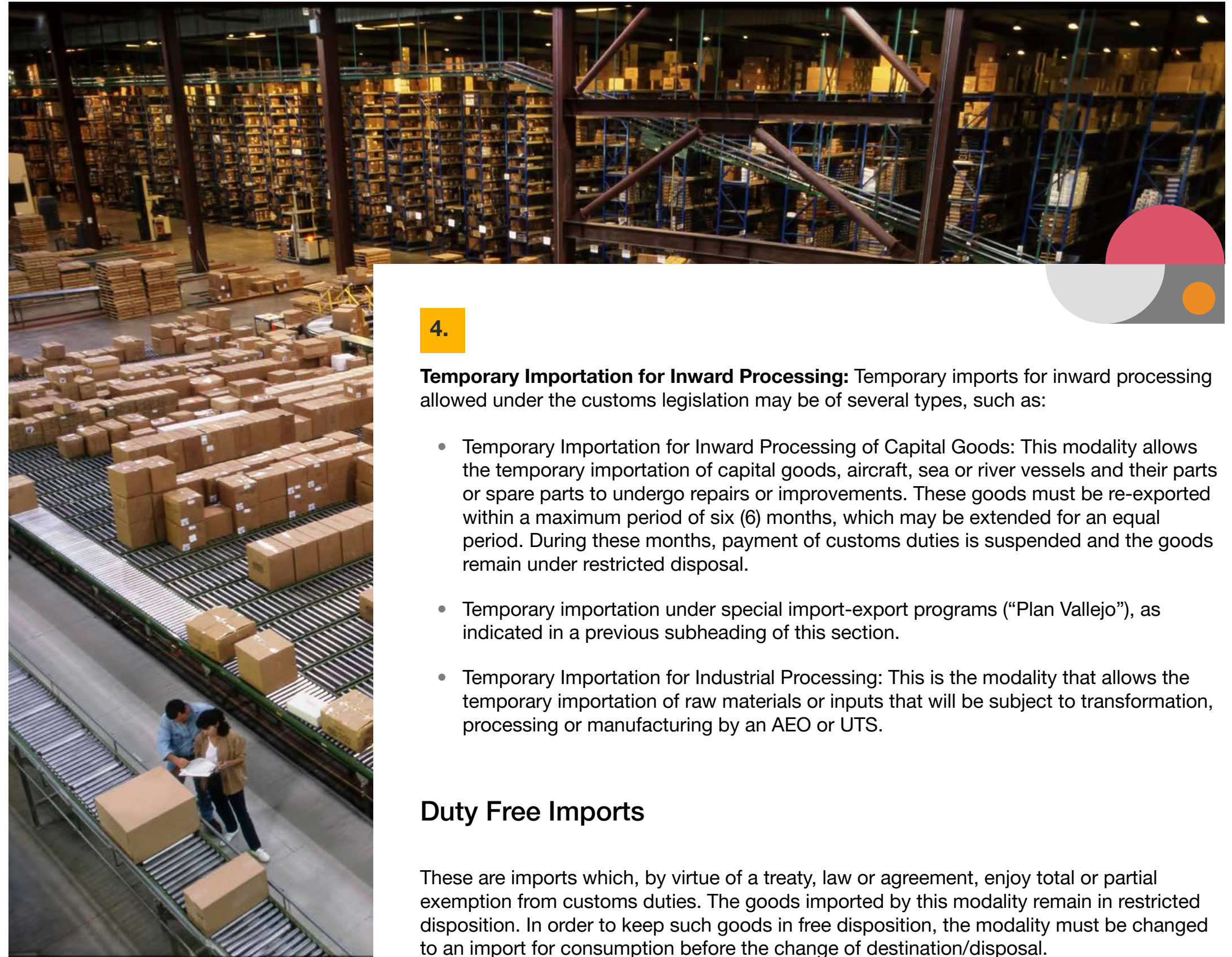
- The term for this type of import is from one (1) to five (5) years. Notwithstanding the above, it is possible for goods to remain in the national customs territory for a longer period if they are imported under a leasing contract.
- Customs duties are deferred in semi-annual payments, which must be paid in any case during the first five (5) years that the products remain in the national customs territory.

- In both the long-term and short-term modalities, DIAN may authorize even longer periods for the permanence of the goods in the national customs territory, if the need for such longer periods is duly justified.

3.

International Leasing: The concept of international leasing may be applied to the long-term financing of temporary imports of capital goods that may remain in the national customs territory for more than five (5) years. Under this concept, a foreign company (foreign supplier or foreign financial institution) grants a Colombian resident the right to use capital goods imported into Colombia, in exchange for periodic payments made by the resident.

- Payments must be made through the mechanisms authorized by the foreign exchange regulations, taking into account the procedure established for passive foreign debt operations, since the operation is considered a financed import.
- In this case, the payment of customs duties is deferred in equal semi-annual installments to be paid for the period of permanence of the goods in the national customs territory. The maximum period for deferral of import duties and taxes is five (5) years; however, the goods may remain in the national customs territory for a longer period.



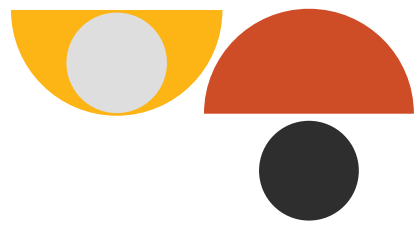
4.

Temporary Importation for Inward Processing: Temporary imports for inward processing allowed under the customs legislation may be of several types, such as:

- Temporary Importation for Inward Processing of Capital Goods: This modality allows the temporary importation of capital goods, aircraft, sea or river vessels and their parts or spare parts to undergo repairs or improvements. These goods must be re-exported within a maximum period of six (6) months, which may be extended for an equal period. During these months, payment of customs duties is suspended and the goods remain under restricted disposal.
- Temporary importation under special import-export programs (“Plan Vallejo”), as indicated in a previous subheading of this section.
- Temporary Importation for Industrial Processing: This is the modality that allows the temporary importation of raw materials or inputs that will be subject to transformation, processing or manufacturing by an AEO or UTS.

Duty Free Imports

These are imports which, by virtue of a treaty, law or agreement, enjoy total or partial exemption from customs duties. The goods imported by this modality remain in restricted disposition. In order to keep such goods in free disposition, the modality must be changed to an import for consumption before the change of destination/disposal.



Exports

Exports are foreign trade operations related to the exit of goods from the national customs territory to other countries or to a free trade zone within Colombia (in the case of raw materials, inputs or finished goods necessary for the performance of the activities of free trade zone users).

The fishing of tuna and tuna-like species by Colombian or foreign companies with headquarters or representation in Colombia, owners of Colombian-flagged vessels that operate outside Colombian maritime territory and have the appropriate authorizations and permits, is also considered an export operation.

The export process from Colombia begins with the presentation and acceptance of a shipping permit (in Spanish: “Solicitud de Autorización de Embarque” or “SAE”) through procedures established by customs regulations (mainly based on electronic procedures).

In Colombia, exports are not subject to customs duties. In addition, there is no general drawback program implemented in the country for the export of previously imported goods.

If the importer of record needs to export products or parts to be repaired or replaced outside Colombia, it may use the temporary export regime for outward processing in order to subsequently import them without the payment of customs taxes.

DIAN may require the registered exporter to submit import declarations for the products or parts to be exported, in order to prove their legal entry into the Colombian customs territory.

Customs Valuation

For the customs valuation of goods in Colombia, WTO guidelines are applied, specifically the provisions of the Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade (GATT). Likewise, the regulations of the Andean Community apply, in particular, Decision 571 of 2003 and Resolution 1684 of 2014.

In general, the customs value of imported goods is the transaction value, which is the price actually paid or payable for the goods when sold for export to the importing country.

In scenarios where the transaction value is not applicable to the valuation of goods, secondary methods provided by international standards, such as the transaction value of identical goods, the transaction value of similar goods, etc., should be used.

Depending on the specific terms of each international transaction, adjustments to the customs value of imported goods must be made, for example, when the buyer pays for licenses or royalties as a condition of sale, or when there is a return of value to the seller, among others.

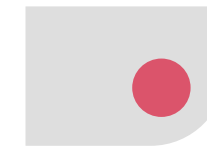
Customs duties are assessed and paid on the customs value of the imported goods. On the other hand, the tax base for the payment of VAT is equal to the customs value of the respective goods added to the value corresponding to the customs duty (tariff). As previously stated, the document that supports the valuation of imported goods is the Value Return (in Spanish: “Declaración Andina de Valor”). However, for some specific cases provided in the customs regulations, it is not necessary to submit the value return.

International Trading Companies (“TC”)

International Trading Companies are legal entities whose main corporate purpose is the marketing and sale of Colombian products abroad.

This type of company has certain benefits, but among the most important is that of

acquiring goods in the domestic market without causing VAT as long as they are exported within 6 months from the date of issuance of the supplier certificate, which is a certificate issued by the TC to those who are its suppliers and constitute the legal support before the tax authority for the non-causation of VAT. Another benefit is that purchases from your suppliers will not be subject to withholding tax.



Free Trade Zones

In order to promote trade, investment, economic development and job creation in the country, Colombia has established a system of free trade zones, which are geographical areas located within the national territory in which industrial (assembly, production and transformation), commercial (marketing, commercialization, storage and preservation) or service (call centers, data centers, medical services, port services, among others) activities are developed, but which are considered outside the national customs territory for customs purposes. Within these geographical zones, customs duties are not levied and, in most cases, income tax is levied at reduced rates. In order to operate in a free trade zone, it is necessary to have the authorization of the Operator User, and once the company is located in the free trade zone, it is not allowed to move to another free trade zone or to leave it without having carried out the procedures and obtained the corresponding prior authorizations.

Labor Requirements

Employees of free trade zone users must:

- Have a formal and direct indefinite labor contract.
- Be related to the production process or the services.
- Comply with parafiscal and social security contributions.



Partial processing of raw materials, supplies and intermediate goods

The law does not specify the percentage of processing that must be carried out outside the free trade zone; this must be discussed with the Operator User.

The maximum period of permanence outside the Free Trade Zone is six (6) months, with the possibility of extending it for three (3) more months, through a prior justification duly accepted by the Operator User.

Likewise, in the case of operations carried out by mixed-economy companies of the national order, linked to the Ministry of National Defense, which are authorized users of the free zone and whose corporate purpose corresponds to the assembly, repair, maintenance and manufacture of ships or

aircraft or their parts, the duration of permanence outside the free zone shall be subject to the provisions of the signed contract.

Land and buildings

They can be owned or rented depending on the development and negotiation with the Operator User.

Investment in real productive fixed assets

The acquisition of real productive assets, intangible assets and land directly related to the economic activity for which the user has been authorized is considered as new investment.

Only new assets are included in the investment commitment and are depreciated for accounting purposes.

New investment in intangible assets

In order for an intangible asset to be recognized as part of the new investment, it must have been generated or created by the industrial user after its admission to the Free Trade Zone and must be directly and permanently involved in the income-producing activity. Intangible assets shall be those defined and recognized as intangible assets in the applicable technical accounting framework.

If the new investment commitment includes intangibles, they may not exceed 20% of the total new investment. The same is true if the new investment includes land.



Main types of Free Trade Zones

Permanent Free Trade Zone (PFTZ):

refers to the delimited area of the national territory where several industrial or commercial users are installed. In addition, there is a special type of PFTZ called “Permanent Offshore Free Trade Zone”, which is exclusively dedicated to the development of technical evaluation activities, exploration and production of offshore hydrocarbons, as well as related activities.

Single Enterprise Free Trade Zone (SEFTZ):

refers to the delimited area of the national territory in which a single industrial user (exclusively one company) is located, which must fulfill several commitments related to investment and job creation within a period of three (3) years from the date of declaration..

There are different types of SEFTZ depending on the activity to be developed by the industrial user.

Transitory Free Trade Zone:

this is the area of the national territory where different activities are held – congresses, fairs, etc.– In this sense, this type of free trade zone also enjoys special treatment in tax, customs and foreign trade matters.



Incentives

The Free Trade Zones offer the following incentives to their users for a period of up to thirty (30) years, with the possibility of renewal for an equal period:

a.

Initially, the free trade zones regime granted a benefit in the income tax rate, where such rate was 20%, being lower than the general tax rate for companies located in the rest of the territory. However, this was adjusted in the tax reform of 2022 (Law 2277 of 2022) conditioning such benefit to the income obtained from exports, while the income obtained from operations with the national customs territory will be applied to the general income tax rate applicable for the corresponding period. According to the mentioned Law, this mixed tariff system for industrial users of the free trade zone will start to apply in 2024.

However, in a ruling of the Constitutional Court, it reestablished the preferential rate for income from both exports and operations to the national territory for companies that were qualified as industrial free zone users before the entry into force of the 2022 tax reform, i.e. before December 13, 2022.

b.

Exemption from customs duties (customs and VAT) for the import of goods from abroad, as long as the goods remain in the free zone.

c.

Possibility of nationalizing the goods produced in the free zone, using the tariff subheading of the finished product and paying taxes on the added value of the finished product, or nationalizing the raw materials before they enter the production process, with its own tax entry, so that it is not considered a national exported component and its value does not become part of the taxable base of the finished product.

d.

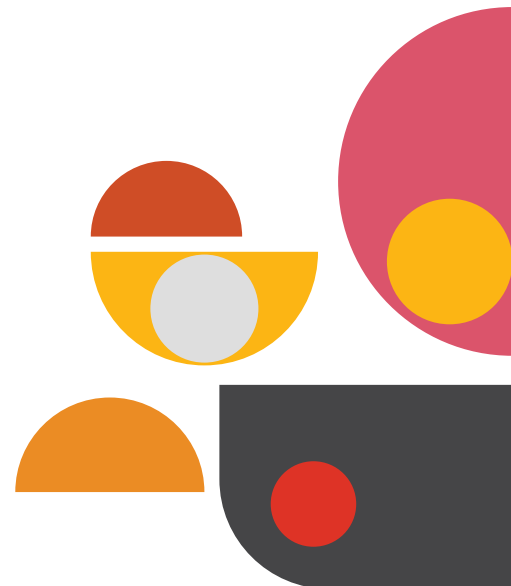
Possibility of storing foreign goods for an indefinite period: Industrial users have the possibility to store in their facilities for an indefinite period of time goods coming from abroad and necessary for the production of final goods manufactured by themselves.

e.

Possibility of importing used goods without obtaining a prior license: The goods in special market conditions (used, imperfect, repaired, reconstructed, reformed, restored -refurbished-, of low quality -substandard-, remanufactured, repowered, discontinued, recovered, second hand, second use, out of season or other similar condition) that enter the free trade zone, must not obtain a license.

Notwithstanding the above, if the goods are intended to be imported to the rest of the national customs territory, they must obtain the respective license.

The permanence of the goods in the free trade zone may be indefinite as long as the user maintains its authorization.



Types of Free Trade Zones

Operator user

Refers to the legal person authorized to direct, administer, supervise, promote and develop the Free Trade Zones, as well as to authorize the users. Likewise, the operator user controls and manages the customs matters of the Free Trade Zone.

Industrial users of goods

Refers to the users who manufacture, produce, transform or assemble products within the free trade zone.

For the exit of products from the Free Trade Zone to the rest of Colombia, it is necessary to fill out the Import Declaration and request the licenses or registrations required for the importation process.

Industrial user of services

These are users that provide services within or from the Free Zone area, developing activities related to logistics, transportation, distribution, telecommunications, scientific and technological research, medical assistance, dental and health services in general, tourism, technical support, naval and air equipment, consulting, or similar, among others.

Commercial users

These are the users that carry out storage, marketing, conservation and sales activities within the respective free trade zone. They can occupy up to 15% of the total area of the FTZ, cannot be located in a SEFTZ, and do not have the preferential income rate.

Investment and employment commitments for the authorization of industrial users of goods, industrial users of services and commercial users:

Investment and Employment Commitments

Real productive fixed assets	New investment	Employment
From 0 to 12,326 TVU (0 to USD\$148,158.42)	No new investment requirements for new investments.	Start-up: 3 direct and formal jobs. The following year: 2 additional jobs. Third year: 2 additional jobs. Total: 7 jobs.
112,327 to 123,263 TVU (USD\$148,170.44 to USD\$1,481,620.28)	Within 3 years after the authorization: 20,092 TVU (USD\$241,505.68).	Start-up: 20 direct and formal jobs.
123,264 to 739,576 TVU (USD\$1,481,632.30 to USD\$8,889,697.63)	Within 3 years after the authorization: 100,459 TVU (USD\$1,207,516.38)	Start-up: 30 direct and formal jobs.
739,577 or more TVU (USD\$8,889,709.65 or more)	Within 3 years after the authorization: 231,068 TVU (USD\$2,777,435.52).	Start-up: 50 direct and formal jobs.

Source: PwC Colombia. (2024). Investment and employment commitments [Table]. In Doing Business in Colombia 2024. Article 80 of Decree 2147 of 2016.

*The Tax Value Unit (TVU) for the year 2024 is COP 47.065 (Resolution 187 of November 28, 2023). *TRM used from February 01, 2024.



Sanctioning Regime

The Colombian legislation, to eliminate certain obstacles in the customs procedure and in compliance with the constitutional court ruling C-441 of 2023, issued last June 6, Decree 920 of 2023, which establishes the new regime of penalties and seizure of goods in customs matters, as well as its procedure. The aforementioned decree contains provisions concerning the sanctioning regime applicable to violations on the occasion of non-compliance with obligations, liability, formalities, and procedures provided in (i) Decree 1165 of 2019, (ii) Decree 1074 of 2015, (iii) Decree 1625 of 2016, (iv) Decree 2218 of 2017 and (v) Decree 3568 of 2011.

This Decree implements the international standards of Post-Dispatch Auditing according to the guidelines of the World Customs Organization and the World Trade Organization; it establishes that both the violations and their sanctions must be determined according to their operation and not per declaration in attention to the logistic dynamics; Likewise, it is established that infractions should be determined based

on the damage caused to the protected legal right and their classification in levels 1-5 is implemented, where level 1 and 2 infractions are understood as very serious, level 3 as serious and level 4 and 5 as minor, guaranteeing sanctioning principles such as equality, proportionality, legality, and non bis in idem principle.

Therefore, in this new regime and the application of the preventive function of sanctions, in cases in which, within 3 years, a minor customs obligation has been breached for the first time, and sanctioned with a fine, the offender will not be subject to a pecuniary sanction if he/she voluntarily or within the indicated term corrects the situation.

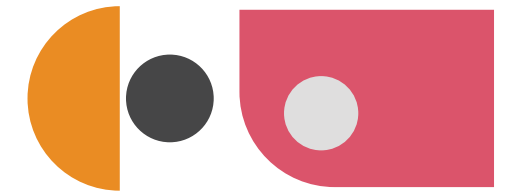
On the other hand, the minimum applicable sanction is established and the sanction of reprimand is created to avoid administrative waste and promote a culture of compliance and commitment to non-repetition. In the same sense, it establishes infractions and sanctions corresponding to non-compliance with new obligations that may arise.

On the other hand, as a guarantee of legal security, efficiency, speed, and economy, this Decree implemented the creation of the Apprehension Review Committee as a verification instance of the application of the precautionary measure of seizure of goods, guaranteeing the right of defense of the customs obligated parties.

It should be noted that the government recently presented a draft decree to the current customs regime, which we will be following up on.



Tariff Preferences:



Free Trade Agreements

For years, Colombia has been structuring an open integration policy; therefore, it enjoys free markets in Latin America, within the framework of the Latin American Integration Association (“ALADI” for its acronym in Spanish) and the Andean Community of Nations (“CAN” for its acronym in Spanish). In addition, the country has signed several trade agreements with other countries, such as Canada and the United States, and with common markets such as the European Union and MERCOSUR.

The main agreements entered into by Colombia are presented below:



Free Trade Agreement between Mexico and Colombia (G2 FTA)

This treaty entered into force in 1995 with the participation of Colombia, Mexico and Venezuela. It currently includes only Colombia and Mexico, as Venezuela withdrew in November 2006.

The agreement includes a schedule for the asymmetrical elimination of tariffs. It also seeks to equalize tariffs between the two countries over a period of ten (10) years and to provide special treatment to the agricultural and automotive sectors.



Free Trade Agreement with Costa Rica

This agreement provides preferential access to one of the most attractive markets in the region, especially for Colombian manufacturers, who are currently competing at a disadvantage compared to third countries. In addition, Costa Rica is one of the most dynamic and stable economies in Latin America, with which Colombia has maintained strong cultural, commercial and diplomatic ties for years.

The FTA with Costa Rica is a fundamental and natural step in the consolidation of trade relations with Central America, as it complements the provisions of the agreement signed with the Northern Triangle countries (El Salvador, Guatemala and Honduras) and the agreement currently being negotiated with Panama.





Canada-Colombia Free Trade Agreement

This agreement between Colombia and Canada entered into force on August 15, 2011. The agreement includes a schedule for the asymmetrical elimination of tariffs and aims to equalize tariffs in different sectors over a period of ten (10) years.

The agreement establishes mechanisms to prevent the reduction or weakening of internal measures to protect human, animal and plant health, intellectual property, labor, the environment and consumers.



United States-Colombia Trade Promotion Agreement

The Agreement between Colombia and the United States (U.S.) entered into force on May 15, 2012. The agreement includes a schedule for the asymmetric elimination of tariffs and seeks to equalize tariffs in different sectors over a period of ten (10) years.

The agreement establishes mechanisms to prevent the reduction or weakening of internal measures to protect human, animal and plant health, intellectual property, labor, the environment and consumers. It also covers a wide range of issues, including market access, investment, government procurement, trade in services, trade defense, rules of origin, technical barriers to trade, and intellectual property. In particular, the FTA with the US has established a fair, stable and transparent legal framework to protect investors, their investments and related flows, without creating unnecessary barriers that discourage foreign investment.



Economic complementation agreement (“ACE” for its acronym in Spanish) N° 49 between the Republic of Colombia and the Republic of Cuba)

This agreement entered into force on July 10, 2001 and has two (2) amending protocols.

It covers issues such as market access, non-tariff restrictions, rules of origin, safeguards, unfair practices, trade in services, transport, technical standards, investment, trade cooperation, industrial property, among others.

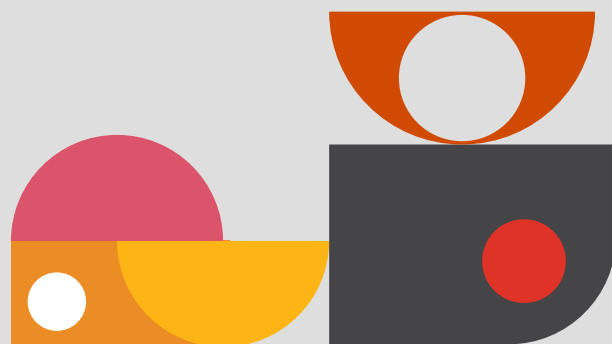
Cuba grants benefits in more than 4,600 Colombian tariff lines, with tariff preferences for agricultural sectors, including products such as meat, seeds, cocoa, coffee preparations, fruit, fish, among others. On the other hand, the industrial sector includes tariff preferences for textiles and clothing, vehicles, soaps and cosmetics, leather, household appliances, footwear, iron and steel products, construction materials, among others.



Economic complementation agreement (“ACE” for its acronym in Spanish) between Chile and Colombia – Free Trade Agreement with Chile

An ACE will create an economic area between Colombia and Chile that will achieve the progressive elimination of tariffs and non-tariff barriers; specifically, 95% of tariffs on bilateral trade will be eliminated, which corresponds to 96% of Colombian tariffs. The remaining percentage was fully liberalized with zero tariffs in 2012.

The above because the ACE with Chile was strengthened and both countries decided to begin negotiations on a Free Trade Agreement. The final text of the FTA was signed on November 27, 2006, and entered into force on May 8, 2009.





 Free Trade Agreement between the Republic of Colombia and the Republics of El Salvador, Guatemala and Honduras (Northern Triangle)

 Partial Agreement between the Republic of Colombia and the Caribbean Community (CARICOM)

 Trade Agreement between the European Union, Colombia and Peru

 Commercial Agreement between the Republic of Colombia and the EFTA States

In June 2006, Colombia, Guatemala, El Salvador and Honduras began negotiations to sign a Free Trade Agreement (FTA), with the aim of strengthening the regional economy as a tool for the socio-economic development of Latin American countries. The agreement was signed on August 9, 2007 and became effective as follows: November 12, 2009 with Guatemala, February 1, 2010 with El Salvador, and March 27, 2010 with Honduras.

The agreement addresses issues such as national treatment and market access, investment, international trade in services, electronic commerce, cooperation, dispute settlement, government procurement, trade facilitation, sanitary measures, technical standards, rules of origin, and trade remedies.

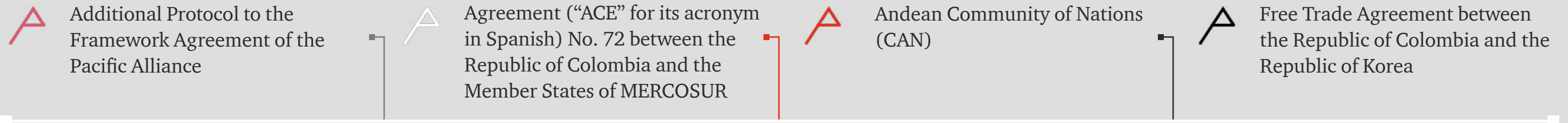
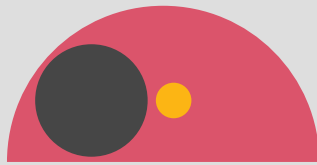
It entered into force on 1 January 1995 and, together with its amending protocol, contains general provisions relating to, inter alia, tariff scheduling and liberalization, import treatment, rules of origin, technical standards, general exceptions, trade promotion, trade financing, services, transport, safeguard clauses, unfair international trade practices, and economic and technical cooperation, among others.

The Free Trade Agreement between Colombia and Peru, on the one hand, and the European Union, on the other, were signed in 2012 and began provisional application in 2013. On November 5, 2014, the national government issued Decree 2247, which put the FTA into effect.

The Agreement covers various aspects of trade between the Parties and includes commitments that go beyond the multilateral framework of trade relations. To this extent, an essential element of the agreement is the parties' commitment to respect human rights and to develop sustainable economies based on the protection and promotion of labor and environmental rights.

On November 25, 2008, the Republic of Colombia signed a Free Trade Agreement with the European Free Trade Association, a trade group composed of Switzerland, Norway, Iceland and Liechtenstein. The treaty entered into force in July 2011, but was not ratified by the Icelandic parliament until October 1, 2014.

The agreement negotiated a tax relief program for agricultural, industrial, marine and processed agricultural products; it also negotiated aspects related to the expansion of markets, diversification of investments, and the strengthening and improvement of integration ties with European countries.



The Pacific Alliance was founded in 2011 as a regional integration initiative of the Latin American countries of the Pacific. Initiated by Colombia, Peru, Mexico and Chile, its objectives are to promote free trade, free movement between countries, cultural and academic promotion, and cooperation in trade and diplomatic relations with the countries of the Asia-Pacific region.

Under the Pacific Alliance Framework Agreement, an Additional Protocol was signed in 2014 for the establishment of a Free Trade Area among the member countries of the Alliance, with the aim of achieving tariff reductions, market access, trade facilitation and customs cooperation. This Additional Protocol, in turn, addressed issues related to investment, financial services, telecommunications, maritime services, among others. In addition, in early 2022, Singapore signed a Free Trade Agreement with the Pacific Alliance and joined as a new Associate State, becoming the first country to achieve this status.

On July 21, 2017, the Economic Complementarity Agreement was signed between Argentina, Brazil, Paraguay and Uruguay (member countries of MERCOSUR) and Colombia.

The agreement had a provisional application that was different for each MERCOSUR member country. With the entry into force of the agreement between Colombia and Paraguay on January 29, 2019, the ACE became fully effective for all parties and fully replaced the provisions of the previous ACE 59 of 2004. The conditions of market access for originating products have not been modified, thus maintaining the original provisions negotiated in ACE 59. However, ACE 72 delved deeper into issues related to industrial products, textiles, apparel, vehicles, and others.

The agreement also includes provisions for dispute resolution, occupational health and safety standards, technical regulations and safeguards.

The Andean Community of Nations is one of Colombia’s strategic integration plans and operates under the auspices of ALADI. Under this agreement, Colombia is exempt from duties and restrictions and has become a free zone with Bolivia, Ecuador, Peru and Venezuela until 2011.

In addition, in September 2006, the Council of Foreign Ministers of the Andean Nations granted Chile the status of associate member, reaffirming the economic commitments established with that country and broadening the framework for integration in the region.

The main objective of CAN is to improve integration through a common market in which consensus agreements are reached at the supranational level (i.e. Andean regulations take precedence over national legislation) in monetary, fiscal, currency, environmental and public service matters.

This trade agreement is the first of its kind between Colombia and an Asian country. It was signed in February 2013 and entered into force on July 15, 2016.

This agreement established tariff preferences for a wide range of Colombian products, including coffee, bananas, flowers, vegetables, sugar, beef, pork and dairy products, among others. In addition, with the implementation of this FTA, nearly 80% of textile products will be able to enter the Asian market free of tariffs, and the entry of investment from Korea will also be encouraged, especially in the automotive, telecommunications and information sectors.



Free Trade Agreement between the Republic of Colombia and Israel

This agreement will enter into force on August 11, 2020 and is the first to be negotiated with a Middle Eastern country. The entry into force of this FTA aims to increase trade and investment flows, strengthen bilateral economic cooperation, eliminate non-tariff barriers and promote diplomatic relations between the two (2) countries. In addition, the agreement will reduce transaction costs and improve customs procedures.



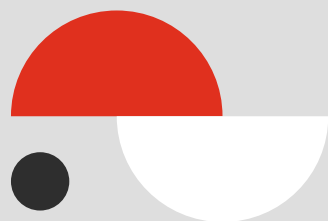
Continuity of Trade Agreement between Colombia and the United Kingdom

With this agreement, Colombia and the United Kingdom seek to maintain the bilateral relationship that they had within the framework of the European Union. This agreement was approved by Law 2067 of 2020 and entered into force on June 28, 2022. The tariff commitments acquired by both parties are set forth in Decree 894 of May 31, 2022.



Future Free Trade Agreements

To date, Colombia has signed some trade agreements that are not yet in force, such as the one signed with Panama. On the other hand, the Colombian government is negotiating with the governments of Turkey, Japan and the United Arab Emirates to sign future trade agreements with these countries. Similarly, the Trade in Services Agreement (TiSA) is still under negotiation, as is the Pacific Alliance, which is trying to make progress in negotiations with some candidate associate states, such as Australia, Canada and New Zealand. The Alliance has already signed a Free Trade Agreement with Singapore in early 2022, making the Asian country the first Associated State of this mechanism.



04

Transfer Pricing

Generalities

The Transfer Pricing Standard in Colombia has been drafted according to the Guidelines of the Organization for Economic Cooperation and Development (OECD), thus serving as a specialized technical reference, focused on the control of evasion in matters of income tax. The applicable regulation is contained in the Tax Code (TC) in its Sections 260-1 to 260-11 and in the Decree 1625 of 2016 (Title 2).

Income taxpayers that carry out transactions with related parties and third parties, as defined in Sections 260-1, 260-2 and 260-7 of the TC, are required to determine their ordinary and extraordinary income, their costs and deductions, and their assets and liabilities, taking into account the Arm's Length Principle for these transactions.



Methods:

The methods included in the OECD guidelines are followed and the comparability factors or preferred methods for the analysis of transactions are determined, among which loans, commodities, sale of shares or purchase of used assets stand out.

Formal obligations:

The formal obligations are the Local File, the Master File, the Country-by-Country report, the Notification of the Country-by-Country Report and the Informative Return of Transfer Pricing, as long as they comply with the conditions established in the standard for each case (Sections 260-5, 260-7 and 260-9 of the Tax Code and Title 2 of the Decree 1625 of 2016).

Other important considerations:

The Acquisition of used assets, purchase and sale of shares, business restructuring, payments in favor of tax havens or preferential tax regimes, the use of the foreign related party as the tested party, and Advance Price Agreements, require additional analysis or information to be performed.

Effects on the income tax return:

In the event that the taxpayer is outside the Arm's Length range, the price or profit margin will be considered to be the median of such range. According to the type of transaction under analysis, taxpayers must include additional income or disallow costs or deductions in the respective income tax return and calculate the tax, penalties and late payment interest in accordance with the tax position.

Formal penalties:

Formal penalties for the transfer pricing regime are contained in Section 260-11 of the TC. These penalties are triggered by late filing, inconsistencies, non-submission or omissions in the Local File, in the Master File and in the Informative Return. The penalties related to the Country by Country Report and the Notification are contained in Section 651 of the TC.

Attribution of Income and occasional profits

The taxation of Permanent Establishments (PE) and Branches in Colombia will be based on the income and occasional earnings from domestic and foreign sources attributable to them. The attribution will be carried out under the criteria of functions, assets, risks assumed and key personnel involved, as well as other areas of the company to which the PE or branch is part in obtaining such income and occasional profits, for which a study (Attribution Study) must be prepared, in accordance with the Arm's Length Principle. The obligation to keep separate accounting records, in which income, costs, expenses, among others, attributable to the PE and branches of foreign companies are discriminated. Once the attribution of income and occasional profits has been made, the tax liability will be determined in accordance with the provisions of the Section 20-1 of the TC.





05

Conflict Resolution

The Colombian legal system establishes various mechanisms for the resolution of disputes between individuals and the State, within the framework of the Political Constitution and the Law.

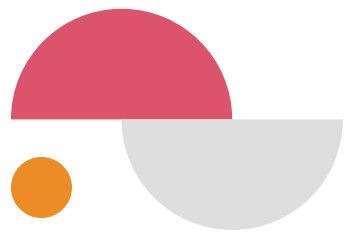
In Colombia, conciliation and arbitration are widely developed in the legislation. This is done so that more and more people choose to resolve their conflicts in a fast and reliable way by making use of these mechanisms.

International arbitration rules in Colombia are based on the United

Nations Commission on International Trade Law (UNCITRAL) Model Law on International Commercial Arbitration. Thus, its nature is contractual rather than procedural.

On the other hand, it should be mentioned that Colombia has ratified the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards and the Inter-American Convention on International Commercial Arbitration of 1975, and has incorporated them into its domestic legislation.





Context

The Colombian legal system includes different jurisdictions in its legislation through which disputes between individuals, between them, and the State can be resolved. As a general rule, disputes between individuals are resolved in the ordinary jurisdiction, while those involving the State must be resolved in the contentious administrative jurisdiction.

However, about the processing of cases brought before these jurisdictions, Decree 806 of 2020 introduced the use of information and communication technologies in judicial proceedings, to expedite the processing of cases. For this purpose, the electronic means that must be enabled for the presentation of claims have been determined, such as: notification procedures, and holding of hearings, among others.

Law 2213 of 2022 established the permanent validity of Decree 806 of 2020, a regulation issued to minimize the impact of the pandemic on the administration of justice and to make tools provided by information and communication technologies (ICT) available to both justice administrators and users during judicial proceedings, giving way to the implementation of virtual justice.

On the other hand, the State also allows individuals to be temporarily invested in the function of administering justice, be it as justices of the peace, conciliators, or arbitrators, so that they may pronounce judgments in equity or law, by the guidelines and limitations established by law for each case.



Use of information technologies and telecommunications in the Administration of Justice.

Law 2213 of 2022 approved the use of Information and Communication Technologies (ICT) in judicial proceedings, which has generated significant efficiencies in the development of judicial processes, in addition to guaranteeing the procedural principles of economy, transparency, impartiality, speed, publicity, and contradiction.

The implementation of this law has resulted in, among other things:

- Generate efficiencies against the formalization of powers, demands, and other documents that previously necessarily required personal presentation before a notary, implemented means such as data messages.
- Virtually file claims, resources, allegations, and other memoranda necessary in the development of lawsuits.
- Improve the system of judicial notifications. This will allow knowing different judicial actions in real time.

Enable virtual hearings without the need to travel.

These measures have significantly improved the productivity of the Superior Courts, contributing to the decongestion of the judicial offices and, in turn, achieving the redirection of operating expenses (which were destined to the provision of services of the judicial branch), to invest more money in items that have a significant impact on the proper administration of justice.

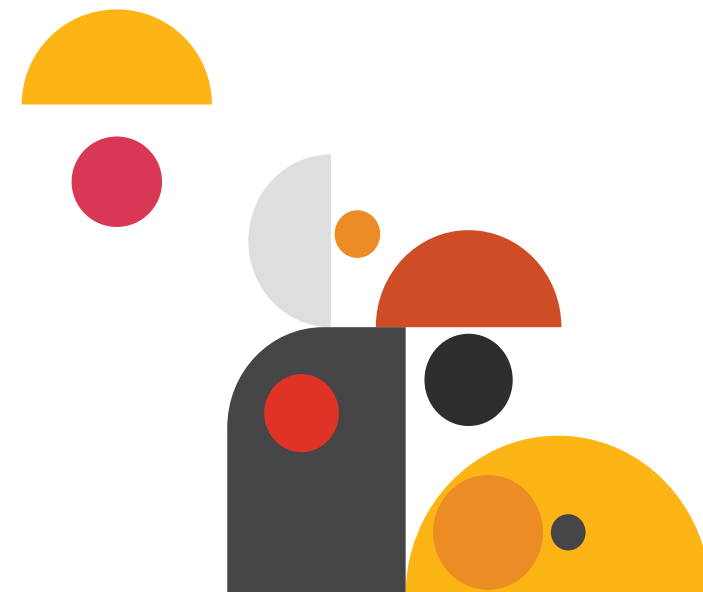
With the entry into force of the Regulation, several existing formalities will be eliminated and it will be possible to submit documents, powers of attorney, claims, etc. without the need to appear in person before a notary. These measures are considered positive because they facilitate the access of users to the administration of justice and ultimately create much more direct contact between the judiciary and the users.

Thus, Law 2213 of 2022 is an advanced legal framework that recognizes the importance of technological tools in society, but it also implies a very important challenge, since it must seek how to guarantee the right of access to justice for the population that suffers from multiple technological barriers.

Ordinary Jurisdiction

The Ordinary Jurisdiction is responsible for resolving disputes between individuals in civil, commercial, labor, agrarian, criminal, and family matters. This judicial system consists of promontory courts, municipal courts, circuit courts, superior courts, and the Supreme Court of Justice, the latter being its highest court.

The procedural rules of this jurisdiction are framed under Law 1564 of 2012, General Process Code, which dictates the procedure in civil, commercial, agrarian, and family matters; Decree - Law 2158 of 1948, Labor and Social Security Procedural Code, and Law 906 of 2004, Criminal Procedure Code.



Administrative Litigation Jurisdiction

The Administrative Tribunal is responsible for resolving disputes between individuals and the State or between entities of the latter. Its organic structure consists of district administrative courts, administrative courts, and the Council of State, which is its highest court.

The procedural rules of this jurisdiction are regulated by Law 2080 of 2021, Code of Administrative Procedure, and Administrative Litigation, which partially modified the provisions of Law 1437 of 2011, which introduced changes to the administrative procedure and the contentious-administrative process.

The pillars of the reform are (i) the redistribution of judicial powers and the strengthening of the Council of State as a court of first instance, to establish it as a final court and to focus its efforts on the function of unifying its jurisprudence and drawing lines of interpretation to increase legal certainty; (ii) the modification of institutions, terms, and procedural requirements to expedite the processing of cases and to better adapt to information technologies and digital media; and (iii) the resolution of conflicts of interpretation: Several provisions of the Code need to

be clarified or harmonized, either because of their wording, implementation or inconsistency with other procedural rules, to ensure their clear application in the proceedings.

Constitutional Jurisdiction

The Constitutional Court is responsible for authoritatively interpreting the Constitution and ensuring its supremacy in the Colombian legal system. Its final body is the Constitutional Court, which consists of 9 (nine) judges specialized in constitutional matters.

Through the guardianship mechanism, various controversies can be visible before the Constitutional Court in situations where violations of fundamental rights are verified.

In principle, all Colombian judges are constitutional judges, in that they must ensure that the Constitution is upheld in all cases.

Special Jurisdictions

In Colombia, there are three special jurisdictions through which certain and exceptional conflicts are resolved: the Indigenous Jurisdiction, the Peace Jurisdiction, and the Special Jurisdiction for Peace (JEP for its acronym in Spanish).

In the first instance, indigenous justice is responsible for resolving disputes between indigenous peoples through their internal cultural mechanisms. Second, the Peace Jurisdiction is responsible for resolving certain minor conflicts between subjects who voluntarily submit to its jurisdiction. Finally, the Special Jurisdiction for Peace (JEP), which has been established temporarily, is responsible for hearing conflicts related to the Colombian peace process.

Alternative Dispute Resolution

Due to the high judicial congestion in Colombia, the resolution of a dispute in the ordinary and contentious administrative jurisdiction can take several years. For this reason, Article 116 of the Political Constitution of Colombia provides for the possibility of temporarily entrusting the function of administering justice to individuals in the capacity of conciliators and arbitrators.

As a result, conciliation and arbitration have become widespread in Colombia, and more and more people are choosing to resolve their disputes quickly and reliably through the use of these mechanisms.



Conciliation

Conciliation is a conflict resolution mechanism in which two or more people resolve their differences themselves with the help of a neutral and qualified third party, known as a conciliator. Matters subject to conciliation are those subject to compromise and/or withdrawal, in addition to those specified by Law.

The effectiveness of conciliation lies in the fact that if the parties reach a total or partial agreement, it becomes *res judicata*, and the record containing the agreement has executive value.

This alternative method of conflict resolution is increasingly being used. In Colombia, there are 388 active conciliation centers where 158,037 conciliation requests were submitted in 2022, according to figures from the Conciliation, Arbitration and Amicable Settlement Information System (SICAAC for its acronym in Spanish).



Arbitration

Arbitration is an alternative dispute resolution mechanism by which the parties delegate to arbitrators the resolution of disputes relating to matters that are freely available or authorized by law. The arbitration may be national or international.

1. National arbitration

National arbitration is ad hoc when conducted directly by the arbitrators, or institutional when conducted by an arbitration center. If there is no agreement on its nature and the parties are silent in the arbitration agreement, the arbitration shall be institutional.

If the dispute concerns contracts entered into by a public entity or that performs administrative functions, the procedure will be governed by the rules indicated in Law 1563 of 2012 for institutional arbitration.

In Colombia, in the year 2022, 1,087 requests for arbitration were filed. According to the legal nature of the conflicts, they were classified as (i) 916 civil and commercial, (ii) 154 administrative disputes, (iii) 13 special, (iv) 2 intellectual property, (v) 1 labor and (vi) 1 family, according to the figures of the Information System of Conciliation, Arbitration and Friendly Composition (SICAAC).

2. International arbitration

The arbitration shall be deemed to be international if: (i) the parties are domiciled in different countries; (ii) the place of performance of the obligations that are the subject of the dispute, or the place of performance thereof, is outside the country in which the parties are domiciled; and (iii) the dispute submitted to arbitration affects the interests of international trade.

It should be mentioned that Colombia has ratified and acceded to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards and the 1975 Inter-American Convention on International Commercial Arbitration.

3. Investment arbitration

Since August 14, 1997, Colombia has been a member of the International Center for Settlement of Investment Disputes - ICSID - which was created to resolve problems that arise between governments and foreign investors.





06

Tax Law

Before talking about the current tax system, it's important to note that the Constitutional Court, in decision C-481 of 2019, said that most of the articles of Law 1943 of 2018 could not be enforced because they did not follow the rules of transparency and continuity in the process of making the law. According to the Court, the proposal with which the debate in the plenary session of the Chamber of Deputies ended was incomplete and did not comply with the necessary publicity for "the legislator to give its consent to the approval of a law with a high fiscal content that requires broad democratic guarantees, in application of the principles of literality and that there is no tax without representation".

As part of its power, the Court decided that the ruling would not take effect until January 1, 2020. It also said that if a new law to replace Law 1943 of 2018 is not passed by the end of the proposed term, the rules that were removed by the Financing Law would be brought back and the rules that were added by it would not be valid.

On December 27, 2019, Law 2010 of 2019, or Economic Growth Law, was enacted, which reproduces most of the texts of Law 1943 of 2018. As part of its power, the Court decided that the ruling would not take effect until January 1, 2020. It also said that if a new law to replace Law 1943 of 2018 is not passed by the end of the proposed term, the rules that were removed by the Financing Law would be brought back and the rules that were added by it would not be valid. During 2020, the Law of Entrepreneurship (Law 2069) and the Law of Tourism (Law 2068) were enacted, as well as the Tax Reform of 2021, which corresponds to Law 2155 of 2021.

Finally, in December 2022 a Tax Reform (Law 2277 of 2022) was enacted. That bill introduced significant changes to Colombian tax regulation.



1. Income Tax and Capital Gains Tax

1.1 General information

Income tax is levied on income that is likely to increase the equity of individuals or legal persons. In order to determine the source of income, a real or source system is applied in Colombia, since resident individuals are taxed on income and occasional income from national and foreign sources, while non-residents are taxed only on income and occasional income from a national source.

According to the above, national companies are subject to the domicile principle, i.e. they must declare their income from both national and foreign sources. Foreign companies, on the other hand, are taxed only on their income and occasional income from a national source. Finally, permanent establishments and branches are taxed on the income from domestic and foreign sources attributable to them.

However, with respect to the taxable period of income tax and complementary, this is annual and corresponds to the year from January 1 to December 31. However, there are certain exceptions, mainly when the taxpayer has not existed for the entire calendar year, as occurs in the cases of incorporation or liquidation of companies. In these cases, income tax is determined and reported for the appropriate portion of the year.

1.2 General rate and special rates

1.2.1 Legal entities

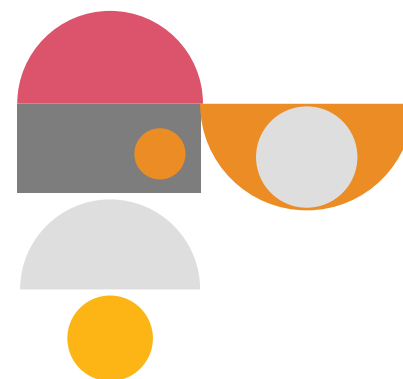
Like the Financing Law, the Economic Growth Law replicated the income tax rate for legal entities, with a rate of 32% for 2020, 31% for 2021 and 30% for fiscal year 2022. However, with Law 2155 of 2021 and Law 2277 of 2022, the rate is 35% from 2022 onwards.

Law 2277 of 2022 established a 5% surcharge for financial entities and other taxpayers who will have to pay income tax at a rate of 40% until the year 2027.

The 2022 tax reform added a 3% surcharge for certain companies whose primary activity is the generation of hydroelectric power until 2027.

Likewise, for local or foreign companies dedicated to the exploitation of coal, there is a permanent surcharge of 0%, 5%, and 10%, depending on the international prices of the commodity. This is applicable to oil companies, but the surcharge in this case is 0%, 5%, 10%, and 15%.

Similarly, the following are special rates for corporate income tax:



20%

a. Industrial users of goods and services from the Free Zone, but only with respect to the income related to exports, subject to compliance with an internationalization commitment. Certain free zones retain the right to apply the 20% rate without any conditions. Based on a ruling of the Colombian Constitutional Court, this rule is only applicable to users that are qualified after the entry into force of the law.



least 90% of the shares and which exercise a monopoly on gambling and on the sale of spirits and alcoholic beverages.

Minimum taxation

According to the new formula, all domestic and foreign businesses that are taxpayers in Colombia, including those in Free Trade Zones, must pay a minimum tax of 15%. If the threshold is not met, the difference must be taxed.

Transitional regime

The 2022 reform indicates that taxpayers who have accredited the conditions to access the differential rates and other tax holidays repealed or limited by the said law will keep the corresponding treatment for the entire period initially granted.



1.2.2 Individuals

The income tax for individuals with tax residence in Colombia, of inheritance states of individuals with tax residence in Colombia, and of goods destined for special purposes by virtue of donations or modal allocations will be determined according to the following table, starting from the tax year 2020:

Table: Income tax for natural persons residing in Colombia

0	1090	0%	0
> 1090	1700	19%	(Taxable base in UVT minus 1.090 UVT) x 19%
> 1700	4100	28%	(Taxable base in UVT minus 1.090 UVT) x 28% +116 UVT
> 4100	8670	33%	(Taxable base in UVT minus 4.100 UVT) x 33% +788 UVT
> 8670	18970	35%	(Taxable base in UVT minus 8.670 UVT) x 35% +2.296 UVT
> 18970	31000	37%	(Taxable base in UVT minus 18.970 UVT) x 37% +5.901 UVT
> 31000	En adelante	39%	(Taxable base in UVT minus 31.000 UVT) x 39% +10.352 UVT

Source: Compiled by PwC Colombia, based on Colombian tax legislation.

1.3 Determination of the Taxable Base

The Colombian legal system establishes two forms of determination of the tax base for income tax: the ordinary system and the presumptive income system.

In accordance with the above, taxpayers must annually compare the value resulting from the application of the two described systems in order to determine the highest value resulting from the previous comparison, which will correspond to the taxable base of the year.

15%

a. In the provision of hotel services, theme parks, ecotourism and/or agrotourism in certain municipalities, provided that certain requirements are met.

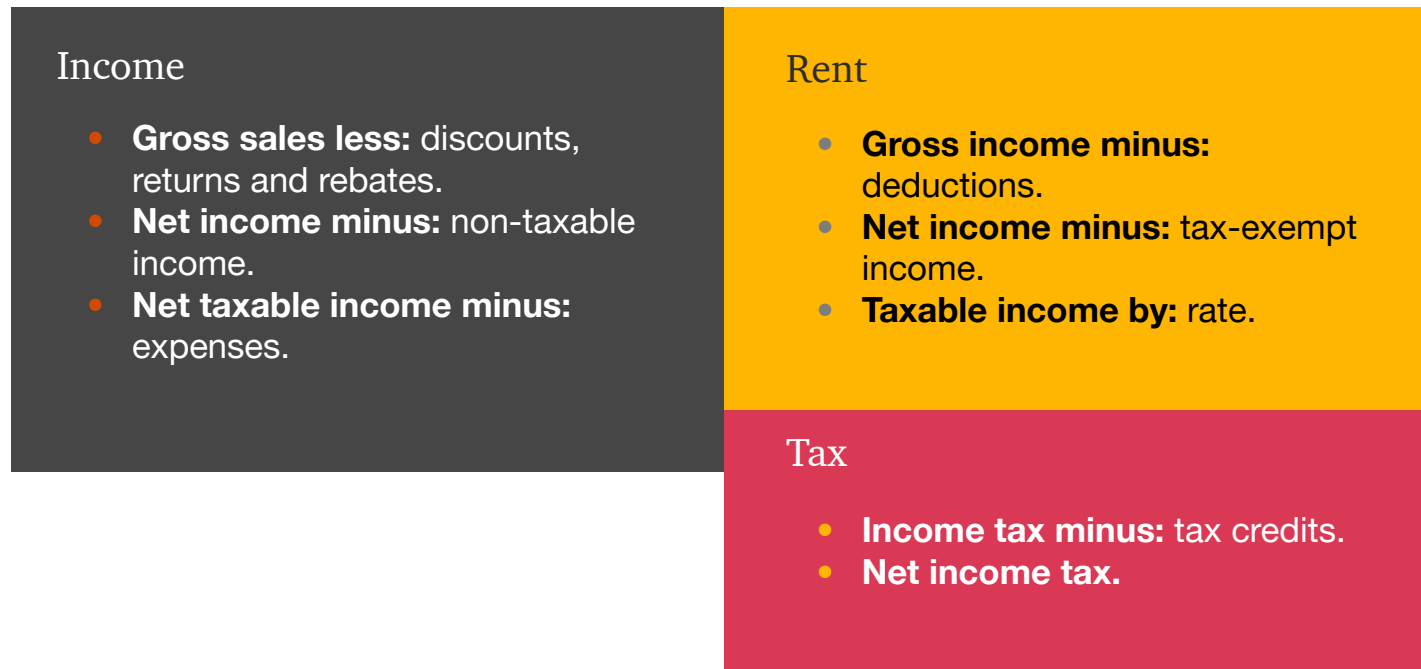
b. Publishing companies incorporated in Colombia as legal entities whose economic activity and corporate purpose is exclusively book publishing.

9%

a. Governmental industrial and commercial companies and departmental, communal, and regional mixed-economy companies in which the government holds at

1.3.1 Ordinary system

This system includes all income, ordinary and extraordinary, generated during the taxable year or period that could have resulted in a net increase in equity and is determined as shown in the following figure:



- The net equity value of contributions and shares held in national companies.
- The net equity value of the assets affected by acts of force majeure or fortuitous events.
- The net equity value of the assets associated with companies in an unproductive period.
- The net equity value of assets directly related to companies whose sole business purpose is mining other than the extraction of liquid and gaseous hydrocarbons.
- The first nineteen thousand (19.000) UVT of the taxpayer's assets destined to the agricultural sector will be excluded from the application base of the presumed income on liquid equity.
- The first eight thousand (8.000) UVT of the value of the taxpayer's home.
- The net equity value of the goods intended exclusively for the sports activities of social and sports clubs.

Taxpayers registered in the unified tax regime under the simple tax regime (SIMPLE) are not subject to presumptive income. In the case of individuals, the pension and dividend schedule will not be taken into account for presumptive tax purposes. Law 2010 of 2019 modified the percentage of gradual reduction of the presumptive income system, leaving the rate for the year 2020 at 0.5% and maintaining 0% from 2021.

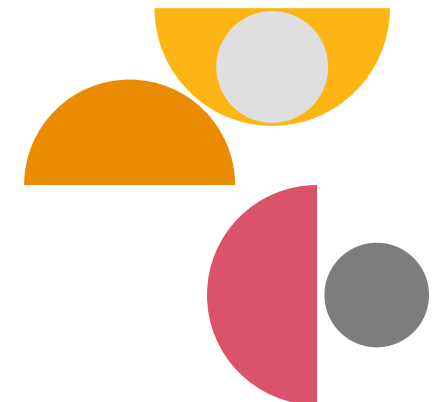


1.3.2 Presumptive income system

The following values may be subtracted from base net worth to calculate presumptive income, among others:

If the deemed income is higher than the ordinary net income, the difference constitutes an excess of the deemed income, which may be offset against the net income determined by the taxpayer within the following five (5) taxable years.

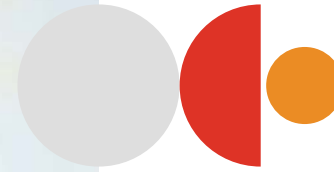
There are taxpayers that are exempt from the application of this system due to their business purposes, such as public utility companies. For the first three years, this regime does not apply to companies that are in liquidation.



1.4 Income that does not constitute income or capital gains

The legislation provides for some special tax treatments that allow the exclusion of certain income from the determination of the tax base:

- Voluntary contributions to the Individual Solidarity Savings Plan will continue to be considered income that does not constitute income or capital gains, subject to certain limits.
- Dividends and shares distributed by local companies (as long as they come from profits that have already been taxed at the corporate level) and the insurance received under damage insurance.
- In addition, Law 2010 of 2019 reenacted the articles of the statute that refer to the inflationary component of financial returns. Therefore, that income is not taxable for individuals.



1.5 Costs, Deductible Expenses, and Other Deductions

Costs are the expenses or charges incurred in acquiring or producing a good or providing a service to generate income. Tax-deductible expenses are those that have a causal relationship with the taxpayer's income-generating activity, provided that they are necessary and proportionate and that they have been incurred or paid in the corresponding tax year. Necessity and proportionality are determined on a commercial basis, in accordance with custom and the limitations of the law.

1.5.1 Salaries and parafiscal contributions

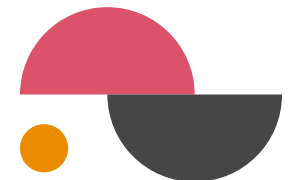
Salaries are deductible as long as the employer pays parafiscal contributions (ICBF, SENA, Family Subsidy and the Comprehensive Social Security System) and makes the withholding tax for labor payments. These contributions are deductible.

The following taxpayers who hire at least one employee who makes less than (10) current monthly legal minimum wages are exempt from paying health and parafiscal contributions: (i) legal entities subject to income tax; (ii) individuals who employ 2 or more employees; and (iii) joint venture agreements whose members are exempt from paying health and parafiscal contributions.

1.5.2 Taxes, Duties and Contribution

It is possible to deduct 100% of the taxes, duties and contributions actually paid (or accrued, for those obliged to keep accounts) and related to the taxpayer's economic activity, including membership fees paid to trade unions.

It should be mentioned that

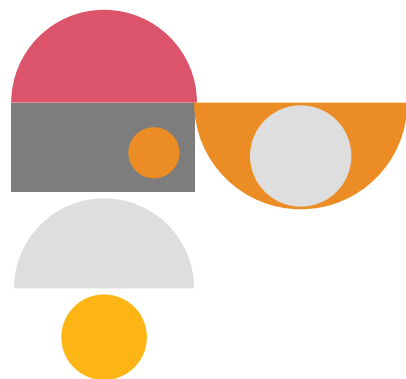


- It is possible to deduct 50% of the GMF (Financial Movement Tax) even if there is not a causal relationship with the taxpayer's income-generating activity.
- Taxpayers can deduct 100% of the ICA.
- The wealth and normalization tax are not deductible.

1.5.3 Interest

Generally, interest on debt is deductible. However, in Colombia we have thin capitalization rules, according to which the deduction of interest expenses is limited to debts with domestic or foreign economic entities whose average total amount during the corresponding taxable year does not exceed the result of multiplying by two (2) the net tax equity of the taxpayer as of December 31 of the immediately preceding taxable year.

There are certain exceptions in the law for the application of this limitation, such as for companies in an unproductive period, the financing of transportation infrastructure projects and the financing of infrastructure projects for public services, among others.



1.5.4 Expenses abroad

Taxpayers may deduct expenses incurred abroad that have a causal relationship with their income from a national source, as long as the withholding has been made at the corresponding source, if the amount paid constitutes taxable income in Colombia for its beneficiary.

The deduction of expenses incurred abroad in order to obtain income from a national source on which withholding tax is not mandatory cannot exceed 15% of the taxpayer's net income, calculated before deducting such expenses or deductions, except in certain cases expressly provided for by law.

1.5.5 Investment in Scientific and Technological Development

Taxpayers who invest in projects classified as research, technological development, and innovation, as defined by law, may claim 30% of the investment as a tax credit.

The credit is also granted when donations are made to higher education institutions or the Colombian Institute of Educational Credit and Technical Studies Abroad - ICETEX -, to scholarship programs or forgivable loans approved by the Ministry of National Education, donations to the Science and Technology Fund, or the linking of personnel with doctorates, subject to certain conditions.



1.5.6 Compensation of tax losses

Taxpayers can offset tax losses against ordinary taxable income. These tax losses cannot be passed on to the shareholders.

Initially, it was allowed to offset tax losses in the following five (5) taxable periods without limit. Subsequently, Law 788 of 2002 established a term of eight (8) years, without exceeding annually 25% of the value of the tax loss. Then, Art. 5 of Law 1111 of 2016, which amended Art. 147 of the Tax

Statute, did not establish any limits, neither in time nor in amount, for the compensation of tax losses of companies. Finally, Law 1819 of 2016 limited the compensation of losses generated from 2017 to the 12 tax periods following the year in which they were generated. If the losses were generated before this period, a transitional regime will be applied to determine the compensation rate, using a formula established in the same law.

When two or more companies merge or demerge, the company that absorbs them or

the company that comes from them can use the tax losses of the companies that merged or demerged against their own ordinary net income, but only up to an amount equal to the percentage of the assets of the companies that merged or demerged in the assets of the company that absorbs or comes from the merger or demerger.

1.5.7 Amortization of investments

Amortization is the allocation of the cost of an intangible asset over its useful life or over any other period established by valid criteria.

The following investments are deductible:

Prepaid expenses: deducted periodically as services are received.	Research, development and innovation: as a general rule, it begins at the moment of the end of the research, development and innovation project, whether successful or not, which will be amortized in equal proportions for the time that the income is expected to be obtained, and in any case, it cannot exceed an annual rate of 20% of its fiscal cost.
Establishment expenses: they are deducted by the straight-line method at an annual rate of 20% of their fiscal cost - in equal proportions - for the duration of the contract, based on the generation of income by the taxpayer.	

In the case of intangible assets, the necessary investments in intangible assets made for the purposes of the business or activity are deductible at an annual rate of 20% of their tax cost, subject to the application of certain rules established by law.

1.5.8 Depreciation

The fair value of depreciation of property, plant and equipment used in business or income-producing activities due to wear and tear, normal deterioration or obsolescence is deductible in accordance with the following table:

Annual tax depreciation of fixed assets

Assets	Construction and buildings	Aqueducts, plants, and networks	Communication equipment	Fleet and aircraft
Annual tax depreciation	2.22%	2.5%	2.5%	3.33%
Assets	Ferro fleet and equipment	Weapons and surveillance equipment	Electric equipment	Ground fleet and equipment
Annual tax depreciation	5%	10%	10%	10%
Assets	Machinery and equipment	Furniture	Scientific medical equipment	Containers, packaging and tools
Annual tax depreciation	10%	10%	12.5%	20%
Assets	Computer equipment	Data processing networks	Communication equipment	
Annual tax depreciation	20%	20%	20%	

Source: PwC Colombia. (2024). Annual tax depreciation of fixed assets [Table]. In Doing Business in Colombia 2024. Colombian tax legislation.

It is important to emphasize the following:

- The useful life of assets is determined in accordance with IFRS. Other methods may be used.
- The annual deduction ranges from 2.2%

to 33%. However, other depreciation rates may be used.

- The difference in the application of depreciation rates could result in a temporary difference.

1.5.9 Exchange rate difference

Income, expenses, deductions, assets and liabilities denominated in foreign currencies must be translated at the representative market rate at the time of initial recognition.

Fluctuations in the balance sheet of assets and liabilities, expressed in foreign currencies, have no tax effect until the moment of sale or payment, in the case of assets, or liquidation or partial payment, in the case of liabilities.

Income, expenses, deductions, assets, and liabilities denominated in The taxable income, deductible cost, or expense is the difference between the exchange rate at initial recognition and the exchange rate at the time of the liquidation or payment (realized exchange difference).

1.5.10 Restrictions and prohibitions on deductions

As a general rule, deductions are subject to the following limitations, among others:

- The maximum amount to be deducted for gifts to customers, suppliers, and employees, such as gifts, courtesies, parties, meetings, and celebrations, is 1% of the net and effectively realized taxable income.
- Salary and benefit payments resulting from employment disputes are deductible at the time of payment, provided that all payroll contributions are paid.

1.5.11 First Job Deduction

According to the first employment rule, taxpayers may deduct up to 120% of a person's salary who is under the age of 28.

This deduction is applicable in the taxable year in which the employee is hired and cannot exceed 115 monthly UVT per employee.

The Ministry of Labor will certify through a certificate that it is the first job of the person under 28 years of age, as a requirement for the deduction.

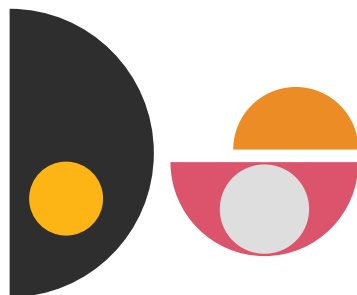
1.5.12 Losses and receivables for public utilities companies

Public utility companies that have been intervened by the government can transfer the tax losses without the statutory limitations. It is also possible to transfer accounts receivable and claim the bad debt deduction.

1.5.13 Deduction of costs and expenses for independent contractors

Independent contractors can deduct costs and expenses related to their activity. However, the independent contractor must choose between this alternative or the benefit of the 25% exempt labor income.





1.5.14 Other deductions

Law 2010 of 2019 maintained the deduction for payments related to employee training in the following cases:

Table: Deductions for employee education contributions

<p>A.</p> <p>Payments for full or partial scholarship programs and forgivable credits for education for the benefit of their employees or members of the employee's family.</p>	<p>B.</p> <p>Payments for investments in care, stimulation, comprehensive development, and/or initial education programs or centers for boys and girls under the age of seven established by companies exclusively for the children of their employees.</p>
<p>C.</p> <p>Contributions made by companies to basic (primary and secondary) and secondary educational institutions recognized by the Ministry of Education, as well as to technical, technological, and higher educational institutions that meet the requirements established by the Ministry of Education and that are justified by benefiting the communities and areas of influence where the productive or commercial activity of the legal entity is carried out.</p>	

Source: PwC Colombia. (2024). Deductions for employee education contributions [Table]. In Doing Business in Colombia 2024. Colombian tax legislation.

For tax recognition purposes, such as costs, deductions, liabilities, or input VAT, payments over 100 UVT should be made through the financial system.

1.5.15 Not deductible:

- Expenses resulting from fraudulent behavior.
- Royalties paid to foreign-related parties or entities located in free trade zones, related to the exploitation of an intangible developed in Colombia.
- Royalties paid during the tax year or period if they are related to the purchase of finished goods.
- Payment of the personal expenses of shareholders.

1.6 Tax credits

Tax law allows to credit against the income tax liability, among others, the following tax credits:

- Taxes paid abroad for resident taxpayers who receive income from a foreign source.
- Investments in the control, preservation, and improvement of the environment (25% prior accreditation by the environmental authority).
- 25% of the value donated to nonprofit organizations under the special tax regime.
- The VAT paid on the importation, creation, construction or acquisition of productive fixed assets.
- Investments in research projects, technological development and innovation, or the connection of high-level human capital to investments

made by micro, small and medium-sized enterprises.

- Investments in the control, preservation, and improvement of the environment in tourism activities.

In any case, tax credits could not generate a tax receivable for income tax purposes.

1.7 Exempted income





1.7.1 Income of Magistrates, Judges and Prosecutors

50% of the representation expenses of court justices, public prosecutors, and 25% for the judges, is exempted for income tax purposes.

1.7.2 Other tax-exempt income

The law provides that the income described below is considered tax-exempt, provided that the requirements for accessing it are complied with:

Table: Exempt Income

 <p>Profits from the sale of real estate intended for purposes of public utility or social interest (housing projects of social interest).</p>
<p>Revenue arising from the sale of electricity generated from wind, biomass or agricultural waste, solar, geothermal or ocean power.</p> 
 <p>Resources of the General Social Security System.</p>
<p>The income generated by the stabilization reserve set up by the Pension and Retirement Fund Administrators pursuant to Article 101 of Law 100 of 1993.</p> 

Additional tax on Capital Gains

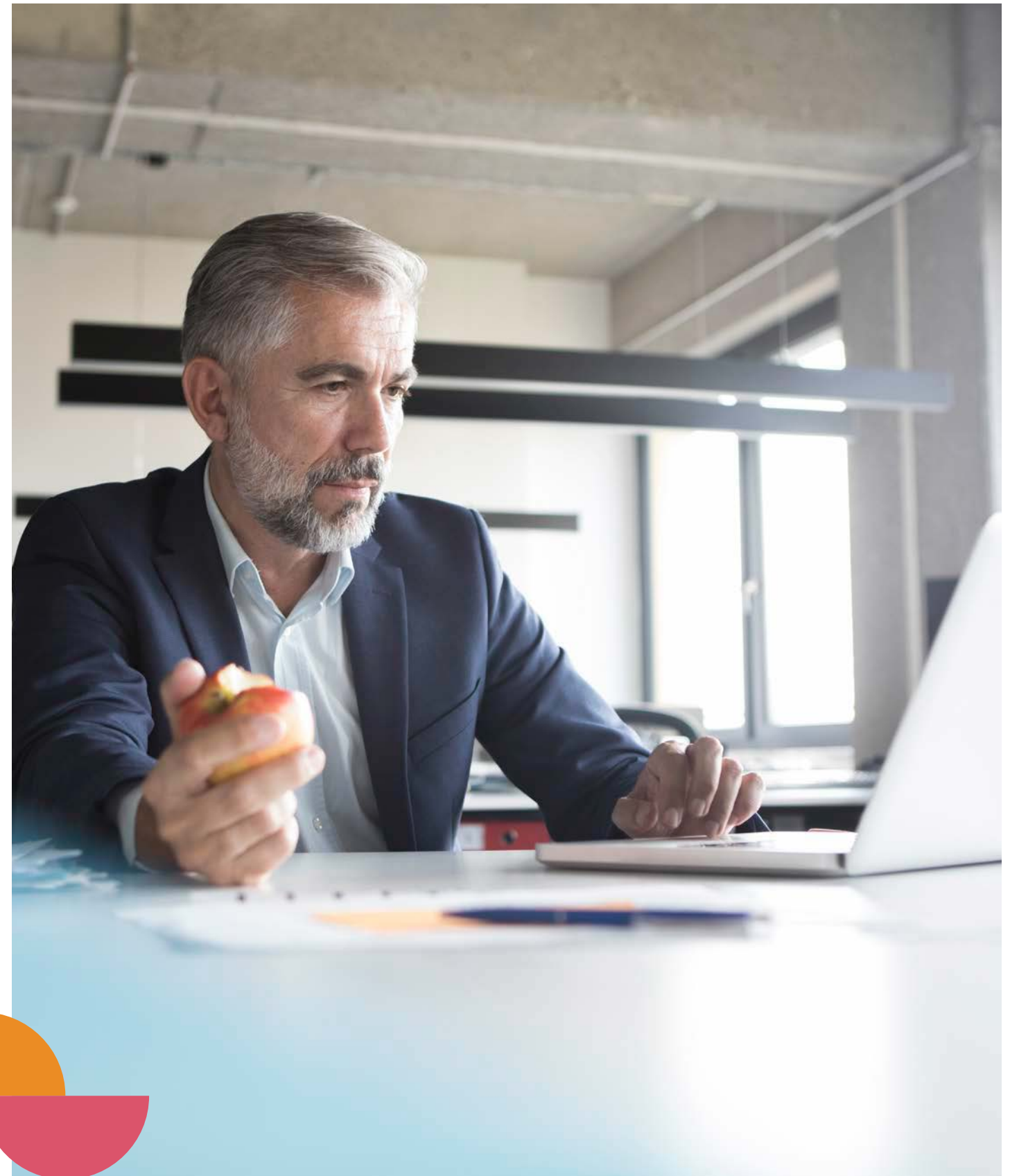
The capital gains tax taxes income derived from certain operations expressly defined by law. Capital gains cannot be affected by expenses or ordinary deductions of the taxpayer, nor can capital losses affect the determination of the taxpayer's ordinary income.

The general tax rate on capital gains is

15%

The differential rate for capital gains arising from lotteries, raffles, betting and the like

20%



Source: PwC Colombia. (2024). Exempt Income [Table]. In Doing Business in Colombia 2024. Colombian tax legislation.



2. Withholding Tax

The Colombian tax system considers withholding taxes as a mechanism for early tax collection. This mechanism authorizes a private or public entity to collect, withhold at source, or deduct certain taxes on the basis of certain specific characteristics. According to the Tax Statute, withholding tax agents are, among others, legal entities that, by their functions, are involved in acts or operations in which they are required to withhold.

The primary obligations of withholding agents are to make the appropriate withholdings, remit the withheld amounts within the time limits established by the government, submit monthly withholding tax returns, and issue withholding certificates.

Due to the existence of local and special withholding rates for payments abroad, the withholding rate applicable to a given transaction depends on its nature.

Law 2010 of 2019 modified the withholding rates applicable to payments derived from an employment contract and to income related to retirement, disability, old age, survivors' pensions (exceeding 1,000 UVT), and occupational risks for individuals, in accordance with the provisions of Article 206 of the Tax Statute, as follows:

Table: Withholding Tax Rates Applicable to Payments

Ranks in UVT ⁽²⁾		Marginal rate	Withholding tax
From	Until		
>0	95	0,0%	0
>95	150	19,0%	(Taxed labor income expressed in UVT minus 95 UVT)*19%
>150	360	28,0%	(Taxed labor income expressed in UVT minus 150 UVT)*28%+10 UVT
>360	640	33,0%	(Taxed labor income expressed in UVT minus 360 UVT)*33%+69 UVT
>640	945	35,0%	(Taxed labor income expressed in UVT minus 640 UVT)*35%+162 UVT
>945	2.300	37,0%	(Taxed labor income expressed in UVT minus 945 UVT)*37%+268 UVT
>2.300	En adelante	39,0%	(Taxed labor income expressed in UVT less 2.300 UVT)*39%+770 UVT

Source: PwC Colombia. (2024). Withholding Tax Rates Applicable to Payments [Table]. In Doing Business in Colombia 2024. Colombian tax legislation.

3. International taxation

3.1 Colombian Holding Company (CHC) Regime

3.1.1 Who Can Access the Regime

National companies that have as one of their main activities the holding of securities, the investment or holding of shares or participations in Colombian and/or foreign companies or entities, and/or the management of said investments.



Requirements for access

A.

Direct or indirect participation in at least 10% of the capital of two or more Colombian and/or foreign companies or entities for a minimum period of 12 months.

B.

Have at least three (3) employees and management in Colombia, and demonstrate that strategic decisions regarding CHC's investments and assets are made in Colombia, for which the simple formality of the annual shareholders meeting will not be sufficient.

C.

Communication to the DIAN using the formats established by the Regulation. This regime will apply to the company as per the fiscal year in which the communication is filed with the DIAN. The loss of qualification will occur in the fiscal period in which the fulfillment of requirements is rejected by the DIAN. Decentralized public entities that hold shares in other companies are understood to be included in the CHC regime.

Benefits of the CHC regime

- Dividends or shares distributed by non-resident companies in Colombia to a CHC are exempt for income tax purposes.
- Dividends distributed by a CHC to non-resident shareholders are considered foreign-source income.
- Income derived from the sale or transfer of a CHC's interest in non-resident entities in Colombia would be exempt from income tax.

market provided no single beneficial owner owns more than 20% of the stock, the operation will not be deemed as indirect transfer.

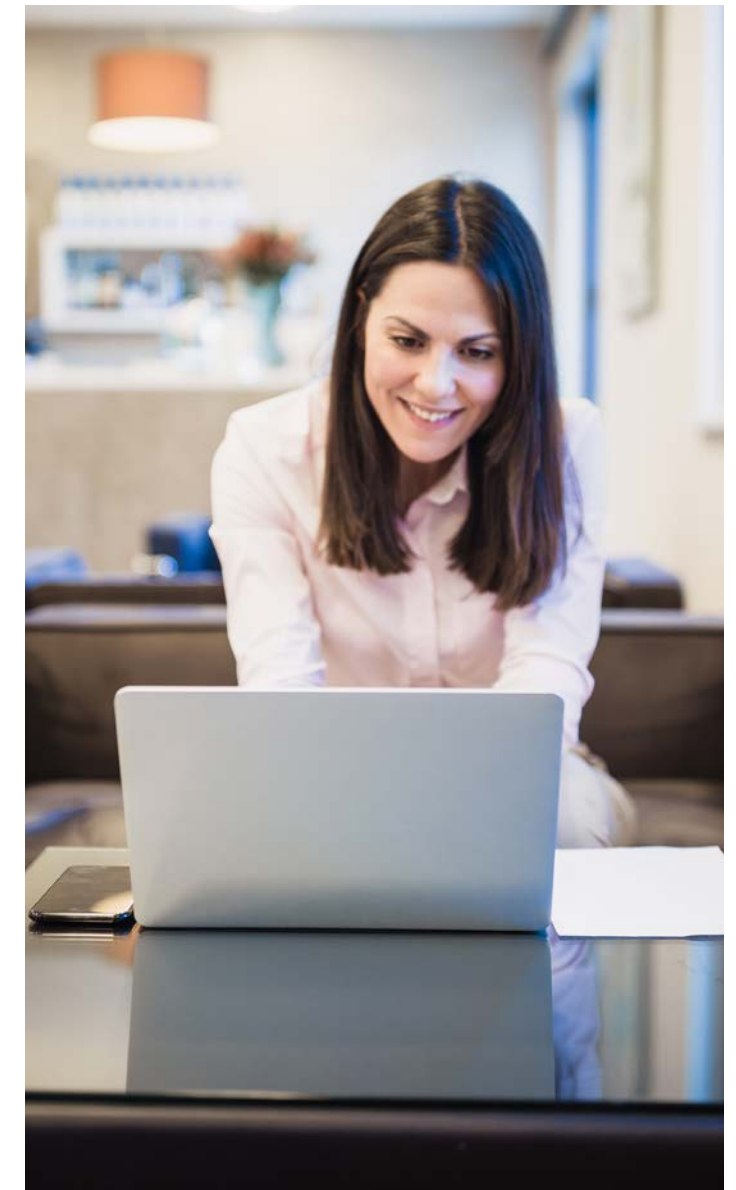
Otherwise, the transaction will be considered a taxable sale in Colombia, as if the Colombian assets have been transferred directly.

3.2 Indirect transfer of Colombian assets

An indirect sale is triggered in the transfer of a non-resident entity, under any title, if there are underlying Colombian assets.

Likewise, the rule establishes that in the case of mergers and divisions between foreign entities where this scenario is configured, the provisions of article 319-8 of the General Tax Code will be followed.

In this sense, if the value of the assets located in Colombia does not exceed 20% of the value of all the assets of the entity being disposed of, considering both book and fair market value, or if the non-resident entity is listed in a recognized exchange



3.3 Foreign Assets Returns

Colombian tax residents who own assets abroad whose net worth exceeds 2.000 UVT are required to file this tax return. In addition, the penalties for late filing of this return are as follows:

Table: Reduction of Penalties

Concept	Law 1943 of 2018	Law 2010 of 2019
The tax return is filed before the tax summons is issued by the Tax Office	1.5% of the value of assets held abroad.	0.5% of the value of assets held abroad.
The return is filed after the tax summons is issued by the Tax Office	3% of the value of assets held abroad.	1% of the value of assets held abroad.
In any case, the amount of the penalty may not exceed:	25% of the value of assets held abroad.	10% of the value of assets held abroad.

Source: PwC Colombia. (2024). Reduction of Penalties [Table]. In Doing Business in Colombia 2024. Colombian tax legislation.



3.4 Payments to non-cooperative jurisdictions with low or no taxation and to entities in preferential tax regimes

3.4.1 Identification Criteria

Criteria for Identification

Non-cooperative and low-tax/no-tax jurisdictions: are determined by the government based on the following criteria:

- A. The non-existence of tax rates or low nominal rates on income tax, with respect to those that would be applied in Colombia for similar operations.
- B. Lack of effective information sharing or existence of legal norms or administrative practices that limit it.
- C. Lack of legal, regulatory or administrative transparency.
- D. Absence of the requirement of a substantial local presence, of the exercise of a real activity and of economic substance.
- E. In addition to the stated criteria, the national government will have as a reference the internationally accepted criteria for determining non-cooperative jurisdictions or low- or no-tax jurisdictions.

Entities subject to preferential tax regimes

- A. The on-existence of tax rates or low nominal rates on income tax, with respect to those that would be applied in Colombia for similar operations.
- B. Lack of effective information sharing or existence of legal norms or administrative practices that limit it.
- C. Lack of legal, regulatory or administrative transparency.
- D. Absence of the requirement of a substantial local presence, of the exercise of real activity and of economic substance.
- E. Those regimes to which only persons or entities that are considered non-residents of the jurisdiction in which the corresponding preferential tax regime is applied can have access (“ring-fencing”).

taxation and to entities in preferential tax regimes are not deductible unless the withholding tax is paid (if applicable).

On the other hand, in addition to the general deductibility requirements, payments or accruals made to these jurisdictions must meet the following conditions:



The Colombian taxpayer will be subject to the transfer pricing regime and should comply with the obligation of submitting supporting documentation and the informative return, regardless of whether their gross assets on the last day of the year or tax period or their gross income for the year are less than the limits for being subject to transfer pricing.



The Colombian taxpayer should document the functions performed, assets used, risks assumed, and all costs and expenses incurred by the person or company domiciled or resident in the non-cooperative jurisdiction with low or no taxation or by the entity subject to a preferential tax regime. Otherwise, the expenses will be treated as non-deductible for income tax.



3.4.3 Beneficial Owner

Corporations and non-corporate entities in Colombia must report their ultimate or effective beneficiaries. An ultimate beneficial owner is the natural person(s) who, directly or indirectly, owns or controls a customer and/or the natural person on whose behalf a transaction is executed. It also includes the natural person(s) who directly or indirectly exercises effective and/or ultimate control over a legal person or other structure without legal status.

3.4.3.1 The following are the ultimate beneficiaries of the legal entity:

- A. Any natural person who, acting alone or in concert, owns, directly or indirectly, five percent (5%) or more of the capital or voting rights of the legal entity and/or benefits from five percent (5%) or more of the assets, income or profits of the legal entity.

Source: PwC Colombia. (2024). Criteria for Identification [Table]. In Doing Business in Colombia 2024. Colombian tax legislation.

Lastly, this analysis of preferential regimes must take into account the list of harmful regimes established and regularly updated by the OCDE.

3.4.2 Classification Effects

Payments made abroad under this regime are subject to withholding for income tax and capital gains at the general rate of the corporate income tax.

Payments or accruals made to non-cooperative jurisdictions with low or no

B.

Natural persons who, acting individually or jointly, exercise control over the legal person by means other than those established in the previous paragraph of this article.

C.

If no natural person is identified under the terms of the previous two paragraphs of this article, the natural person who holds the position of legal representative must be identified, unless there is a natural person who has greater authority in relation to the functions of management or direction of the legal person.

3.4.3.1 The final beneficiaries of a structure without legal status or a similar structure are the following natural persons who have the status of:

A.

Settlor(s), Trustee(s), Constituent(s) or similar or equivalent position.

B.

Trustee or similar or equivalent position.

C.

Board of Trustees, Finance Committee, or similar or equivalent position.

D.

Trustee(s), beneficiary(ies) or contingent beneficiary(ies).

E.

Any other natural person who exercises effective and/or ultimate control or who has the right to enjoy and/or dispose of the assets, benefits, results or profits.

In addition, the Single Registry of Effective, Final, or Real Beneficiaries (RUB) is created, whose operation and management are the responsibility of DIAN and have been implemented by resolution. There is also a registry of unincorporated entities.

3.5 Transfer prices

Colombia's transfer pricing regulations were drafted based on the guidelines of the Organization for Economic Cooperation and Development (OCDE, by its acronym in Spanish) and became part of the Colombian tax system in 2004.

With the entry into force of this regime, income taxpayers who enter into transactions with foreign-related parties abroad must determine their income, costs, and deductions at arm's length.

3.6 Withholding tax rates for payments abroad

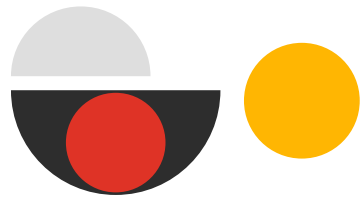
Table: Withholding Tax Rates

Concept	Law 2010 of 2019
Commissions, royalties, leases, compensation for personal services, industrial property, or know-how.	20%
Technical services, technical support and consulting.	20%
License .	20%
Administration and management services.	33%
Loans of one year or more.	15%
Interest, commissions, royalties, leases, compensation for personal services, industrial property, or know-how.	20%
Loans to finance PPP projects for more than 8 years.	5%
Ship, helicopter, and/or aircraft leasing.	1%
Film exploitation.	15%
Assignment of reinsurance premiums.	1%
International transportation.	5%
Significant economic presence	10%

Source: PwC Colombia. (2024). Withholding Tax Rates [Table]. In Doing Business in Colombia 2024. Colombian tax legislation.

3.7 Significant economic presence

From January 1, 2024, non-residents who sell goods to customers in Colombia or provide digital services to users in the country can activate a significant economic presence (SEP). The SEP is activated when the non-resident: (i) generates income from operations in the country that exceed 31,300 UVT and comply, in addition, with any of the following factors: (i) have more than 300,000 users in the country; or (ii) allow payments in Colombian pesos or allow price visualization in Colombian pesos. If a SEP is activated, the non-resident becomes a taxpayer of the income tax, where the tax is collected by a withholding of 10%, or if the foreigner registered in Colombia pays a 3% tax on the Colombian revenue, at the choice of the latter.



4. Tax on dividends

Dividends distributed to legal entities domiciled in Colombia are deemed not taxable if they correspond to profits taxed at the corporate level. Otherwise, the following withholding rates will be applied (without prejudice to the application of treaties for the avoidance of double taxation signed by Colombia) to dividends paid as of the taxable year 2023 against profits that were generated after January 2017:

4.1 Individuals:

A.

Dividends from profits that have already been taxed at the company level are subject to progressive taxation for individuals, but the dividend is subject to a 19% marginal credit.

B.

Dividends from profits that have not been taxed at the level of the head office: an equalization tax of 35% must be added. On the net dividend, the appropriate regressive tax rate is applied, taking into account the marginal credit.

4.2 Foreign legal entities

Table: Withholding Tax for Foreign Legal Entities

Period	2023
Withholding tax on dividends from profits that have already been taxed on behalf of the company.	20%
Withholding tax on dividends from profits already taxed on behalf of the Company.	48%

Source: PwC Colombia. (2024). Withholding Tax for Foreign Legal Entities [Table]. In Doing Business in Colombia 2024. Colombian tax legislation.

In the case of national companies, the following rules apply:

- The withholding tax is applied only to the subsidiary receiving the dividends for the first time.
- The credit will be transferable to the final beneficiary (an individual).
- Withholding does not apply if there is a control situation, a group of companies registered with the Chamber of Commerce, or if the dividend is paid to a CHC.





5. Double taxation

Colombia has made progress in negotiating international treaties to avoid double taxation and prevent tax evasion in income and wealth taxes, especially in cross-border transactions.

At the level of the Andean Community of Nations, Colombia adopted Resolution 578, which corresponds to the new Andean Supranational Regime for the Avoidance of Double Taxation and the Prevention of Tax Evasion among the Member Countries of the Andean Community of Nations - CAN - (Colombia, Peru and Ecuador). This decision privileges the criterion of source over that of residence in regulating the taxing power of Member States.

With reference to the international double taxation treaties that Colombia has signed to date, in addition to avoiding international double taxation and preventing tax evasion, they also seek to eliminate barriers to the flow of capital, goods, technology and people between the signatory countries.

In addition, these treaties contribute to a better implementation of transfer pricing rules, recognize the principles of non-discrimination between nationals and non-residents with activities in the other country, and establish reciprocal cooperation procedures between tax authorities for resolving disputes, consultations, the exchange of information and assistance in the collection of taxes.





To date, agreements are in force with Spain, Chile, Portugal, Korea, India, Mexico, the Czech Republic, Canada, Switzerland, Italy, the United Kingdom, France and Japan. Recently, agreements have been signed with Luxembourg, the Netherlands, Brazil and Uruguay, which are also not in force.

6. Sales Tax - VAT

6.1 General information

VAT (Value Added Tax) is a national tax that is mainly levied on:

Table: Overview of Value Added Tax

 <p>Sale of movable and immovable property not expressly excluded.</p>	 <p>Imports of goods that have not been expressly excluded.</p>
 <p>Sale or assignment of rights to intangible assets related to industrial property.</p>	 <p>Gambling, with the exception of lotteries and games of chance, operates exclusively over the Internet.</p>
 <p>Provision of services in the national territory or from abroad, with the exception of those expressly excluded.</p>	



With a few very specific exceptions, VAT is structured as a value-added tax and, therefore, in order to determine it, it is possible to deduct from the VAT payable the value of VAT paid on goods and services used to generate income from taxable activities.

The person responsible for the collection and payment of the tax before the Colombian Tax Authority is the one who carries out any of the generating events, even if the person who financially supports this tax is the final consumer.

For sales and services, the tax base is generally the total value of the transaction. The taxable base of this tax includes goods or services purchased for or on

behalf of the recipient of the sale or service. In addition, there are special tax bases for certain types of goods and services.

There is a general VAT rate that applies to most transactions, which is currently 19%, and a differential rate of 5%.

The tax is calculated as the difference between the tax generated by the taxable activities and the tax deductible by law.

Law 2010 of 2019 modified the list of goods and services that are taxed, excluded, zero-rated, and taxed at the 5% rate as follows:

Source: PwC Colombia. (2024). Overview of Value Added Tax [Table]. In Doing Business in Colombia 2024. Colombian tax legislation.

Table: Goods and Services Taxed at 5% Rate

Concept	Departments	Treatment
Human and animal consumption; clothing, toiletries, and medicines for human or veterinary use; construction materials.	They may be introduced and marketed in the departments of Guainía, Guaviare, Vaupés, and Vichada, provided that they are intended exclusively for consumption within the same department.	Excluded
Human and animal consumption, clothing, toiletries and medicines for human or veterinary use, construction materials.	That they be introduced and marketed in the department of Amazonas.	Exempt
Bicycles and parts thereof, motorcycles and parts thereof, and motorcycles and parts thereof.	That they be introduced and marketed in the departments of Amazonas, Guainía, Guaviare, Vaupés, and Vichada, provided that they are intended exclusively for consumption within the same department and that motorcycles and cars are registered in the department. The above-mentioned goods imported into the national customs territory and subsequently destined exclusively for these departments are also exempt.	Exempt
Electric motorcycles (including mopeds) whose value exceeds 50 UVT.	N/A	Taxed at 5%

6.2 Goods and Services Excluded from VAT

Regarding goods, some items that are part of the so-called family basket, as well as those of an agricultural nature, are zero-rated for VAT purposes.

Among the excluded goods, the following are additionally highlighted:

- Equipment and elements, national or imported, intended for the construction, installation, assembly and operation of environmental monitoring and control systems.
- Personal computers, desktop or laptop, whose value does not exceed fifty (50) UVT.
- Smart mobile devices (tablets and cell phones) that do not exceed twenty-two (22) UVT.
- Ordinary imports of industrial machinery not produced in the country for the transformation of raw materials by highly exporting users (ALTEX), with unlimited validity.
- All real estate sales.
- Commissions received by stockbrokers for managing mutual funds.
- Electric bicycles, electric motorcycles, skates, skateboards, electric skateboards, skateboards and electric skateboards up to 50 UVT as excluded goods.
- The sale of goods invoiced by merchants dedicated exclusively to the sale of scientific or cultural

books, periodicals, brochures or serial collectibles, in legally authorized commercial establishments and freely accessible to the consuming public (bookstores).

The following services are zero-rated for VAT purposes:

- Reinsurance brokerage services.
- Public or private freight transportation, national and international.
- Public transportation of passengers in the national territory, terrestrial, maritime or fluvial.
- National air transportation of passengers to national destinations where there is no organized land transportation.
- Transportation of gas and hydrocarbons.
- Interest and financial returns for credit operations and financial leasing or leasing.
- Medical, dental, hospital, clinical and laboratory services for human health and beauty treatments.
- Public energy services, aqueduct and sewerage, public cleaning, garbage collection and domestic gas.
- Tourist air transportation to or from the department of La Guajira and the municipalities of Nuquí, in the department of Chocó; Mompox (Bolívar), Tolú (Sucre), Miraflores (Guaviare) and Puerto Carreño (Vichada).
- Local calling for users in Tiers 1.2 and 3

- for the first 325 monthly minutes.
- Food services contracted with public funds, intended for the Armed Forces, the National Police, Child Development Centers, Geriatrics, Public Hospitals and Community Kitchens.
- The hotel and tourist services provided in the municipalities that belong to the following special customs regime areas:

+	Urabá, Tumaco y Guapi
+	Inírida, Puerto Carreño, La Primavera y Manaure
+	Maicao, Uribía y Manaure

Source: Comparative table prepared by PwC Colombia, extracted from Colombian tax legislation.

6.3 Others Services taxed with VAT

Taking into account the changes introduced by the Financing Law and the Economic Growth Law, the following goods and services are now deemed to be taxed for VAT purposes:

- Franchise Agreements.
- Remotely maintain programs and equipment.
- The commissions received by the investment management companies, the commissions paid by the life insurance collaboration and those of the capitalization titles.
- Remote maintenance services for devices and programs.



6.4 Exempted Goods and Services

As a result of the enactment of Law 2010 of 2019, the following goods and services are now exempt:

- Complete motor vehicles for public passenger transport; the chassis with engine and the body, purchased separately to form a complete and new motor vehicle for public passenger transport.
- The motor vehicles of public or private service, of complete cargo transportation; the chassis with engine and the body, purchased separately to make up a complete new motor vehicle

for transporting cargo of more than 10.5 tons gross vehicle weight.

- The beneficiaries of this tax treatment must: i) maintain the aforementioned assets as fixed assets; ii) in the event that the seller of these vehicles, who is responsible for the tax, is a dealer, he could apply the reimbursement and/or compensation procedure established by the law; and iii) this benefit is extensive in favor of taxpayers who acquire these assets under the modality of financial leasing or leasing with irrevocable purchase option. In case of non-compliance, there will be place to pay the corresponding tax.
- Products by tariff heading: 29.36 (provitamins and vitamins, among others); 29.41 (antibiotics); 30.01 (glands and other organs for opotherapeutic uses, among others); 30.02 (human blood, animal blood, among others); 30.03 (medicines – except the products of headings 30.02, 30.05 or 30.06 – consisting of products mixed together for therapeutic or prophylactic use, not dosed or packaged for retail sale); 30.04 (medicines – except the products of headings 30.02, 30.05 or 30.06 – consisting of mixed or unmixed products for therapeutic or prophylactic uses, dosed or packaged for retail sale); and 30.06.
- Products for human and animal consumption, clothing, toiletries and medicines for human or veterinary use, and construction materials, in Amazonas state, subject to certain conditions.



6.5 Creditable taxes

VAT charged for the purchase or importation of movable tangible goods and services could be credited. For this purpose, it is necessary to take into account that the VAT credit can only be applied to the purchase of movable tangible assets and services, as well as to imports that are considered costs or expenses for income tax purposes and that are used in taxable operations.

In addition, the value of raw materials and services on which VAT has already been paid may be deducted from the tax base on which VAT is paid when importing finished products manufactured abroad or in a free zone with national components, permanently exported or permanently imported, or with imported raw materials.

The input VAT may be recognized in the following periods:

For those who report bi-monthly, either in the accrual period or in one of the three immediately following two-month periods.

For quarterly filers, in the accrual period or the immediately following period.

VAT paid on the following transactions is not creditable:

- Credits and bad debts.
- Purchases from non-registered suppliers.
- Purchases from fictitious or insolvent suppliers.
- Acquisition of fixed assets.



6.6 Responsible and Non-Responsible Regimes

6.6.1 Not responsible

The simplified VAT regime is abolished and replaced by a new one in which individual merchants and artisans who are retailers or traders, small farmers and ranchers, as well as those who provide services, as long as they meet certain conditions:

a.

That in the previous year or in the current year, they had a total gross income from the activity of less than 3500 UVT.

b.

That they do not have more than one commercial establishment, office, headquarters, premises or business from which they conduct their business.

c.

The commercial establishment, office, headquarters, premises or business activities are not conducted under a franchise, concession, license, permit or other system involving the exploitation of intangible assets.

d.

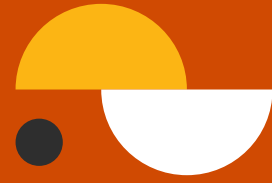
You are not a customs user.

e.

They have not entered into contracts for the sale of goods and/or the provision of taxable services with an individual value of 3500 UVT.

f.

That the amount of their bank transfers, deposits or financial investments during the previous year or during the current year from taxable activities does not exceed the sum of 3500 UVT.



In addition, it has been considered that the limits of income, execution of contracts, and bank transfers to be considered taxable would be 4,000 UVT for individuals who derive income from contracts with the government (the general limit is 3500 UVT).

6.6.2 Responsible

Taxpayers who do not meet the requirements above-mentioned are deemed responsible for VAT purposes.

6.7 Withholding tax

The national government could establish a withholding tax of up to 50% of the value of the tax. If the regulation does not establish a special withholding tax rate, the applicable rate will be 15% over the VAT.

6.8 Digital Services rendered from abroad

Digital foreign service providers that render services to clients in Colombia that are not responsible for VAT may submit a bi-monthly VAT return or voluntarily apply for a withholding tax under the following parameters:

6.8.1 What services are included?

A.

Provision of audiovisual services (including music, videos, films and games of all kinds, as well as the broadcasting of all kinds of events).

B.

Services delivered through digital platforms.

C.

Providing online advertising services.

D.

Provide distance education or training.

E.

Providing rights to use or exploit intangible assets.

F.

Other electronic or digital services for users located in Colombia.



6.8.2 What would be the tax base?

The amount billed, collected and/or charged to users located in Colombia.

6.8.3 Who Would Practice Withholding?

Credit and debit card issuers, prepaid card sellers, third-party cash collectors, and others designated by DIAN.

6.8.4 Who Can Benefit from the Withholding System?

- Those engaged exclusively in one or more of the above activities.
- Those who do not comply with the bi-monthly sales tax (VAT) declaration system or who voluntarily use this alternative tax payment system.

6.8.5 Who Must File a Declaration?

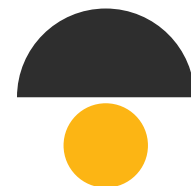
- Those who do not voluntarily use the withholding system.
- Those who are not on the list of providers of these services to which they must be subject to withholding.

stage with respect to the generating event that occurs first.

It has a specific rate that takes into account the carbon dioxide (CO₂) emission factor for each specified fuel, expressed in unit volume (kilograms of CO₂) per unit energy (terajoules), according to the volume or weight of the fuel.

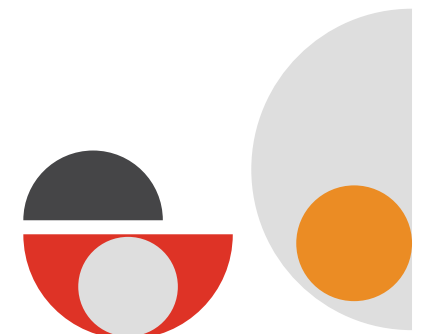
In addition, as of 2017, the parafiscal tax on fuel has been created, whose taxable event is the sale in Colombia of current motor gasoline or motor fuel oil (ACPM) by the refiner or importer to the wholesale fuel distributor, according to the price established by the Ministry of Mines and Energy. If the importer is also a wholesaler, the generating event would be the withdrawal of the product destined for the wholesaler's activity.

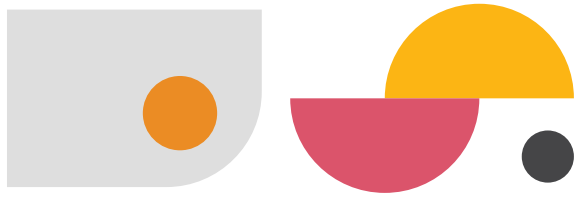
The national carbon tax rate of 0 pesos applies in the departments of Caquetá, Guaviare, Putumayo (in addition to Guainía, Vaupés and Amazonas).



7. Carbon Tax

This tax is levied on the carbon content of all fossil fuels, including all petroleum derivatives used for energy purposes. Its generating event is the sale, withdrawal and importation for own use or importation for sale of fossil fuels, and it occurs in a single





8. National sales tax

The national excise tax is levied on the supply, sale to, or importation by the final consumer of the following goods and services at the following rates:

- Mobile phone services, Internet and mobile navigation and data services: 4%.
- The sale of certain “luxury” personal property, such as automobiles, motorcycles, yachts, and balloons: 8%-16%.
- Service of sale of prepared food and drinks in: Restaurants, cafeterias, self-service stores, ice cream parlors, greengrocers, pastry shops, bakeries, bars and catering services: 8%.
- Taxpayers engaged in the sale of food and beverages under franchise agreements are not subject to the national excise tax, but to the value added tax (VAT).

For the regime of “non-payers” of the consumption tax of restaurants and bars, which replaces the simplified regime, the following is established as a novelty:

- Once a restaurant or bar has been registered as a taxable entity, it may only request to be removed as a taxable entity if it demonstrates that it has met the conditions for non-responsibility for each of the previous three fiscal years.
- When nontaxable persons carry out transactions with taxable persons, they must register their status as such in the Unified Tax Registry (RUT, by its acronym in Spanish) and provide a copy to the purchaser of the services.

With the new unified tax under the simple tax regime - SIMPLE - optional for comprehensive assessment, annual declaration and bimonthly advance payment, the national consumption tax was also integrated, to be paid by taxpayers who voluntarily choose to use it.



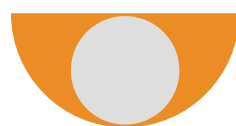
9. Tax on financial transactions – GMF

The tax on financial transactions is an immediate causation tax, whose triggering event is the execution of financial transactions through which funds are deposited in current or savings accounts, as well as in deposit accounts at the Bank of the Republic (Banco de la República) and the writing of cashier’s checks. Since it is an immediate tax, it is levied at the moment when the resources that are the object of the financial transaction are disposed of.

The rate of this tax is four per thousand (0.4%) of the total value of the financial transaction through which the funds are made available. It is possible to deduct from the taxpayer’s income tax 50% of the amounts paid for this tax, regardless of whether they have a causal relationship with the taxpayer’s income-producing activity or not.

This tax is levied by means of a withholding tax at the Bank of the Republic (Banco de la República) and other entities supervised by the Superintendency of Finance or the Solidarity Economy, where

the respective current accounts, savings accounts, deposits, collective portfolios or accounting operations involving the transfer or disposition of resources are carried out. The law establishes a series of operations or transactions that are exempt from this tax, such as factoring operations, the purchase or discount of the portfolio and the movements and withdrawals of withdrawals and interest on withdrawals made by payment in savings account, cash or cashier's check, among others.



10. Wealth Tax

It is a permanent tax levied on the owners of wealth with a value of at least 72.000 UVT as of January 1 of each year.

Taxpayers are individuals with tax residence in Colombia, non-resident individuals with assets located in the country, and foreign companies that are not declarants if they have assets in Colombia other than shares, receivables or portfolio investments, or that have entered into financial leasing contracts with Colombians.

The rate will increase gradually from 0 to 1% until 2026, but will increase to a maximum of 1.5% from 2027.



11. SIMPLE tax regime

11.1 General information

It is an optional tax model of annual causation and bimonthly payment that replaces the Income Tax and integrates the Industry and Commerce Tax - ICA -, its complementary notices and boards and the Consumption Tax in the case of restaurants and food services.

The generating event is the receipt of income that can result in an increase in equity.



The tax base consists of all gross income, ordinary and extraordinary, received during the taxable period. With regard to these elements of the tax, it should be noted that the autonomy of the territorial entities to define the taxable event, the tax base and the rate for the consolidated ICA is maintained.

With regard to the consolidated ICA, the municipal authorities keep the autonomy to set its essential elements, and with regard to the rate, the municipal councils have until December 31, 2020, to issue agreements to set the consolidated ICA rates.

11.2 Taxpayers

Regarding the taxpayers of the unified tax, the Financing Law establishes certain requirements to qualify as such, among which stand out:

Table: Taxable Persons of Unified Tax

 <p>Be an individual who carries out a business; in the case of a legal person, its shareholders must be resident natural persons in Colombia.</p>	 <p>In the previous tax year they had a gross income of less than 100.000 UVT (12.000 UVT for professional, technical, or scientific services). If you are a new company, your registration will be contingent upon meeting this requirement.</p>
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Source: PwC Colombia. (2024). Taxable Persons of Unified Tax [Table]. In Doing Business in Colombia 2024. Colombian tax legislation.

On the other hand, there are those who cannot apply to this regime, such as: foreign legal entities or their permanent establishments; companies whose partners or administrators have an employment relationship with the contractor; companies that are financial entities; individuals or companies engaging in asset management activities; intermediation in the sale of assets; leasing of assets, etc.

11.3 Rates

Progressive tax rates are established on the basis of the gross income received by the taxpayer, depending on the activity carried out by the taxpayer:

- Small shops, convenience stores, micro markets and hairdressers: between 1.2% and 5.6%. (not responsible for sales tax).
- Wholesale and retail trade, technical and mechanical services in which the material factor predominates over the intellectual one; electricians, construction services and

mechanical workshops, among others: between 3.1% and 4.5%.

- Food, beverage and transportation activities: between 3.1% and 4.5%.
- Education, health and social work: between 3.7% and 5.9%.
- Professional, consulting and scientific services in which the intellectual factor predominates over the material factor, including professional services: between 7.3% and 8.3%.

On the other hand, taxpayers are obliged to make an advance payment of the unified tax every two months by means of payment receipts of the SIMPLE regime (these documents must contain information on the income corresponding to each municipality or district).

11.4 Anti-avoidance measures

Although the law defines some requirements for access to this regime, the legislator considered it appropriate to establish some guidelines in order to prevent any tax abuse.

In this sense, some measures have been introduced to reduce the risk of tax evasion by the taxpayer, such as the consolidated assessment of income when the individual owns or is a shareholder or manager of several companies.

11.5 Withholding tax

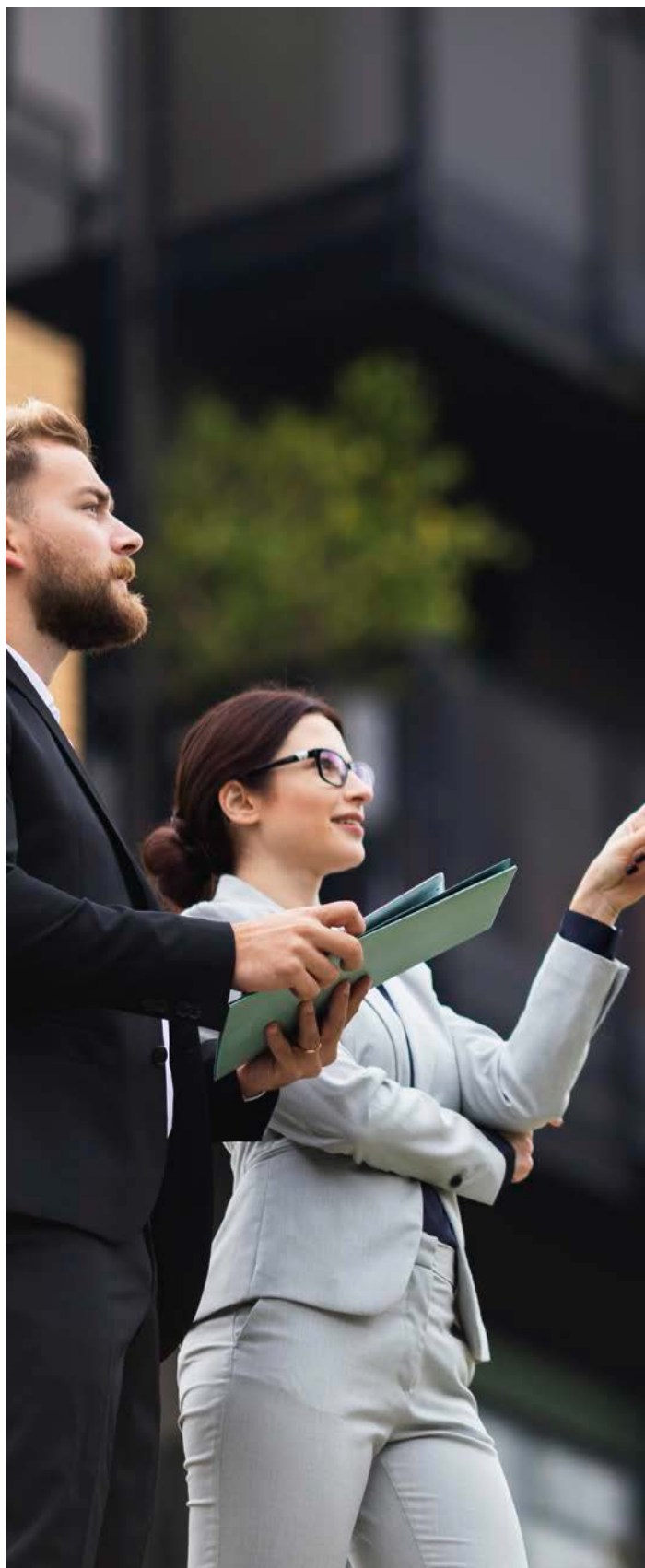
Taxpayers under this regime are not subject to withholding and are not required to

withhold or self-withhold, except in relation to employment payments.

In addition, it has been established that the recipient of the payment (the taxpayer of the ordinary regime and the withholding agent) will be required to withhold the tax paid by the taxpayers of the unified tax on the purchase of goods and services. However, the VAT withholding tax is still applicable.

11.6 Others

- Taxpayers of the unified tax under the simple tax regime of groups 2.3 and 4 are liable for VAT or consumption tax.
- The rules of tax procedure and sanctions will be those provided for in the Tax Statute.
- Taxpayers of the simple tax regime engaged in the sale of food and beverages could declare and pay the sales tax through the SIMPLE regime.
- If the taxpayer fails to make the payments corresponding to the total of the unified tax period (delay of more than one month), he or she will be excluded and will not be able to apply for it in the tax year following the one in which the failure occurred.



12. Industry and Commerce Tax - ICA - and complementary taxes

It is a territorial tax that taxes the income derived from the exercise of industrial, commercial and service activities carried out directly or indirectly by natural persons, legal entities or de facto companies in the respective municipal jurisdictions.

The taxable base of this industry tax is made up of all ordinary and extraordinary income received during the taxable year, including income from financial returns, commissions and, in general, all those not expressly excluded by this article. .

Income corresponding to exempt, excluded or non-subject activities is not part of the tax base, nor are returns, rebates and discounts, exports or the sale of fixed assets.

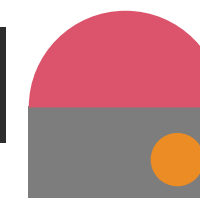
Taking into account the Unified Tax under the Simple Taxation Regime - SIMPLE - which integrates, among others, the industrial tax and the consolidated trade, it is appropriate to mention that the new regulations preserved, at the head of the territorial entities, the autonomy to define the elements of the tax (i.e.: taxable event, tax base, rate and taxpayers).

The rates of the Industry and Commerce Tax are set by the Municipal Councils within the following limits:

Actividad	Tarifa
Industrial	From two to seven per thousand (0.02% – 0.07%)
Commercial and Services	From two to ten per thousand (0.02% – 0.1%)

Source: PwC Colombia. (2024). Industry and Commerce Tax Rates Set by Municipal Councils within the Following Limits [Table]. In Doing Business in Colombia 2024. Colombian tax legislation.

The billboard tax is a territorial tax complementary to the ICA tax, which is levied on the installation of billboards, posters, and signs in public spaces. This tax is levied and collected from all individuals, legal entities, or companies carrying out industrial, commercial, and service activities in the corresponding municipal jurisdictions that use public spaces to advertise or publicize their business or trade name by the aforementioned means. The tax base is 15% of the ICA.



13. Property tax

The property tax is levied on land or real estate located in urban, suburban, or rural areas, with or without buildings; consequently, the taxpayers of this tax are the owners or holders of real estate. Real estate is a defining component of income concentration, so it is taxable, which justifies this tax.

The Consumer Price Index (IPC, to give it its Spanish acronym) adjusts the current cadastral valuation, which serves as the tax's taxable base. In areas such as the capital district of Bogotá, the tax base is based on the taxpayer's self-assessment.

The applicable rate depends on the quality of the property, that is, whether it is rural, urban, or suburban, and varies between 5 and 16 per thousand (between 0.5% and 1.6%), taking into account the economic destination of each property.

This tax is 100% deductible in the income tax return, provided that the property tax relates to the income-generating activity.

14. Registration Tax

The registration tax is a tax that affects all documentary legal acts, contracts, or transactions that must be registered with the Chambers of Commerce and the Public Deeds Offices. In the event that the act, contract, or transaction must be registered in both of the aforementioned places, the tax will be generated exclusively in the public registry.

It must be taken into account that:

- Taxpayers are the contracting parties and beneficiaries of the act submitted for registration.
- The taxable base of this tax is determined by the value included in the document containing the act, contract, or legal transaction. In the case of documents without value, the tax base is determined according to their nature.

The rate is as follows:

- Acts, contracts, or legal transactions with an amount subject to registration in the registries of public instruments: between 0.5% and 1%
- Acts, contracts, or legal transactions involving an amount subject to registration with the Chambers of Commerce, except those involving the creation and/or increase of the premium for the placement of shares or social quotas of companies, are between 0.3% and 0.7%.
- Acts, contracts or legal transactions with an amount, subject to registration with the

Chambers of Commerce, which imply the creation and/or increase of the premium for the placement of shares or social quotas of companies: between 0.1% and 0.3%.

- Acts, contracts or legal transactions without amount, subject to registration in the Public Deeds Registry or in the Chambers of Commerce: between two and four daily legal minimum wages in force.

Years	Maximum percentage that can be supported without e-invoicing
2020	30%
2021	20%
2022	10%

Source: PwC Colombia. (2024). Maximum Percentage to Bear without Electronic Invoice [Table]. In Doing Business in Colombia 2024. Colombian tax legislation.

The power to regulate the sales invoice and its equivalent documents is granted to the DIAN.

In accordance with Article 1.6.1.4.1.16. of Decree 1625 of 2016, it is established that the equivalent documents generated by cash registers with POS systems do not grant the purchaser the right to VAT credits, costs, and deductions, but if the purchaser requires it, he can request the electronic invoice from the seller.

15. Tax procedures and formalities

15.1 Electronic invoicing

As of March 31, 2020, an electronic invoice is required to support the deduction of costs or expenses according to the following table:

Table: Maximum Percentage to Bear without Electronic Invoice

15.2 Others

15.2.1 Joint liability

The following are included as jointly and severally liable for tax purposes:

- The persons or entities that have been part of transactions with the purpose of evasion or abuse, with respect to any tax, interest, and penalties not collected by the Tax Administration
- Those who guard, manage, or in any way administer assets in funds or vehicles used by their participants for the purpose of tax evasion or abuse, with knowledge of the transaction or transactions constituting tax abuse.

15.2.2 Mutual Agreement Procedure - MAP

Through a formal request to the DIAN with the following characteristics, Colombian double taxation treaties allow for the request of assistance in this regulated procedure:

- In order to have access to the procedure, the taxpayer must withdraw the appeal at the administrative headquarters, and this withdrawal must be accepted by the DIAN.



- The DIAN will establish the details of the procedure by resolution.
- The agreements signed by the competent authority in the development of the MAP established in the ATD (agreements to avoid double taxation).
- They will have the same legal nature as a final court decision, for which they will have executive merit.
- They cannot be appealed.
- They may be implemented at any time, regardless of the duration of the declaration.

15.2.3 Electronic notification

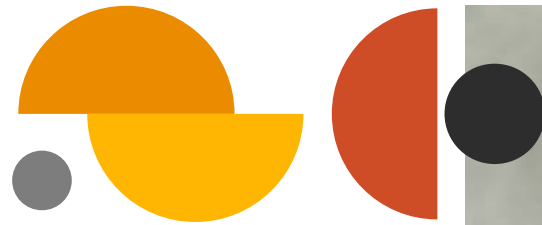
As long as the taxpayer or withholding agent has registered their electronic address in the RUT, all tax procedures can be notified there. It is understood that in that case, the taxpayer has expressly requested to be notified by electronic means.

Also, this notification mechanism will be extended to the actions carried out by the tax authority, such as requests, orders that order inspections, among others, and a box will be activated in the RUT to inform the email address of their representatives so a copy of the proceedings is sent to them.

From a legal point of view, the electronic communication is considered to have been made on the date of sending the administrative act by email; however, the time limit for informing the tax authority of the impossibility of accessing the content of the message within three days of receiving it is maintained.

About the orders that decide resources, the applicable period of the following ten (10) days in which the taxpayer has to appear is specified, which is counted from the day following the date of introduction of the





summons notice by mail. This electronic notification system extends to administrative acts issued by the UGPP (Spanish for Pension Management and Parafiscal Contributions Unit of Social Protection).

15.2.4 Audit benefit

For the taxable periods 2020, 2021, 2022 and 2023 an audit benefit is applicable for those taxpayers who increase the net income tax by at least 30%, about the immediately preceding year. The benefit is that the statute of limitations is reduced to 6 months.

If the increase in the net income tax is at least a minimum percentage of 20% in relation to the net income tax of the immediately preceding year, the status of limitations of 12 months.



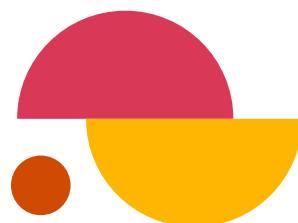
Table: Net Income Tax Requirements

Firmness	Requirement
6 months from its presentation	Increase net income tax by at least 30% compared to the previous declaration. No summons to correct or special demand or special summons or provisional liquidation has been notified.
12 months from its presentation	Increase net income tax by at least 20% compared to the previous declaration. No summons to correct or special demand or special summons or provisional liquidation has been notified.

Source: PwC Colombia. (2024). Net Income Tax Requirements [Table]. In Doing Business in Colombia 2024. Colombian tax legislation.

It is important to emphasize this:

- It does not apply to taxpayers who benefit from tax holidays due to their location in a specific geographical area.
- In the event that the tax return subject to the benefit audit is in a tax loss position, the DIAN may audit to determine the origin or inadmissibility of this loss and, consequently, its compensation in subsequent years.
- In the case of taxpayers who, in the years before the period in which they wish to benefit from the audit, have not submitted income and additional tax returns and who do not comply with this obligation within the time limits indicated by the government for the taxable periods 2020 to 2023, the final terms of the settlement provided for in this benefit will be applicable, for which the net income tax payable for said periods will be increased by the percentages established above.
- If the withholding taxes credited in the income tax return cannot be demonstrated, the taxpayer will lose the audit benefit.



07

Corporate Aspects and Legal Compliance





Corporate aspects

Investment vehicles

The preferred investment vehicle for foreign and local investors is the Simplified Joint Stock Company (widely known by its Spanish acronym S.A.S.), mainly due to its flexibility in terms of incorporation process and functionality.

A branch of a foreign company is also a widely used investment vehicle in Colombia, especially by foreign investors in the mining and hydrocarbon industries, due to the foreign exchange benefits for this sector.

In Colombia, investment vehicles are supported by constitutional principles such as the right to equal treatment and the protection of free enterprise and private initiatives. Below you will find a summary of the main legal aspects of the most common investment vehicles in Colombia, as well as their incorporation procedures.

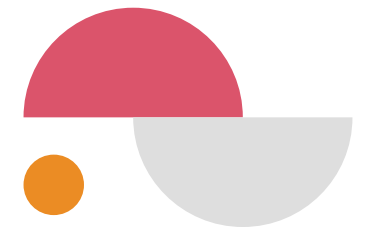
Types of Investment vehicles

- **Simplified Stock Company (S.A.S.):** It may be formed by one or more natural or legal persons, who shall be liable only up to the amount of their respective contributions. It should be noted that both the incorporation and the modification of the articles of association can be carried out by means of a private document. Its name must always be followed by “S.A.S.” or by the words “Sociedad por Acciones Simplificadas” (Spanish for Simplified Joint Stock Company).
- **Stock Company or Corporation (S.A.):** This type of company must have a minimum of five (5) shareholders (either natural or legal persons, Colombian or foreign), who are liable only up to the amount of their respective contributions. It is formed by means of a public deed drawn up before a public notary and registered at the Chamber of Commerce of the company’s domicile, as well as its bylaw’s amendments⁴¹. The company name must always be followed by “S.A.” or the words “Sociedad Anónima” (Spanish for Joint Stock Company), and they must appoint a statutory auditor.

41. It is possible to incorporate an S.A. or a Ltda./LLC by private document if the requirements established in article 22 of the Law 1014 of 2006 are complied with.



- Limited Liability Company (LLC or Ltda.): This type of company must be formed by means of a public deed executed before a notary⁴², with a minimum of 2 members (either natural or legal persons, Colombian or foreign), who are liable up to the amount of their capital contribution, except for labor and tax obligations, in which case they are jointly liable with the company. Any bylaw amendments or any transfer of the company's shares (equity interests) must also be made by way of a public deed. The company name is always followed by "Limitada" (Spanish for Limited) or "Ltda". (Abbreviation in Spanish as LLC).
- Branch of a foreign company: Under Colombian commercial legislation, a branch of a foreign company is considered a commercial establishment necessary for a company incorporated and domiciled abroad to develop permanent activities and business in Colombia. In this sense, from a legal point of view, the Branch of a Foreign Company and its head office are considered the same legal entity, so the head office is fully liable for all the obligations of its branch. The branch office must be incorporated by public deed. Its bylaws and governing bodies are those of its headquarters. The branch office is required to appoint a statutory auditor (external auditor).



Colombian legislation provides for other types of companies, such as limited partnerships (Sociedades en Comandita) and general partnerships (Sociedades Colectivas). However, these are used to a lesser extent.

Finally, among the investment vehicles mentioned above, it should be noted that since the entry into force of Law 1258 of 2008, which created the simplified joint-stock companies ("Sociedades por Acciones Simplificadas" or "S.A.S." in Spanish), this type of company has become the investment vehicle of choice for foreign investors as well as local entrepreneurs, mainly due to the flexibility of its incorporation process and functionality.

42. It is possible to incorporate an Ltda./LLC or a S.A. by private document if the requirements established in article 22 of the Law 1014 of 2006 are complied with.

Table 1:

Overview of Branch Office of Foreign Company and Simplified Stock Company (S.A.S.)

Members, Legal Status and Liability		Capital	
Branch of a foreign company	Simplified Stock Company – S.A.S. (for its acronym in Spanish)	Branch of a foreign company	Simplified Stock Company – S.A.S. (for its acronym in Spanish)
<p>Is a commercial entity owned by the head office and therefore has no legal personality other than that of the head office.</p> <p>As a result, the contingencies of the Colombian branch flow directly to the head office.</p>	<p>It is an autonomous legal entity, different from its shareholders.</p> <p>It may be constituted by one or more natural or legal persons.</p> <p>The shareholders shall not be liable for any labor, tax or other obligations entered into by the Company, except when the Company is formed to violate the law or cause harm to third parties.</p>	<p>The branch of a foreign company has a capital allocated by its head office, which, as in the case of commercial companies, is in principle the general pledge of its creditors and must be paid in full at the time of its incorporation.</p> <p>In addition, the branches of foreign companies have a “floating capital” called the Supplementary Investment to the Assigned Capital (ISCA for its Spanish acronym), which can be increased or decreased without the need to amend the bylaws or any prior authorizations.</p>	<p>The capital is represented by registered shares and is divided into three types: authorized capital, subscribed capital and paid-in capital.</p> <p>The term for payment of all shares subscribed shall not exceed two (2) years.</p> <p>Minimum or maximum percentages or amounts of capital stock may be established that may be controlled, directly or indirectly, by one or more shareholders.</p> <p>The bylaws may provide for the prohibition of trading in shares issued by the Company or any class thereof, provided that the duration of the restriction does not exceed ten (10) years from the date of issuance.</p> <p>This term may be extended by the unanimous vote of the shareholders for additional periods not exceeding ten (10) years. Such transactions may be subject to the prior approval of the Company’s Shareholders’ Meeting.</p>
Name, Term, and Business Purpose			
Branch of a foreign company	Simplified Stock Company – S.A.S. (for its acronym in Spanish)		
<p>As a general rule, it must use the same name as the head office and add the phrase “Sucursal Colombia” (Spanish for Colombian branch).</p> <p>Its term must be defined.</p> <p>Its purpose must be determined, and confined to specific commercial activities.</p>	<p>The company name must be followed by the phrase “Sociedad por Acciones Simplificada” or S.A.S. (Spanish for simplified corporation).</p> <p>Unlike other commercial companies, the duration of this type of company can be indefinite.</p> <p>Its purpose may be the performance of any lawful civil or commercial act, without the need to refer to a specific activity.</p>		

Special Reasons for Termination	
Branch of a foreign company	Simplified Stock Company – S.A.S. (for its acronym in Spanish)
<p>Section 4 of Law 2069/2020 (or “Entrepreneurship Law”) abolished the reason for dissolution of companies and branches of foreign companies. This causality consisted in the fact that if companies/branches of foreign companies showed losses that reduced the net worth of the company below fifty percent (50%) of its subscribed capital/assigned capital, they would automatically find themselves in a dissolution ground.</p> <p>The law gave the shareholders/headquarters a reasonable period of eighteen (18) months to take the necessary or conducive measures or actions to remedy the situation.</p> <p>However, the section establishes that failure to comply with the going concern assumption at the end of the fiscal year shall constitute grounds for dissolution of commercial companies/branches of foreign companies.</p> <p>Therefore, if the occurrence is reasonably verified, the managers may only carry out operations within the ordinary course of business and must immediately convene a shareholders’ meeting or a board of partners to inform, in a documented manner, the situation so that the main corporate body can take the decisions regarding the continuity or dissolution and liquidation of the company.</p> <p>Otherwise, officers may be jointly and severally liable for damages caused to the Company’s employees or third parties.</p>	<p>Branches of foreign companies are liquidated for the same reasons as the parent company, considering that the branch is dependent on the existence of the parent company, or by the end of its term.</p> <ul style="list-style-type: none"> • Due to expiration of the term. • Due to the impossibility of developing its corporate purpose. • Due to the initiation of judicial liquidation proceedings. • By the will of the shareholders. • As determined by the bylaws.

Branch of a foreign company	Simplified Stock Company – S.A.S. (for its acronym in Spanish)
<p>It has the same handling procedure as commercial companies, which means that profits can be approved by the head office.</p>	<p>Unless a different majority is established in the bylaws of the company, the decision regarding the distribution of profits may be adopted with the affirmative vote of a group of shareholders representing at least one half plus one share of the total number of shares present.</p> <p>These types of companies are not required to distribute a minimum number of shares.</p>

Source: PwC Colombia. (2024). Overview of Branch Office of Foreign Company and Simplified Stock Company (S.A.S.) [Table]. In Doing Business in Colombia 2024. Colombian commercial legislation.

Documentation and procedures required for the establishment of an S.A.S. and branches of foreign companies

Considering that the investment vehicles most used by foreign investors in Colombia are the S.A.S. and the Branch Offices of Foreign Companies, we will only review the required documents⁴³ and the incorporation process of these two vehicles.

Documents required to form an S.A.S.

- Certificate of good standing and representation of each of the shareholders (if they are legal entities).
- Copy of ID of each shareholder (if they are natural persons).

- Articles of incorporation, which contain the bylaws for the new company.
- As applicable, powers of attorney granted by each of the shareholders.
- Copy of the identification document of the authorized signatory.
- If the S.A.S. to be incorporated has an individual as its sole shareholder, Decree 667 of 2018 has established that the company must file, along with the incorporation documents, a form declaring the control situation to be established. This document must be signed by the sole shareholder of the S.A.S.
- Format for the Chamber of Commerce to perform the procedure of issuance of tax ID pre-number and Unified Tax Registration Certificate - RUT.

43. All documents originating from outside Colombia must be either apostilled or legalized through diplomatic channels in their country of origin. Furthermore, documents not in Spanish require translation by a certified translator in Colombia.

Documents for the Establishment of Branches of Foreign Companies

- Certificate of good standing and representation of the parent company.
- Complete parent company bylaws and articles of incorporation.
- Resolution issued by the competent body of the parent company regarding the registration of a branch of a foreign company. This resolution must include the items listed in Article 472 of the Colombian Commercial Code.
- Powers of attorney, as applicable, granted by the head office.

Requirements for legalization of documents issued or executed abroad:

- All documents issued or executed abroad must be apostilled or legalized through diplomatic channels in the country of origin.
- Any document written in a language other than Spanish must be translated by a translator certified by the Colombian Ministry of Foreign Affairs.



Procedure to be followed for the Incorporation of an S.A.S or a Branch of a Foreign Company in Colombia



Step 1: (1 Business Day)

- Signing of the incorporation document that includes the bylaws of the new company and appoint the legal representatives and auditors (if any) of the new company.
- Notarization of the signatures on the incorporation document or approval of their contents, if not all the shareholders

are the ones who directly file the documents with the Commercial Registry.

- In the case of a branch of a foreign company, all the documents listed here as necessary for the incorporation of this type of company must be notarized, which may take approximately 4 days.



Step 2: (4 Business Days)

- Registration of the new company or branch of a foreign company with the Chamber of Commerce.
- Expenses: The registration tax is levied at a rate of between 0.7% and 1% of the subscribed capital of the S.A.S. or of the allocated capital of the branch of a foreign company, depending on the city of domicile. In Bogotá, for example, the authority charges 0.7%, while in Barranquilla it charges 1%.
- Registration fees (calculated on the basis of a table of values established by the Chambers of Commerce).
- It should be noted that both the Registration Fee and the Business Registration Fee, as well as the Registration Tax, must be paid to the Chamber of Commerce upon submission of the documents, either in cash, by cashier's check, by debit or credit card, or online.



Step 3: (1 Business Day)

- Final registration in the Unified Tax Registry (RUT) and obtaining the final Tax Identification Number (NIT) from the National Revenue Agency, for which, among other things, the address of the registered office of the new company or branch of a foreign company must be provided.



Step 4: (1 Business Day)

- Update the business registration to include the NIT.



Step 5: (1 Business Day)

- In the case of a branch of a foreign company, once the branch has been established, the head office must transfer the capital allocated to it, for which it must fill out an exchange form.



Functioning of company, bylaw amendments and right to withdraw from a company

Functioning

In general, commercial enterprises do not require prior authorization from any governmental authority to function or operate. As an exception, commercial companies engaged in financial, stock exchange or insurance activities, as well as any other activity related to the management, use and investment of funds collected from the public, require prior authorization to operate from administrative authorities such as the Superintendencia Financiera (Superintendency of Finance). This is the case for banks, trust companies, stock exchanges, brokerage firms, and insurance companies, among others.

Bylaw Amendments

In general, amendments to the bylaws not require the approval of the authorities, except in the case of amendments to the bylaws that involve a corporate reorganization, such as mergers or spin-offs, to name a few, which are subject to the verification of special procedures of publicity and notice, both to the partners

or shareholders and to the creditors of the companies involved in the amendment. On the other hand, the reduction of capital with effective reimbursement of contributions is a modification of the bylaws that requires prior approval by the Superintendencia of Companies.

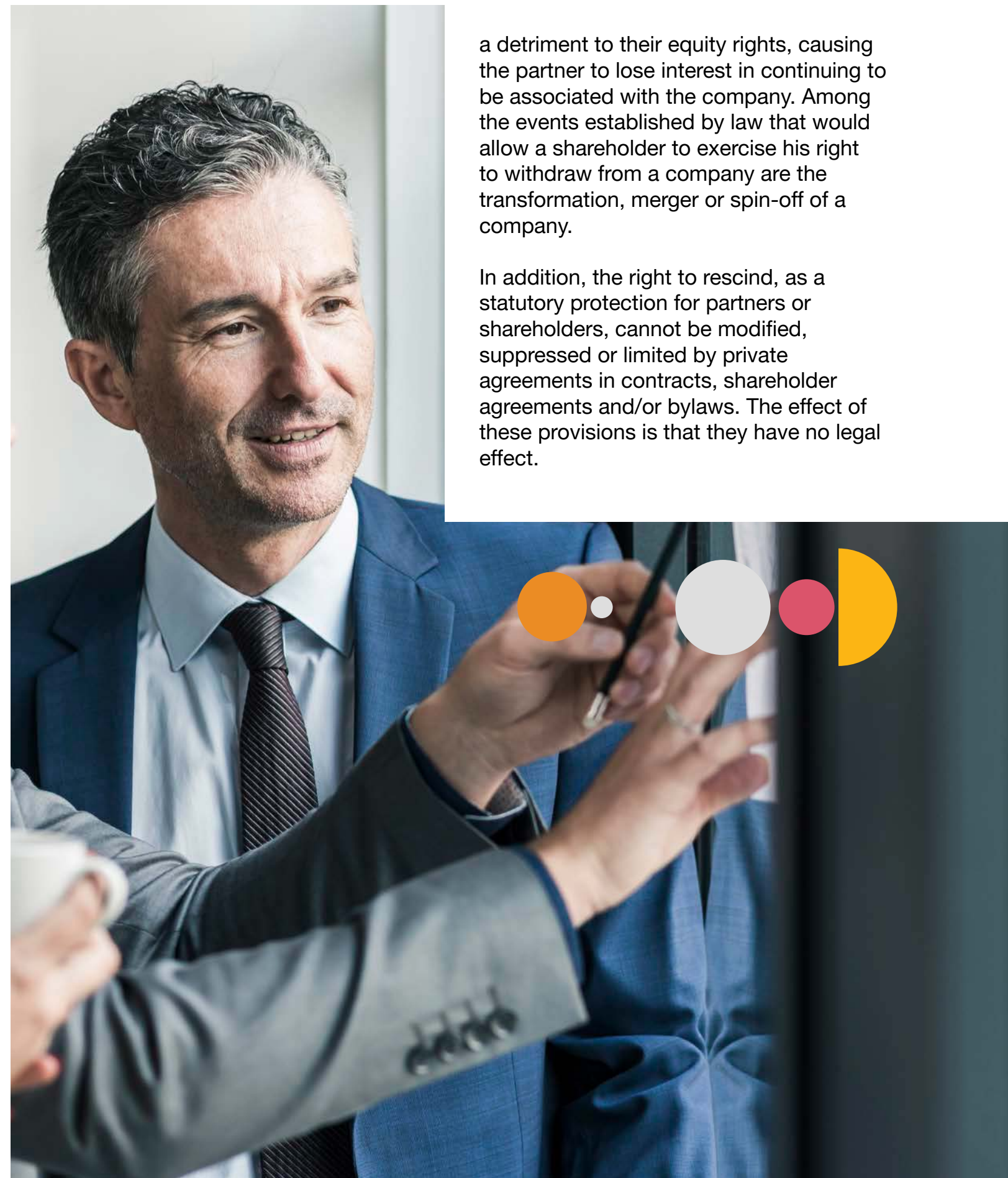
The decision to reform the company's bylaws must be approved at a meeting of shareholders or of the Board of Partners, through the preparation of minutes in which the changes are recorded. The minutes must meet all legal and statutory requirements and, depending on the case, must be made a public record or simply recorded in a private document.

Right to Withdraw from the Company

The right of withdrawal is defined as the possibility for an absent or dissenting shareholder or partner to withdraw from the company, with the consequent return of the contributed capital. When the main body of the company makes a decision that involves a change that creates a greater liability or

a detriment to their equity rights, causing the partner to lose interest in continuing to be associated with the company. Among the events established by law that would allow a shareholder to exercise his right to withdraw from a company are the transformation, merger or spin-off of a company.

In addition, the right to rescind, as a statutory protection for partners or shareholders, cannot be modified, suppressed or limited by private agreements in contracts, shareholder agreements and/or bylaws. The effect of these provisions is that they have no legal effect.





Parent companies and subsidiaries

Control Situation and Corporate groups

A company is subordinated or controlled when its decision-making power is subject to the will of one or more other legal or natural persons, referred to as the parent company or controller. This control can be economic, political, or commercial.

Control may be exercised primarily through a majority or controlling interest in the capital stock of the controlled entity, or through the execution of a contract or action that may exercise a dominant influence over the governing bodies of the controlled entity.

If the subsidiary is directly controlled, it is called a first-tier subsidiary. If it is controlled by other subsidiaries of the parent company, it is called a lower-tier subsidiary. In this regard, it is important to emphasize the following points:

- I.**
The legislation recognizes that there may be subordination of one entity to another without the need for a capital interest.
- II.**
It is also recognized that individuals or unincorporated associations may exercise control.
- III.**
The majority participation in the company's capital may be for speculative or strategic purposes, not necessarily with the intention of configuring a control situation.

Now, to determine the existence or absence of a business group composed of several legal entities, in addition to the subordination link, there must be a unity of purpose and direction among the different entities.

According to the Superintendence of Companies and the Law, there will be unity of purpose and direction when the existence and activities of all entities aim to achieve a specific objective set by the parent or controlling entity due to the direction it exercises over the whole, without prejudice to the individual development of the corporate purpose or activity of each of them.

Declaration of Control Situation and/or Business Group

Under the provisions of Article 30 of Law 222/1995, the Superintendency of Companies may, on its own or at the

request of any interested party, declare the control situation and order its registration in the Commercial Register if it is not declared to the Commercial Register within thirty (30) days following the establishment of the control situation and/or the group of companies.

In addition, Section 86 of the same law establishes that the Superintendency of Companies may or may not impose successive penalties up to an amount of 200 legal monthly minimum wages (LMMW announces in 2024: COP 1.300.000), which for 2024 is an amount of COP 260.000.000⁴⁴ (approximately USD 65,000 with TRM of COP 4,000/USD 1).

Financial Statements

The purpose of financial statements is to serve as a means of information for those who do not have access to the records of a company to know the controlled resources, the obligations by virtue of which they have to transfer resources, the changes experienced by these resources and the results obtained during the period.

In this regard, the law requires commercial companies to settle their accounts and prepare general purpose financial statements at least once a year as of December 31, without prejudice to the

possibility of the partners or shareholders to agree on a different and additional date in the company's statutes.

General purpose financial statements are those prepared at the end of a given reporting period to be known by unspecified users to satisfy the general interest of the public in evaluating the ability of an economic entity to generate favorable cash flows in the future; and these are the financial statements that are used as a basis for distributing profits. The financial statements include the statement of financial position or balance sheet, the statement of operations, the statement of changes in equity, the statement of cash flows, and the statement of cash flows.

Profit

Profits shall be distributed on the basis of financial statements prepared in accordance with generally accepted accounting principles in proportion to the paid-up portion of the par value of the shares or interests held by each shareholder, unless otherwise provided in the agreement.

If there are any provisions which deprive any shareholder or member of his right to share in the profits or earnings of the corporation, such provisions shall be deemed never to have been written.

Inspection, surveillance and control

All commercial companies are subject to some level of supervision by a Superintendency in Colombia. This circumstance is determined on the basis of the specific activity that is considered to be the line of business of the respective company.

The level of control and supervision is generally determined by the value of the company's assets.

The different levels of monitoring are as follows:

- I. **Inspection:** empowers the Superintendency to occasionally request, verify and analyze any information it requires regarding the legal, economic, accounting and administrative situation of the company concerned.

II.

Vigilance (or monitoring): The Superintendency may constantly verify that the incorporation and operation of the companies are in compliance with the law and the company's bylaws.

Companies that, as of December 31 of the previous year, registered assets—including general adjustments for inflation—equal to or greater than thirty thousand (30,000) current legal monthly minimum wages, will be subject to the supervision of the Superintendency of Companies. For the year 2024, this threshold is equivalent to COP 39,000,000 (approximately USD 9,750,000, with an exchange rate of COP 4,000/USD 1)⁴⁵.

Also, those companies whose total income on the same date, including comprehensive inflation adjustments, exceeds thirty thousand (30,000) legal minimum wages in force, as well as those within any of the grounds set forth in the Numbers: 2.2.2.1.1.2.3, 2.2.2.1.1.2.4 and 2.2.2.1.1.2.5 of Decree 1074 of 2015.

44. Calculations made under the base on 2021 Colombian minimum annual wage COP1,000.000

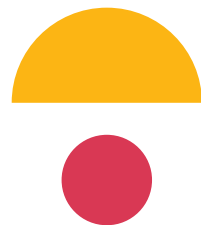
45. Calculations made under the base on 2021 Colombian minimum annual wage COP1,000.000

III.

Control: The Superintendency can remedy a critical situation, whether legal, economic, administrative or accounting.

As a general rule, commercial companies are subject to inspection, supervision and control by the Superintendency of Companies. Exceptionally, these surveillance duties may be assigned to other agencies, such as the Colombian Superintendency of Finance, the Superintendency of Health, the Superintendency of Utilities, the Superintendency of Ports and Transportation, and the Superintendency of Surveillance and Private Security, among others.

Branches of foreign companies are subject to inspection by the Superintendency of Companies and may be subject to supervision if they are involved in some of the cases provided for in Decree 2300 of 2008.



Capital Reductions

Pursuant to Article 145 of the Commercial Code, a company or a branch of a foreign company may carry out a change in the bylaws consisting of a reduction of capital with reimbursement of contributions in cash, subject to the prior approval of the Superintendency of Companies, which will issue the authorization upon the company's request and in any of the following circumstances:

I.
The company has no external liabilities.

II.
After the reduction, the company's assets are at least twice its external liabilities.

II.
The creditors of the company expressly agree in writing to the reduction of capital, regardless of the amount or number of the company's assets.



The Basic Circular of the Superintendence of Companies establishes general rules for approving capital reductions with reimbursement of cash contributions. These rules apply to companies, branches of foreign companies, and sole proprietorships that are not under the supervision or control of this body, nor under the supervision or control of any other Superintendency, except in the following situations:

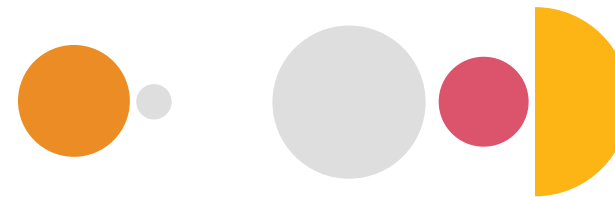


Table 2:

Basic Legal Circular of the Superintendency of Companies, general authorization regime for capital decreases

<p>A.</p> <p>When a company meets any of the criteria outlined in Article 145 of the Commercial Code but has one or more overdue obligations exceeding 90 days, which collectively represent 10% or more of its total external liabilities.</p>	<p>D.</p> <p>When the total value of contributions to be reimbursed represents 50% or more of the company's total assets.</p>
<p>B.</p> <p>For companies with obligations resulting from bond issuances.</p>	<p>E.</p> <p>For legal entities in a control situation, either as a controller or as a subsidiary, concerning other legal entities under the control or supervision of the Superintendence of Companies or any other supervisory authority.</p>
<p>C.</p> <p>For companies with pension liabilities.</p>	<p>F.</p> <p>For companies undergoing a concordat agreement, restructuring, or reorganization.</p>

Therefore, if the company finds itself in one of the situations for which authorization is required, it must follow the appropriate procedure before the Superintendence of Corporations.

It should be noted that the same procedure applies in cases where the premium for the placement of shares has to be refunded.

Liquidation

When a company or a branch of a foreign company is liquidated based on the decision of the shareholders or members of the parent company (as the case may be), the company or the branch must comply with the provisions of Articles 218 et seq. of the Colombian Commercial Code and any other related applicable laws and regulations. In general, a voluntary liquidation involves the following stages:

Dissolution:

The first stage of a company's voluntary liquidation begins when the shareholders or the competent body of the parent company (as the case may be) adopts the decision to liquidate the company or branch and appoints the liquidators. Once the dissolution has been approved by the main corporate body, the legal capacity of the company is limited to acts aimed at achieving immediate liquidation.





As a result of the declaration of dissolution of the company, it is necessary to add the words “in liquidation” to the name of the company or the name of the branch.

Liquidation:

i. Notices and inventory: At this stage, the liquidator carries out actions aimed at liquidating the company’s assets in order to pay off its liabilities and then distribute the remainder among the shareholders or members or return it to the parent company. To this end, the liquidator shall take the following actions: (i) notify the national tax authority (DIAN); (ii) announce the liquidation process by publishing a notice in a widely circulated daily newspaper at the domicile of the company or branch; (iii) obtain the approval of the Ministry of Labor, if required by law; and (iv) prepare a financial statement of the inventory within the month following the liquidation.

At this point, it is important to point out that joint-stock companies and branches of foreign companies that are subject to the supervision and control of the Superintendency of Companies must submit for approval to the said body the inventory statement, provided that once it is prepared, it is determined that the assets are not sufficient to

cover foreign liabilities or that at the time of dissolution or termination of operations in the country they have liabilities for retirement pensions, bonds or pension securities.

ii. Realization of assets and payment of liabilities: By realizing the assets, the need to convert the total assets of the company or the total assets of the branch into cash is satisfied, so that the company still has enough funds to pay any obligations and debts to third parties.

Final statement of liquidation, remainder and extinction of legal personality

The final stage of the liquidation process is the preparation of the final liquidation account, which indicates how the remaining assets will be distributed among the shareholders or returned to the parent company, if there is one, and how the legal personality or existence of the company or branch will be extinguished. All this after making provisions for the payment of obligations that the company may have.

It should be highlighted that; the liquidation procedure may have some variations depending on the company / branch of a foreign company corporate purpose and to the Superintendency that supervises it.

The grounds for dissolution are as follows:



- i.** Expiration of the term of duration.
- ii.** Inability to pursue its corporate purpose.
- iii.** Initiation of the judicial liquidation process.
- iv.** Voluntary decision of the shareholders.
- v.** Conditions established in the bylaws.

Additionally, a special ground for dissolution is non-compliance with the going concern hypothesis, as explained below:

Article 4 of Law 2069 of 2020, also known as the 'Entrepreneurship Law,' repealed the dissolution ground due to losses for companies. Previously, this ground stated that if companies incurred losses reducing their net worth below fifty percent (50%) of their subscribed or assigned capital, they would automatically face dissolution due to losses. This law granted shareholders a reasonable period of eighteen (18) months to implement measures or policies to rectify this situation.

However, the aforementioned article now establishes that non-compliance with the going concern hypothesis at the close of the financial year constitutes grounds for the dissolution for commercial societies. If this non-compliance is reasonably verified, the administrators are restricted to only performing operations within the ordinary course of the company's business and must immediately convene a Shareholders' Meeting to report the situation in a documentary manner.

This is to enable the highest governing body of the company to make informed decisions regarding its continuity or the dissolution and liquidation of the company. Failure to convene this meeting will result in the administrators being jointly liable for any damages caused to associates or third parties.

- 4.** Financial statement reporting.
- 5.** Register the control situation or business group.
- 6.** Appointment of an auditor.

In Colombia, despite the specific obligations applicable to each sector, there are certain special obligations that must be met before certain monitoring and control bodies.

- 1.** Review and implementation of the System of Self-Monitoring and Management of the Risk of Money Laundering and Terrorist Financing (SAGRILAF or SAGRILAF by its Spanish acronym).
- 2.** Transparency and business ethics programs and international anti-corruption mechanisms.
- 3.** Protection of personal information.
- 4.** Registration of the ultimate beneficial owner before the tax authority.
- 5.** Currently, there is a reform project for the circular to include the Corporate Sustainability Program as a new compliance obligation. However, it has not been signed and is not in effect.

Legal Compliance

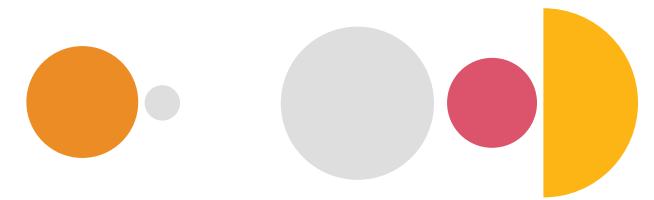
According to the law, commercial companies and other legal entities must fulfill 6 periodic obligations:

- 1.** Renewal of commercial registration.
- 2.** Hold annual meetings.
- 3.** File financial statements with the Chamber of Commerce of the principal place of business.

The following tables show the details of periodic and special commitments:

1. Compliance with periodic obligations

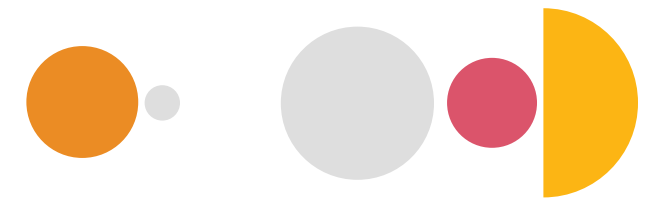
In accordance with the regulations, entities must periodically comply with certain obligations, as follows



	Renewal of commercial registration	Ordinary meetings	Deposit of financial statements at the Chamber of Commerce of the company's principal place of business
Obligation	Before March 31 of each year, all registered businessmen must renew their registration and that of their commercial establishments.	The general shareholders' meeting, or partners' meeting (depending on the type of company) and, as the case may be, the board of directors are required to hold at least one ordinary meeting per year.	Companies must deposit, within one month from the date of approval, a copy of the general purpose financial statements together with their notes and corresponding report at the respective chamber of commerce of the company's registered office.
Obligated	All commercial companies and branches of foreign companies.	All commercial companies.	All commercial companies except when the Financial Statements must be deposited with the Superintendence of Corporations.
Amount	The value of the renewal of the commercial registration is established according to the assets declared in the financial statements as of December 31 of the immediately preceding year.	Not applicable.	COP 21,600 (USD 5.0 approx.) for registration fees for each of the financial statements to be registered.
Compliance period	Within the first 3 months of the year, no later than March 31.	On the dates indicated in the bylaws, or in silence of these within 3 months following the expiration of each fiscal year. In no case shall these meetings be held after the first business day of April.	The month following the approval of the financial statements by the highest corporate body.
Sanction	Fines of up to 200 SMMLV (COP \$200,000,000 / USD \$42,421 approx.) by the Superintendence of Corporations.	Penalties or fines of up to 200 SMMLV (COP \$200,000,000/ USD \$42,421 approx.) by the Superintendence of Corporations in case of failure to hold such meetings.	Penalties or fines of up to 200 SMMLV (COP \$200,000,000 / USD \$42,421 approx.) by the Superintendence of Corporations.

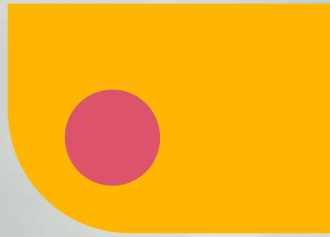
	Report of financial statements	Statement of control situation and corporate group	Appointment of statutory auditor
Obligation	Entities subject to surveillance or control by the Superintendence of Corporations are obliged to report the year-end financial statements as of December 31, certified and audited, without the need for an express order of a particular and specific nature issued by that entity.	Entities whose decision-making power is subject to the will of a third party must register such subordination situation before the Chamber of Commerce. If additionally there is unity of purpose and direction among different subordinated entities, the corporate group must be declared.	Mandatory appointment of a statutory auditor, either from the date of incorporation or from compliance with the legal requirements.
Obligated	All commercial companies and branches of foreign companies under surveillance or control by the Superintendence of Corporations.	<p>All commercial companies that comply with the following requirements:</p> <ol style="list-style-type: none"> 1. when more than fifty percent (50%) of the capital belongs to the parent company, directly or indirectly. 2. When the parent company and the subordinate companies jointly or separately have the right to cast the votes constituting the minimum majority of votes in the shareholders' meeting or in the assembly, or have the number of votes necessary to elect the majority of the members of the board of directors, if any. 3. When the parent company, directly, through or with the assistance of the subordinates, by reason of an act or business with the controlled company or with its partners, exercises dominant influence in the decisions of the management bodies of the company. 	<p>Branches of a foreign company: It is always mandatory.</p> <p>S.A.: It is always mandatory.</p> <p>Companies in which, by law or by the bylaws, the administration does not correspond to all the partners, when so provided by any number of partners excluded from the administration representing not less than 20% of the capital.</p> <p>Commercial companies that have assets equal to or greater than 5,000 legal monthly minimum wages in force as of December 31 of the immediately preceding year (for the year 2022 it would be COP\$5,000,000,000,000 / USD \$1,085,000 approx.).</p> <p>Commercial companies with gross income equal to or greater than 3,000 SMMLV as of December 31 of the immediately preceding year (for the year 2022 it would be COP \$3,000,000,000,000/ USD \$651,320approx.).</p>
Amount	The entity does not charge for the reporting of financial information.	COP 181,000 (USD 41 approx.) for registration tax and registration fees before the Chamber of Commerce for each company registered.	COP 181,000 (USD 41 approx.) for registration tax and registration fees before the Chamber of Commerce. In case the statutory auditor is a legal entity, registration fees and registration tax will also be charged for the appointment of natural persons.
Compliance period	Within the dates previously established and published by the entity, according to the last two digits of the NIT.	Within 30 days after the occurrence of the cause that gives rise to the control situation.	Once the legal requirements are met.
Sanction	Sanctions or fines up to 200 SMMLV (COP \$200,000,000 / USD \$42,421 approx.) by the Superintendence of Corporations.	Sanctions or fines up to 200 SMMLV (COP \$200.000.000 / USD \$42.421 approx.) by the Superintendence of Corporations.	Sanctions or fines up to 200 SMMLV by the Superintendence of Corporations (COP \$200,000,000 / USD \$42,421 approx.). 2. One (1) tax value unit (UVT) (COP \$38,000 / USD \$8.25 approx.), per day of delay in updating the RUT, counted as of the month following the configuration of the legal budget. month following the configuration of the legal budget.

2. Special obligations before oversight and control entities



	Implementation of SAGRILAF T policies	Business ethics and transparency program	Protection of personal data
Obligation	<p>In December 2020, the Superintendence of Companies adjusted Chapter X of the Basic Legal Circular. Since then, what was previously known as LA/FT Risk Prevention, was renamed as LA/FT/FPADM (Money Laundering, Financing of Terrorism and Financing of the Proliferation of Weapons of Mass Destruction) integral risk management and self-control system.</p> <p>Through this system, the Superintendence of Companies obliges certain companies to comply with the precepts established in the regulation, to have a SAGRILAF T program that must establish, among other elements, a LA/FT/FPADM policy and a manual of LA/FT/FPADM risk management procedures, and to appoint a local compliance officer who can perform the functions stipulated in the regulation in force. The SAGRILAF T shall take into account the risks specific to the regulated company and the materiality, related to ML/FT/ATF/ATF-DRM, for which purpose the type of business, the operation, the size, the geographical areas where it operates and other particular characteristics must be analyzed.</p>	<p>Corporations that meet the following criteria must implement a transparency and business ethics program:</p> <ul style="list-style-type: none"> (i) That it is supervised by the Superintendence of Corporations. (ii) That the previous year it has done business or international commercial transactions of any nature, directly or through an intermediary, contractor or through a subordinate company or a branch, with foreign natural or legal persons under public or private law. (iii) That the business or transactions have been for amounts equal to or greater than 100 legal monthly minimum wages in force (smmlv). (iv) That the company has had in the previous year revenues or total assets equal to or greater than 40,000 smmlv. 	<p>Only companies and non-profit entities responsible for the treatment that have total assets exceeding 100,000 tax value units (UVT) as well as legal persons of public nature must register the databases no later than within two (2) months from its creation.</p>
Description	<p>1. Companies supervised or controlled by the Superintendence of Companies, with revenues equal to or greater than 30,000 SMMLV (COP \$30,000,000. 000 / USD \$6,513,201 approx.), as of December 31 of the immediately preceding year, belonging to the following sectors: real estate agents, commercialization of precious metals and precious stones, legal services, accounting services, construction of buildings and civil engineering works, virtual asset services, sectors of special supervision or special regimes Additionally, compliance with the additional requirements established for each sector in a particular manner must be verified.</p> <p>2. Companies supervised or controlled by the Superintendence of Companies, with revenues greater than or equal to or had Assets equal to or greater than 40,000 SMMLV (COP \$40,000,000,000 / USD \$8,684,268 approx) as of December 31 of the immediately preceding year.</p>	<p>Companies that as of December 31 of each year meet the above criteria will have until April 30 of the following year to adopt their respective Business Ethics and Transparency Program.</p> <p>However, Article 9 of Law 2195 of 2022, which adds Article 34-7 to Law 1474 of 2011 established that legal entities subject to the inspection, surveillance or control of the Superintendence of Companies must adopt transparency and business ethics programs that include internal audit mechanisms and standards and also that the respective superintendencies or inspection, surveillance or control authorities will determine the content of the transparency and business ethics programs taking into account criteria such as the sector, the risks of the same, the amount of assets, income, number of employees and corporate purpose. Therefore, it is expected that the Superintendence of Corporations will soon issue a regulation on this subject.</p>	<p>If the entity performs activities as responsible for the processing of personal data, it must prepare and implement, among others, the following mechanisms:</p> <ul style="list-style-type: none"> - Privacy notice: procedure to obtain the authorization of the holder prior to the start of the treatment. Tools that guarantee adequate security conditions to avoid adulteration, loss, consultation, use or fraudulent access to the information. Technological measures to protect personal and sensitive data. Internal manual of policies and procedures to comply with the law on data protection. - Elaborate the policies for the treatment of information and provide them to the national registry of databases, which is in charge of the Superintendence of Industry and Commerce.
Remarks	<p>The administrative investigations that may be applicable and the imposition by the Superintendence of Companies of the pertinent administrative sanctions to the Obligated company, the Compliance Officer, statutory auditor or its administrators, up to 200 SMMLV (COP \$200,000,000 / USD \$42,421 approx., individually or jointly, without prejudice to the actions that correspond to other authorities.</p>		
Penalty	<p>The administrative investigations that may be applicable and the imposition by the Superintendence of Companies of the pertinent administrative sanctions to the Obligated company, the Compliance Officer, statutory auditor or its administrators, up to 200 SMMLV (COP \$200,000,000 / USD \$42,421 approx., individually or jointly, without prejudice to the actions that correspond to other authorities.</p>	<p>For non-compliance with the implementation of the business ethics program, the Superintendence of Companies may impose fines of up to 200,000 SMMLV (COP \$ 200,000,000,000 / USD 42,421 approx), inability to contract with the State, among others.</p>	<ol style="list-style-type: none"> 1. Fines to natural or legal persons for up to 2,000 SMMLV (COP \$200,000,000 / USD \$42,421 approx.) by the Superintendence of Corporations. 2. Suspension of the activities related to the treatment for up to 6 months. 3. Temporary closure of operations related to the processing of personal data. 4. Immediate and definitive closure of the operation involving data processing.

Source: comparative tables prepared by PwC Colombia, extracted from Colombian commercial legislation.



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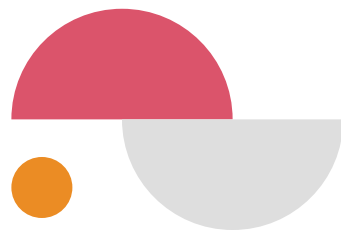


Government contracting

Government procurement is a set of rules that regulates all procedures carried out by government entities to conclude contracts necessary for the fulfillment of institutional functions, goals and objectives.

In Colombia, public contracting has a higher regulation, since it is a means to achieve the objectives of the State through contracts with individuals acting in their capacity as collaborators of the administration.



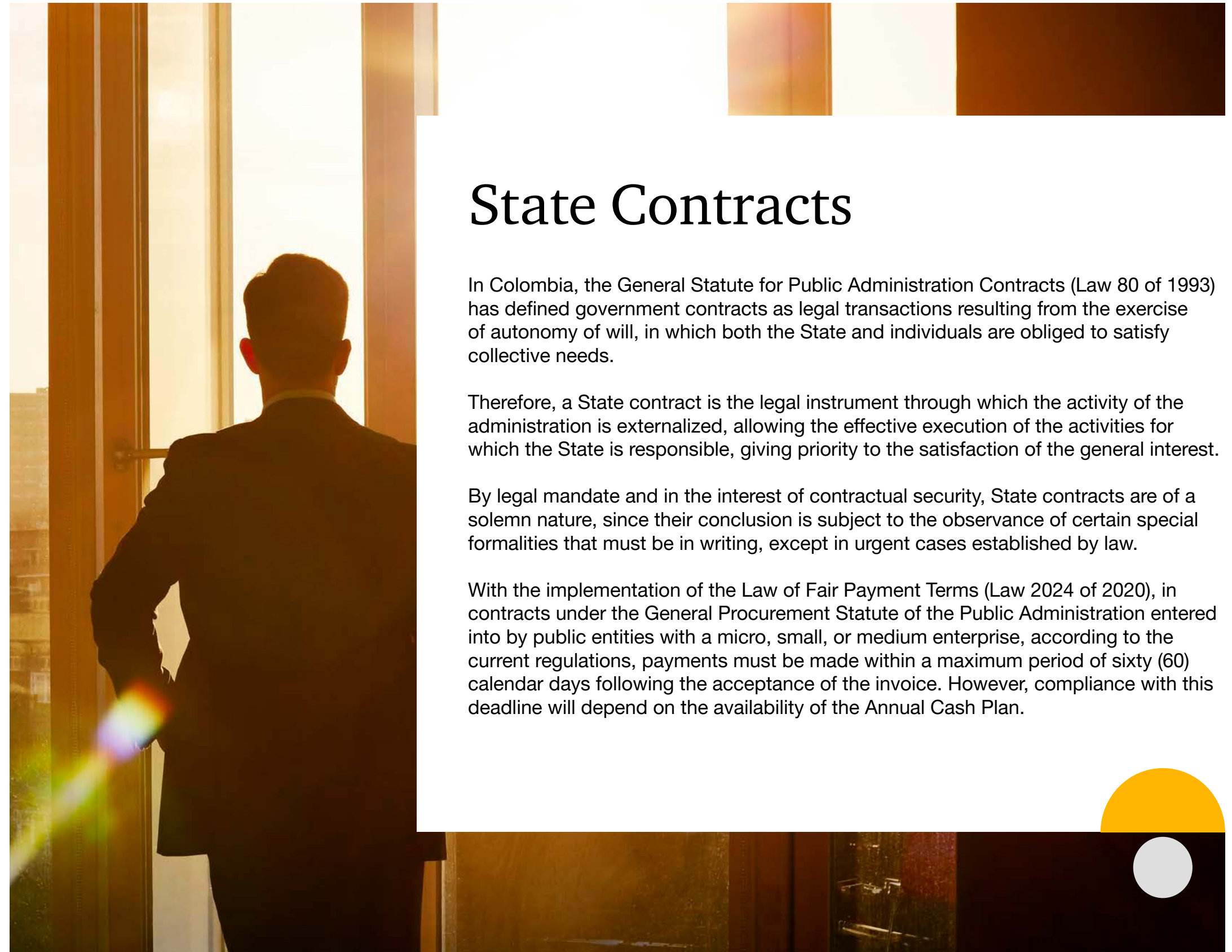


Scope

As a general rule, government entities are subject to the General Public Procurement Law (Law 80 of 1993), with a few exceptions that have their own specific regulations in this area. However, regardless of the contracting regime, a contract in which one of the parties is a public entity is considered a government contract, with certain exceptions, such as in the case of financial institutions or domestic public utilities.

Colombia has a General Public Procurement Statute for public administration and complementary laws and regulations that establish the guidelines for public procurement. In the absence of express regulations in the General Statute of Contracts of the Public Administration, the rules of the Colombian Civil and Commercial Regime (Civil Code and Code of Commerce) are applicable.

Government procurement has overarching characteristics that derive from the purpose of government and the goals it pursues. Such purposes are an obligation both for the corresponding state agencies and for the private parties that enter into contracts with the state, to the extent that such parties and agencies always act in their condition as collaborators of the public administration.



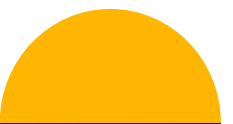
State Contracts

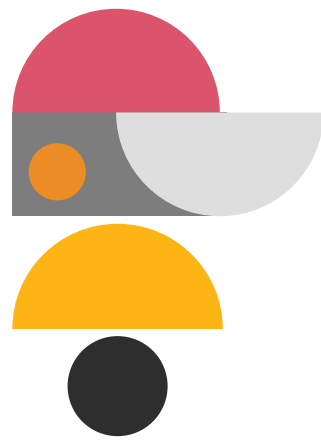
In Colombia, the General Statute for Public Administration Contracts (Law 80 of 1993) has defined government contracts as legal transactions resulting from the exercise of autonomy of will, in which both the State and individuals are obliged to satisfy collective needs.

Therefore, a State contract is the legal instrument through which the activity of the administration is externalized, allowing the effective execution of the activities for which the State is responsible, giving priority to the satisfaction of the general interest.

By legal mandate and in the interest of contractual security, State contracts are of a solemn nature, since their conclusion is subject to the observance of certain special formalities that must be in writing, except in urgent cases established by law.

With the implementation of the Law of Fair Payment Terms (Law 2024 of 2020), in contracts under the General Procurement Statute of the Public Administration entered into by public entities with a micro, small, or medium enterprise, according to the current regulations, payments must be made within a maximum period of sixty (60) calendar days following the acceptance of the invoice. However, compliance with this deadline will depend on the availability of the Annual Cash Plan.





Who is eligible to contract with the state?

All natural and juridical persons, national or foreign, who are considered to be legally competent according to the legislation in force, may enter into contracts with State entities and agencies; in other words, any person who is not in a state of incapacity or incompatibility.

Consortiums and temporary associations may also enter into contracts with the state. The Colombian Public Procurement Statute recognizes these entities, which are commonly and internationally known as joint ventures.

Unified Registry of Proponents - RUP (for its acronym in Spanish)

It is a registry created by law and delegated to the Chambers of Commerce throughout the country, for the registration of natural or legal persons, national or foreign, who wish to enter into contracts with public entities for the execution of works, the supply of goods or the provision of services, subject to the specific exceptions expressly provided for by law.

The purpose of the RUP is to verify the requirements that qualify bidders who intend to contract with the State in terms of their experience, legal capacity, organizational capacity and financial capacity. This is done by registering the qualification and classification that each interested party makes of the contracts it has signed before the relevant Chamber of Commerce.

Registration in the RUP allows, among other things:

1. To publicize the requirements that make a proposer a qualified participant in an eventual bidding process.
2. To participate in bidding processes before governmental bodies.
3. Obtain the RUP certificate and proof of the information contained therein, provided the registration is valid and current.



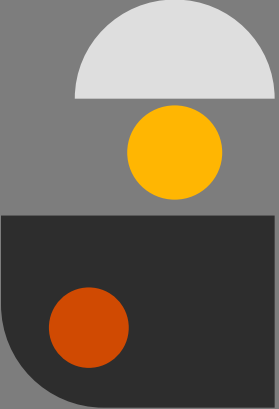
Methods for Selecting a Contractor

To guarantee the principles of the administrative function, a series of modalities have been established for the selection of contractors, which have been classified and defined by law following the characteristics of the object, the nature or conditions of the agreement to be entered into, the amount of the agreement or the legal nature of the contracting entity.

The main selection methods are public bidding, abbreviated selection, merit-based competition, direct contracting, and minimum amount contracting.

Generally, a contractor must be selected through a public bidding process. However, the law has established cases in which the administration signs contracts through more abbreviated procedures that are equally transparent, fair and objective, such as merit competition, abbreviated selection, direct contracting and minimum amounts.

These options are fully regulated by the law, which has established the reasons why the selection of a contractor by a procedure other than public bidding is justified, either because of the characteristics of the subject matter, the conditions of the type of contract to be concluded, the contract value or the legal nature of the contracting entity.

1. Public Bidding	2. Abbreviated Selection	3. Merit Competition	4. Direct Contracting	5. Minimum Amount
<p>It is a procedure by which the Administration makes a public invitation to parties potentially interested in entering into a contract with the Administration. It invites them to submit their proposals and then selects the most advantageous one for the purposes sought through a procurement procedure, in compliance with the terms and conditions established by the public entity that opened the bid (Paragraph of Section 30 of Law 80 of 1993).</p>	<p>This type of contract is intended for cases in which a simplified selection procedure can be applied because of the nature of the subject, the circumstances of the contract, the amount or the destination of the goods, services or works.</p> <p>Abbreviated selection is used on the basis of the type of object (for goods or services with uniform technical characteristics or those commonly used by the entity), its value (corresponding to the minimum amount determined according to the annual budget of the contracting entity), the sector of the administration that requires the object to be contracted (e.g. national security), whether the object of the contract relates to an activity developed by industrial and commercial enterprises of the state or mixed economy companies, the type of entity or the fact that a bidding process has been declared unsuccessful, among others. (Article 2, paragraph 2, Law 1150 of 2007).</p>	<p>This method involves selection processes that focus on criteria such as the expertise and intellectual and organizational capabilities of the proposers, among others, based on their economic criteria and using a proprietary method to select prequalified contests and open contests.</p> <p>The integration of work teams, experience and, in some cases, the development of methodologies will be the most relevant evaluation factors, leaving the economic criteria only as a factor that allows participation in the process. The purpose of this is to favor the company with the greatest talent, experience and ability, over and above the price quoted or the payment offered (Law 1150 of 2007, article 2, point 3).</p>	<p>Direct contracting is an exceptional selection process. Under this procedure, public entities may, in the cases specifically and expressly provided for by law, conclude contracts without the need to carry out competitive selection procedures. This is a simplified, abbreviated and fast procedure for drawing up a contract, based on objective criteria of public interest, so that the best offer for the administration's interests is selected.</p>	<p>The minimum amount has been established as a mechanism to contract goods or services that do not exceed ten percent (10%) of the lowest amount established for each entity (see point 2, article 2, Law 1150 of 2007), without considering the object of the contract. This is a more expeditious method of awarding contracts, in which the bid with the lowest price is selected, provided that it complies with the rules established in point 5, art. 2, Law 1150 of 2007, as amended by art. 94, Law 1474 of 2011.</p> 

The Law of Entrepreneurship (Law 2069 of 2020), in its Chapter III, modified the parameters of the Minimum Amount Contract, with the aim of allowing MSMEs to participate in the public procurement market, which will be regulated by the national government.

In this sense, the public authorities must establish differentiated requirements, as well as develop programs to increase the budget allocated to make the access of MSMEs to contracting with the State more real and effective.

It is also intended to ensure that at least two (2) micro, small and medium enterprises are part of the bids. Therefore, government entities, regardless of their contracting system, must adopt mechanisms to ensure the identification of potential suppliers in the MSME sector in order to establish rules that encourage and facilitate their participation in the government contracting process.

The parameters to be recognized as an MSME in Colombia are those established in Decree 957 of 2019, according to the income from ordinary annual activities in Tax Value Units (TVU*), according to the sectors of the economy concerned:



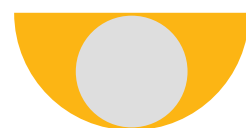
Micro Enterprise: Manufacturing sector (less than or equal to 23.563 TVU), Services sector (less than or equal to 32.988 TVU), Trade sector (less than or equal to 44.769 TVU).



Small Business: Manufacturing sector (more than 23,563 TVU and less than or equal to 204.995 TVU), Services sector (more than 32.988 TVU and less than or equal to 131.951 TVU), Trade sector (more than 44,769 TVU and less than or equal to 431.196 TVU).



Median: Manufacturing sector (more than 204.995 TVU and less than or equal to 1,736,565 TVU), Services sector (more than 131,951 TVU and less than or equal to 483.034 TVU), Trade sector (more than 431.196 TVU and less than or equal to 2.160.692 TVU).

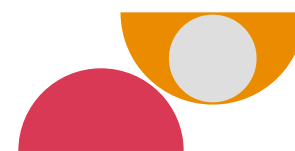


(*) The value of the TVU for 2024 is COP COP 47.065.

6. Agreements or Price Framework Agreements

Price Framework Agreements refer to framework agreements entered into between a public entity and one or more suppliers, aiming to establish the general conditions that will govern contracts entered into for the acquisition of common-use goods and services. These agreements enable the establishment of unit prices, technical conditions, and other relevant aspects for contracting, thereby facilitating agility and efficiency in public procurement processes.

This modality seeks to expedite and simplify public procurement procedures, fostering efficiency and competition among suppliers, while ensuring favorable conditions for the public entity and transparency in the acquisition processes.



In order to comply with the principles of publicity, efficiency, effectiveness and transparency, government agencies must publish in the SECOP all information related to the selection processes they conduct.

The SECOP is the electronic tool of easy access that allows the opening of the processes to the public, so that interested parties can be informed about the selection processes carried out by the different

entities, make observations or even present themselves as bidders.

Therefore, the SECOP guarantees the publication of the procurement of goods and services by the administration, thus favoring the entrepreneurs or potential bidders (national and foreign) as well as the public entities.

It is worth mentioning that since January 1, 2020, all public entities will be required to publish their selection processes by Appendix 1 of the External Circular issued by Colombia Compra Eficiente in 2019, a document that compiles the regulations of the Public Procurement System.

Public – Private Partnerships (PPP)

Another contracting method that has become relevant to the development of large projects is public-private partnerships (PPPs), a mechanism for engaging private capital in the construction of infrastructure and related services. PPPs take the form of a concession agreement between a government entity and a natural or legal person under private law for the provision of public goods and services in various infrastructure sectors. The minimum amount of the project to be developed within the framework of a public-private partnership is six thousand (6,000) SMMLV.

Types of Infrastructure

1. Transportation or production infrastructure (road, river, rail, port and airport)
2. Infrastructure for the provision of public and social services (housing, aqueduct, sewerage and basic sanitation, electricity, telecommunications, education, prisons, health, recreation and sports, and urban renewal).
3. Energy infrastructure (mining, gas and oil).

PPPs by origin

PPPs can originate from (i) public initiatives or (ii) private initiatives. The difference between the two lies in the originator, and therefore results in a different procedure for each type:

Public Initiative PPPs

Under this model, the government entity invites individuals to participate in a public bidding process to carry out its execution. There are two levels to this model:

1. The first one, in which the structuring is done by the entity with the collaboration of that must interact with it.
2. The second is where the selection process takes place.

Private Initiative PPPs

In this model, the individual, also known as the originator, structures the project according to the conditions specified in the terms and conditions up to the pre-feasibility studies and presents it to the entity that must decide whether to reject or approve the project. Then the Feasibility Stage proceeds.

Standard documents in PPPs

Decree 342 of 2019 regulates the mandatory application of standard documents for the specification of the terms and conditions of bidding processes for public works and transport infrastructure.

The said Decree started to be applied as of April 1, 2019, for transportation infrastructure projects.

In addition, the Law on Standard Specifications (Law 1882 of 2018, as amended by Law 2022 of 2020) establishes that the standard documents will be mandatory in the contractual activity of all entities subject to the General Procurement Statute, in the selection processes of public works, in the supervision of public works, in the supervision of consulting for studies and designs for public works, and in the engineering consulting for works.

Public Utilities and Services

The State may provide public utilities directly or indirectly, to organized communities or to private individuals, but in all cases the State will retain supervision, control, and regulation over these services and will ensure that the services are provided efficiently to all residents.

The Colombian State has chosen to develop the figure of the “public utility concession” as the most useful means to ensure the efficient provision of public utilities, in the form of a contract or license through which the State grants to a person (known as the concessionaire) the right to provide, operate, exploit, organize and manage all or part of a public utility or service, to provide, operate, exploit, organize and manage, in whole or in part, a particular public utility or service, defining the period for the provision of its services, the geographical area in which it is to be provided, the rules governing the rates and charges for the service and the conditions of operation, and the rules governing the use of State or private property for the provision of such public utilities.

Law 1508 of 2012 allows the State to provide, operate and maintain public service infrastructure. The use of this contracting model by the state has become more common, given the benefits it can obtain in terms of technology and innovation, risk distribution, infrastructure development, maintenance, among other factors.



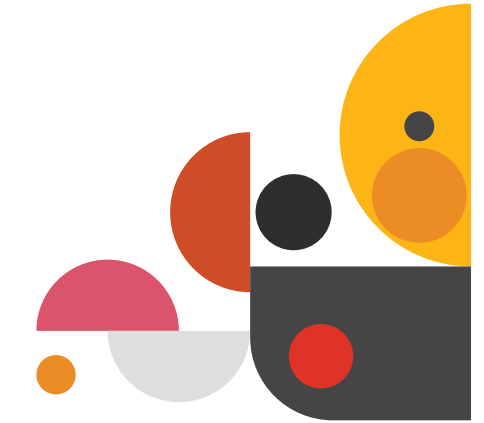
Domiciliary Public Services

Law 142 of 1994 established the rules applicable to public utilities in the residential sector, which include water, sewerage, sanitation and garbage collection, electricity, distribution of combustible gas, basic telephone services and local cellular services in rural areas.

Any person purporting to provide public services in the residential sector must establish a joint-stock company for the purpose of providing public services in the residential sector, and this company must be subject to a special regime established by law.

Domestic and foreign investors can participate and invest in these companies. The Superintendence of Public Utilities will regulate these investors, and the name of their company must include the words “empresa de servicios públicos” (public services company) or the acronym “E.S.P.”, right after the S.A. or S.A.S. acronym.

In order to operate, utilities must obtain the necessary permits, authorizations and licenses to operate, depending on the nature of their activities.



Direct Provision of Services

This happens when the State contracts with a private company to directly operate all or part of a project. This model is used for projects in water supply, television services, mobile communications, local communications, and power generation and distribution.

Acquisition of Public Utility Companies

Private investors can acquire some or all of the outstanding shares of public utilities by purchasing a block of stock or significant assets owned by the company.

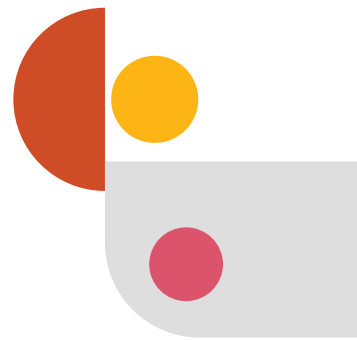


Privatizations (sale of state-owned shares)

Law 226 of 1995 establishes the procedure by which private individuals may gain access to (i) shares owned by the State, (ii) bonds compulsorily convertible into shares owned by the State, and (iii) in general, any participation by the State in the capital of a company. This process involves several distinct stages:

1. The decision to sell the participation on the shares, which takes the form of a sale program approved by decree, containing the essential elements such as the stages, structure and technical studies for the valuation of the shares, among others.
2. An exclusive offer at a fixed price must then be made to the social sectors that have priority according to Article 60 of the Political Constitution.
3. Once the offer to the social sectors is completed, the rules of the disposal program will be followed for the rest of the private interested parties.
4. Subsequently, the contract is awarded, concluded and perfected.
5. Subsequently, the necessary steps must be taken to change the ownership of the shares.
6. Finally, it is necessary to analyze the need to amend the articles of incorporation, review the termination of the company's obligations due to the fact that it is public, or change the liability regime, if applicable.
7. At these stages, there is inevitably a public interest in protection on the part of all the authorities of the Colombian State, such as the review by *Defensoría del Pueblo del Programa de Enajenación*.

Thus, we find a constitutional and legal framework in which private participation in state institutions is consistently developed by the legislator, within an economic model that allows the entry of private capital, both national and foreign, under the supervision and control of state entities.



Regulatory requirements for oil and gas exploration and production

Pursuant to Section 76 of Law 80 of 1993, exploration and exploitation contracts for the production and commercialization of non-renewable natural resources such as oil and gas are subject to special legislation.

By Decree Law 4137 of 2011, it was established that the National Hydrocarbons Agency (ANH, for its acronym in Spanish) is the integral manager of the nation's hydrocarbon reserves, responsible for the promotion and optimal, sustainable use of these resources. With the modification of its legal nature, the current contractual regime for the exploration and production of hydrocarbons in Colombia was implemented.

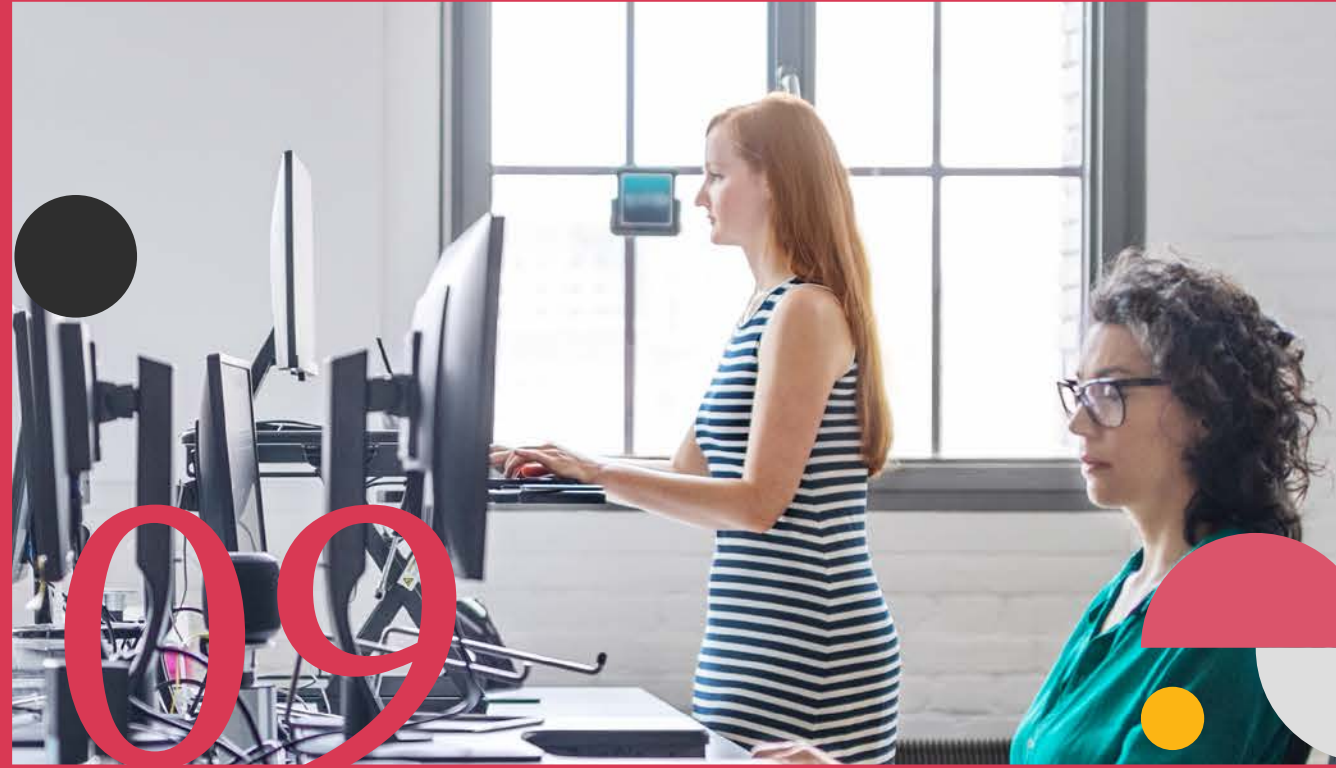
Under this system, private companies authorized to explore and produce oil and gas and Ecopetrol S.A. competed under the same conditions, without the need for an association contract, as was previously required. In some cases, however, the previous association regime is still in force, as contracts have been agreed for terms of up to 30 years.

This type of contract has the following features:

- a. To be a state contract with a special regime, not subject to the contracting regime of Law 80 of 1993.
- b. The contract must be negotiated and approved by the ANH, which will be the concessionaire.
- c. The contractor assumes 100% of the work programs, assets, costs and risks.
- d. The contractor has full autonomy and operational responsibility.
- e. The contractor has rights over all the production, once the discounts for royalties have been made, which must be made available to the ANH, according to the volume and quality of the hydrocarbons produced.
- f. For the allocation of exploration and exploitation areas, the new scheme allows a direct allocation without necessarily involving a bidding process for its allocation.
- g. In addition to the above, the contractor must process and obtain the corresponding environmental licenses from the National Environmental Licensing Authority (ANLA).

The ANH has the dual function of managing the nation's resources, following up on contracts and administering the royalties received under them. It also acts as a regulatory body.





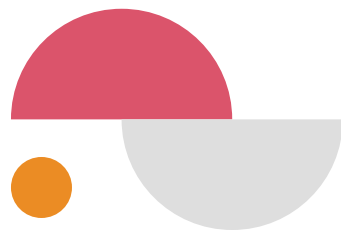
Labor Law

In Colombia, Labor Regulations are public policy and the minimum rights established by the Labor Code cannot be waived. Therefore, the employer is allowed to provide additional benefits and payments, but always in compliance with these minimums.

It is important to note that all employment contracts signed in Colombia, regardless of the nationality of the employee, are governed by Colombian law.

- Labor law is divided into two areas: Individual labor law, which regulates the relationship between employers and their employees, and collective labor law.
- The most important aspects of each are detailed below.





1. General Aspects

A labor contract in Colombia is the agreement between the employer and the employee, under which the employee personally performs specific services for the employer, permanently subordinate and dependent on the latter, in exchange for a consideration referred to as salary.

1.1 Types of labor contracts

Labor contracts may be classified in different ways. They are classified according to their term or duration as follows:



- **Fixed- term contracts:**

This type of agreement must be documented in writing and its duration may not exceed three (3) years. They may be renewed indefinitely if their initial term is equal to or greater than one (1) year.

In the event of a shorter initial term, the contract may be renewed only for up to three (3) equal or shorter terms, after which it may be renewed indefinitely for periods of one (1) year.

If no renewal is due, the other party must be notified at least thirty (30) calendar days prior to the expiration date.

If neither party gives the other at least thirty (30) days' notice of its intention to terminate the Agreement at the end of the term, the Agreement shall be automatically renewed for a term equal to the term originally agreed.

- **Contract for the duration of a specific task:**

This is the type of agreement where the parties agree that the duration is equal to the time that a particular task may take, to be determined in the contract itself.

The employment relationship ends when the work for which the employee was hired is completed.

- **Occasional or temporary contract:**

The duration cannot exceed 1 month. This type of contract is concluded for tasks that are not part of the employer's regular activities.

- **Indefinite- term labor contract:**

This is the most common type of contract in Colombia and can be made orally or in writing. Its duration is not determined by any term or condition.

Any employment contract that is not for a fixed term or does not relate to occasional or temporary work is an open-ended contract.

Under this type of agreement, there is no legal requirement for prior notice; the agreement may be terminated at any time, except when the termination is based on certain just cause established by Colombian labor law, internal work rules or the employment agreement.



1.2 Special clauses in employment contracts

Certain agreements celebrated between the employee and the employer must be in writing in order to be effective, otherwise they will be understood as non-existent.

These include the probationary period, integrated salary and non-salary agreements.



- **Trial period:**

During the trial period, both the employer and the employee can evaluate the convenience of the relationship, the conditions and skills required to perform the services.

The length of the trial period must be specified in writing.

During this period, either party may terminate the employment agreement without notice and the employer is not obligated to pay any compensation.

For the employer to terminate the contract during the probationary period, the termination must be based on an objective reason and must be notified to the employee.

Although the probationary period depends on the type of employment contract, it cannot exceed two (2) months. In the case of fixed-term employment contracts, the probationary period may not exceed one-fifth (1/5) of the agreed fixed term and may never exceed two (2) months.

- **Integrated salary:**

It is a single amount which, in addition to the remuneration of the ordinary work, pays in advance the statutory social benefits (severance pay, interest on severance pay, long-service bonus), overtime and bonuses and, in general, all the ancillary benefits, with the exception of holidays.



- **Non-Salary Covenants:**

Under Colombian labor law, employers may provide non-mandatory benefits to their employees. These benefits may be excluded from the salary base for purposes of calculating employment obligations such as fringe benefits and social security contributions. This exclusion must be expressed in writing, either in the employment agreement or in a separate document.

Following the enactment of Law 1393 of 2010, the portion of non-salary payments that exceeds 40% of an employee's total remuneration (including salary and non-salary payments) must be included in the base for calculating social security contributions (only for health, pension and work risk contributions).

Notwithstanding the foregoing, the ability to treat some payments as non-salary benefits is limited; all payments made as a direct reward for the employee's work, such as sales commissions or individual performance bonuses, must be considered salaries without exception, and therefore the agreement seeking to exclude such payments from the employee's salary base is void (Section 128, CST).



1.3 Working hours

Regular working hours are a maximum of 7.8 hours per day and 47 hours per week, which may be Monday through Friday or Monday through Saturday. The law also allows the parties to agree on flexible working hours for employees.

Hours worked in addition to the normal workday are compensated as overtime. Overtime shall not exceed two (2) hours per day or twelve (12) hours per week. In order for employees to work overtime, the employer must obtain prior approval from the Ministry of Labor.

Employees in executive, fiduciary or managerial positions, whether domestic or international, will be treated differently with respect to the maximum workday depending on the nature of their employment relationship. Therefore, they are excluded from the maximum legal workday provision.

On July 15 of 2023 became enforceable Law 2101 of 2021, which reduced the maximum duration of the ordinary working day to forty-seven (47) hours per week. The reduction will continue being implemented gradually until reaching forty-two (42) hours per week, as follows:

Year	Regular working hours
2023	Maximum 47 hours per week
2024	Maximum 46 hours per week
2025	Maximum 44 hours per week
2026	Maximum 42 hours per week

Source: PwC Colombia. (2024). Reduction of the maximum legal working day [Table]. In Doing Business in Colombia 2024. Law 2101 of 2021.

1.3.1 Surcharges

Day work is from 6:00 a.m. to 9:00 p.m. and night work is from 9:00 p.m. to 6:00 a.m. In the event that the employee is required to perform activities outside of the above schedule or on mandatory rest days, the employer shall recognize the following bonuses:

Worktime	Surcharge
Day overtime	Daytime hour x 125%
Night overtime	Daytime hour x 175%
Night work	Daytime hour x 35%
Work on Sundays or holidays	Daytime hour x 175%
Day overtime on Sundays and holidays	Daytime hour x 200%
Night overtime on Sundays and holidays	Daytime hour x 250%

Source: PwC Colombia. (2024). Surcharges for carrying out activities outside day and night working hours [Table]. In Doing Business in Colombia 2024. Substantive Labor Code.

1.3.2 Flexible working hours

Employers may agree with employees to work consecutive shifts on any day of the week, provided that each shift does not exceed 6 hours in a day or 36 hours in a week, without paying night shift or holiday pay.

They may also agree on flexible daily working hours in such a way that the 47 hours for a week are completed, spread over no more than 6 days, where the number of daily working hours may vary from 4 to 9, without overtime pay, provided that the working hours do not exceed 47 hours per week and that the employee works during daytime working hours.



2. Payments resulting from the labor relationship

2.1 Salary

Salary is the direct compensation that employees receive in return for their personal services to the employer.

In Colombia, there are two types of salaries: ordinary and integral/integrated.



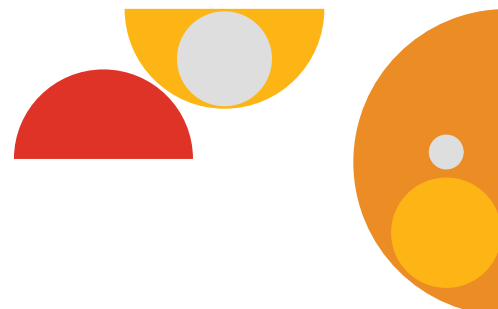
- Regular salary: A regular salary compensates for regular work. In addition to regular pay, employees are entitled to statutory social benefits, overtime, night, Sunday and holiday pay, and vacation.

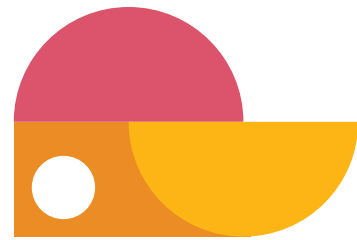
At the end of each year, the government determines the current minimum legal monthly wage (referred to in this document as the “MMLS”). For 2023, the minimum monthly salary has been set at COP \$1,160,000 (USD 290).

- Integrated salary: This is a type of salary that consists of a lump sum payment that compensates for social benefits, allowances and other benefits such as overtime, legal and extralegal bonuses, severance pay and the corresponding interest, subsidies and equipment, and, in general, all the compensation items included in the salary agreement, except for vacation days and rest compensation.

Integrated salaries must always be agreed upon in writing, and in no event shall they be less than thirteen (13) minimum monthly salaries.

By 2023, the integral minimum wage will be COP 15,080,000 (approximately USD 3.770).





2.2 Labor benefits

Every employer must provide the following employment benefits to employees who earn a regular wage:



Table 1:

Benefits to employees who earn an ordinary salary

Social Legal Benefits		
Item	Period payment	Description
Severance aid	Annual	One month's salary for each year of service or prorated for a fraction of a year. It must be deposited in a severance fund by February 14 of the following year or paid directly to the employee upon termination of the contract.
Severance pay interest	Annual	12% on the annual amount of the severance payment or pro-rated for a fraction of the year. It is paid directly to the employee no later than January 31 of each year.
Service Bonus	Every six months	15 days of salary for each half year worked, or prorated for fractions. Payable in June and December.
Legal Transportation Allowance	Monthly	It is a monthly allowance provided by the employer to employees who earn up to two (2) SMLMV to cover their transportation expenses when working on site. This aid is a fixed amount set by the government. For 2023, the legal transportation allowance is equivalent to COP 140,606 (USD 35.1).
Legal endowment	Every 4 months	Every employee who earns 2 minimum wages and has been employed for at least three (3) months is entitled to receive shoes and clothing three times a year (April 30, August 31, and December 20 of each year).

Source: PwC Colombia. (2024). Mandatory social benefits of employers in terms of ordinary salary in Colombia [Table]. In Doing Business in Colombia 2024. Substantive Labor Code.

2.3 Mandatory holidays and days off

a. Paid time off on Sundays and holidays

Employers must provide their employees with the benefit of a paid day off on Sundays and all civil and religious holidays, regardless of the type of pay. The compensation is included as part of the monthly salary payable to the employee for the concept of salary.

If the employee occasionally works on Sundays, up to two (2) Sundays per month, he/she must be paid an additional 75% of his/her regular rate of pay pro-rated for the hours worked on Sundays, or alternatively, he/she must be offered one (1) day off to be taken on any working day of the following week.

If the employee regularly works on Sundays (3 or more Sundays in a month), he/she must be paid an additional 75% of his/her regular pay for those Sundays, prorated for the hours worked on Sundays, and must be offered one (1) day off to be taken on any working day of the following week.

b. Annual paid vacation

Employees are entitled to 15 working days paid vacation for each year of service. Each employee shall be entitled to a minimum of six (6) actual working days of paid vacation for each year of service. Additional days may be accumulated for up to two (2) years for regular employees and up to four (4) years for technical, professional, confidential or executive employees, or for foreign employees who perform their services at a location other than where their families reside.

c. Maternity leave

Each pregnant employee is entitled to eighteen (18) weeks of maternity leave, which may begin two (2) weeks prior to the expected date of delivery. This leave is paid by the Social Security health insurance program.

No employee shall be discharged for pregnancy or breastfeeding except for just cause duly certified in advance by a labor inspector.

Any prospective employer is prohibited from requiring an applicant to take a pregnancy test.

d. Paternity leave

The spouse or permanent companion shall be entitled to two (2) working days of paid paternity leave, regardless of whether both (2) parents or only the father is contributing to the Social Security system.

e. Shared parental leave

Parents may share the last six (6) weeks of maternity leave as they see fit, subject to the following conditions: a) The period of leave shall be counted from the date of birth. This is unless the physician has determined that the mother must take one (1) or two (2) weeks of prenatal leave, or the mother has elected to do so; b) The mother must take at least the first twelve (12) weeks of postpartum leave, which is not transferable. The remaining six (6) weeks may be shared between the mother and father by mutual agreement. It is not possible to divide, intersperse or take leave at the same time, except in the case of postpartum illness of the mother. In this case, the illness must be certified by a doctor. c) Such leave shall be paid on the basis of the salary of the person taking the leave for the corresponding period. d) The parents shall submit to the employer a medical certificate stating the pregnancy status of the woman or a record of the birth of the child, the expected date of birth or the date of birth of the child, and the date from which the leave would commence.

f. Flexible part-time parental leave

Both mothers and fathers may opt for flexible part-time parental leave, which consists in exchanging a certain period of their leave for a period of part-time work equivalent to twice the time corresponding to the period chosen, remunerated on the basis of the salary of the person taking the leave for the corresponding period. This leave is compatible with shared parental leave.

g. Child Care Leave

Employers must provide paid leave for the care of minors for a period of ten (10) working days, continuous or discontinuous, to a working parent contributing to the General Social Security Health Insurance System or to the person who has the custody and personal care of a minor suffering from a terminal illness or condition. The days during which this leave is granted, as well as its conditions, shall be determined by mutual agreement between the employee and the employer, without prejudice to the provisions of Law 2174 of 2021. The payment of the paid leave shall be the responsibility of the health care provider to which the employee is affiliated, or whoever substitutes for it.

h. Bereavement Leave

In the event of the death of the employee's spouse, life partner, or relative within the second degree of consanguinity, the first degree of affinity, or the first degree of adoption, the employee shall be entitled to five (5) working days of paid bereavement leave, regardless of the type of employment contract the employee has.

i. Other leaves

The employer shall grant the employee the necessary leave to exercise the right to vote, to perform temporary official duties that must be accepted, in case of serious domestic calamity, to perform union commissions inherent to the organization, or to attend the funeral of a colleague. In the last two cases, the number of absent workers must not be such as to affect the operation of the company.



2.4 Social Security contributions

Table 2:

Contributions to the Comprehensive Social Security System in Colombia

Sub-System	Period payment	Characteristics
Pension	Monthly	<p>Equals 16% of the monthly payroll, of which 12% is paid by the employer and 4% by the employee.</p> <p>Foreigners who contribute to the pension system of their home country or another country are not required to contribute to the Colombian pension system.</p>
Fellowship Fund		<p>Employees earning more than four (4) MMLS are required to make an additional contribution ranging from 1% to 2% of their average earnings.</p> <p>This payment is borne entirely by the employee.</p>
Health	Monthly	<p>Is equal to 12.5% of the monthly payroll, of which 8.5% is paid by the employer and 4% by the employee.</p> <p>If the employee earns less than ten (10) MMLS, the employer may be exempt from paying 8.5%.</p>
Labor Risks	Monthly	<p>Employers must pay a monthly contribution to a Labor Risk Management Agency (Administradora de Riesgos Laborales) to cover the risk of occupational accidents/illnesses.</p> <p>The payments depend on the risk level of the company and the activities performed by the employees.</p>

It is important to mention that the maximum basis for contributions to the Social Security System (Health, Pension and Work Risks) is twenty-five (25) MMLS.

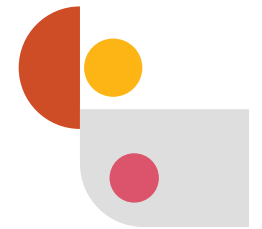
Note: Colombia has signed bilateral social security agreements with Chile, Argentina, Ecuador, Uruguay, Peru and Spain. The purpose of these treaties is to ensure that the nationals of the contracting countries validate the period of contribution to the pension system in any of the countries (according to the treaty) for the purpose of recognition of old-age, disability or survivors' pensions under the conditions and with the characteristics of the legislation of the country of residence of the worker at the time he/she requests the benefit.

2.5 Payroll taxes

Payroll taxes or legal contributions are payments that every employer with contracts with more than one employee must make to the Colombian Institute for Family Welfare - ICBF (for its acronym in Spanish), the National Apprenticeship System - SENA (for its acronym in Spanish) and the Family Compensation Funds.

3% of monthly payroll is paid as ICBF contributions; 2% of monthly payroll is paid as SENA contributions; and 4% of monthly payroll is paid as family subsidy contributions.

Employers whose employees individually earn less than 10 minimum monthly salaries are exempt from paying contributions to SENA, ICBF and health insurance (at the 8.5% rate applicable to employers).



3. Other labor obligations

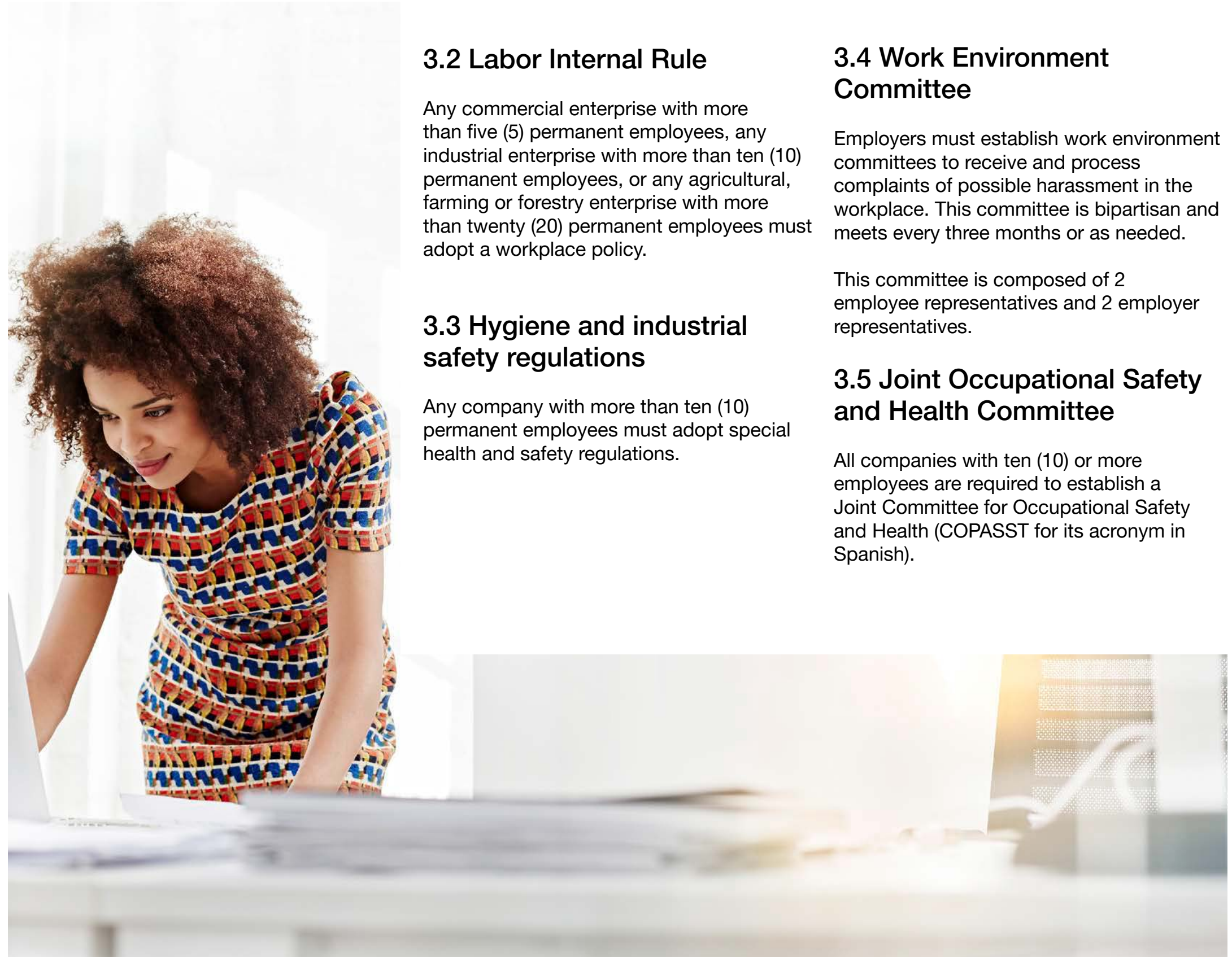
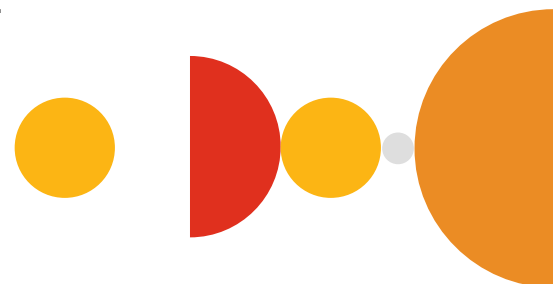
3.1 Hiring Apprentices from the National Apprenticeship Service (SENA for its Acronym in Spanish)

A business with more than fifteen (15) employees must hire apprentices at the rate of one (1) apprentice for every twenty (20) employees and one additional apprentice if there are fewer than twenty (20) but more than ten (10) employees.

Since the apprenticeship contract is not a subordinate relationship, but a special form of contract, it is not regulated by the Colombian Labor Code, but by a special regulation.

If the employer does not wish to hire the apprentices required by law, he must pay a monthly amount set by the SENA.

Employers who do not meet their apprentice quota or do not make the alternative payment are subject to monthly fines of up to one (1) MMLS for each apprentice not hired.



3.2 Labor Internal Rule

Any commercial enterprise with more than five (5) permanent employees, any industrial enterprise with more than ten (10) permanent employees, or any agricultural, farming or forestry enterprise with more than twenty (20) permanent employees must adopt a workplace policy.

3.3 Hygiene and industrial safety regulations

Any company with more than ten (10) permanent employees must adopt special health and safety regulations.

3.4 Work Environment Committee

Employers must establish work environment committees to receive and process complaints of possible harassment in the workplace. This committee is bipartisan and meets every three months or as needed.

This committee is composed of 2 employee representatives and 2 employer representatives.

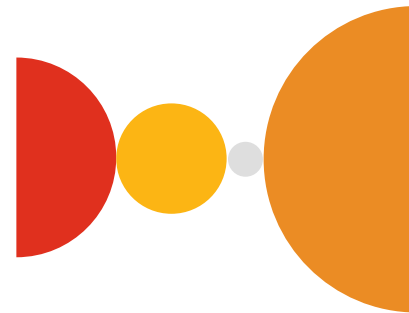
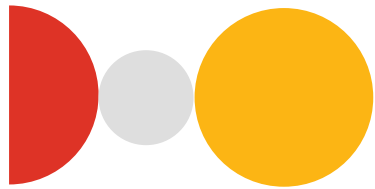
3.5 Joint Occupational Safety and Health Committee

All companies with ten (10) or more employees are required to establish a Joint Committee for Occupational Safety and Health (COPASST for its acronym in Spanish).

3.6 Semester Family Day

Employers must provide an activity that allows employees to enjoy time with their families at least once each semester. If the activity is not performed, employers must provide one shift per semester to allow employees to enjoy with their families.

To fulfill this obligation, the company may choose to give employees a day off or arrange an event that employees can attend with their family.



3.7 Management of the Occupational Safety and Health System (SG-SST for its acronym in Spanish)

Every employer who has at least 1 employee is obliged to establish a system of occupational safety and health management.

The Management of the Occupational Safety and Health System, is a process logically developed in stages, based on continuous improvement, including policies, organization, planning, implementation, evaluation, audit and improvement actions with the purpose of identifying, evaluating and controlling the risks that may affect safety and health in the workplace.

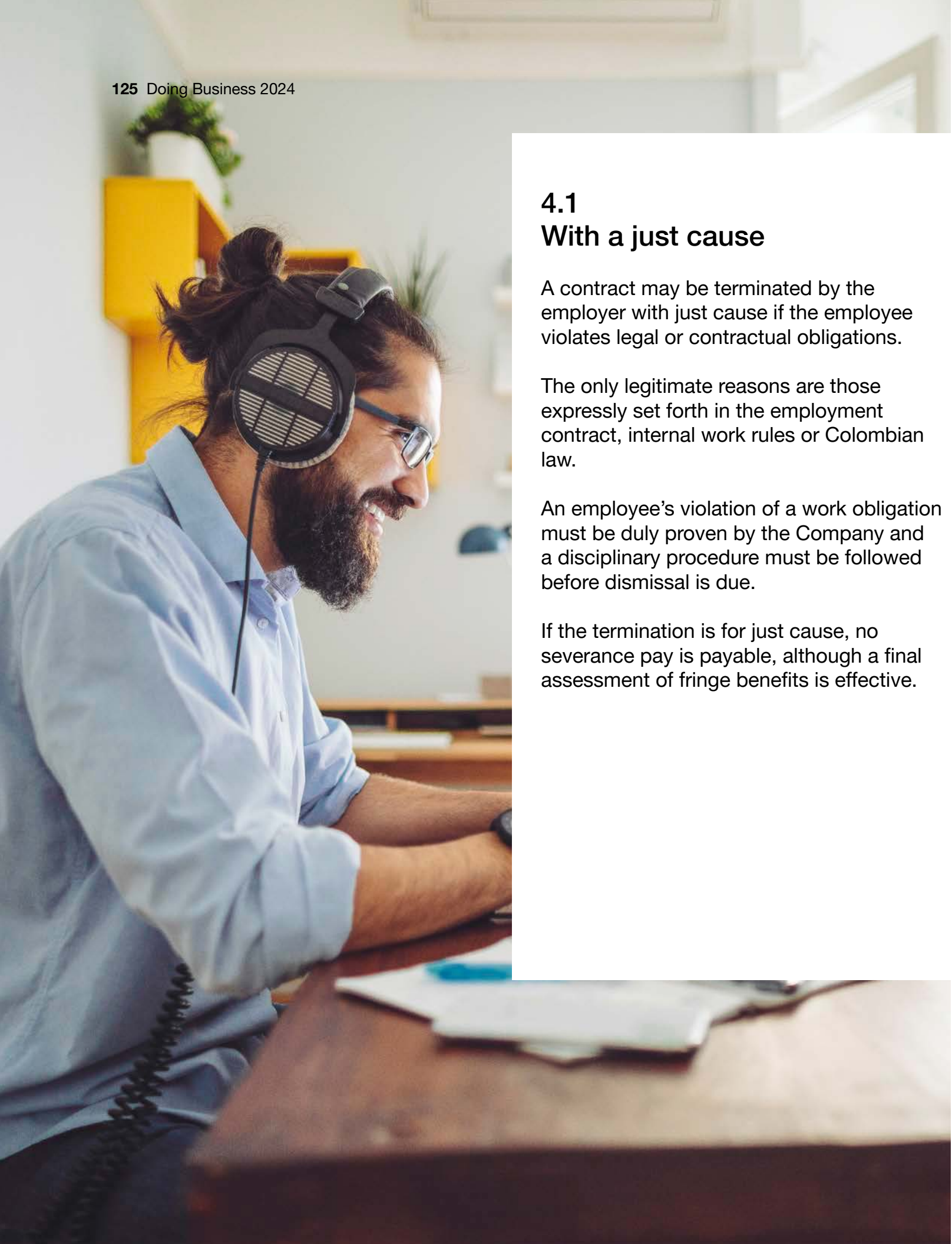
This system must be designed by a professional with a valid Occupational Health and Safety license.



4.0 Termination of Employment Agreements

In Colombia, an employer may terminate an employment contract for the following reasons.

- With a just cause
- Without a just cause
- By mutual agreement



4.1 With a just cause

A contract may be terminated by the employer with just cause if the employee violates legal or contractual obligations.

The only legitimate reasons are those expressly set forth in the employment contract, internal work rules or Colombian law.

An employee's violation of a work obligation must be duly proven by the Company and a disciplinary procedure must be followed before dismissal is due.

If the termination is for just cause, no severance pay is payable, although a final assessment of fringe benefits is effective.

4.2 Without a fair cause

The employer could terminate the employment contract at any time and without just cause or valid reason. However, the employer is obligated to pay legal compensation (indemnity) for dismissal without just cause and according to the type of contract, as follows:

a. Fixed term contract

The indemnity is equal to the outstanding salary until the end of the agreed period.

Fixed term contracts terminate without any compensation when the term agreed by the parties expires.

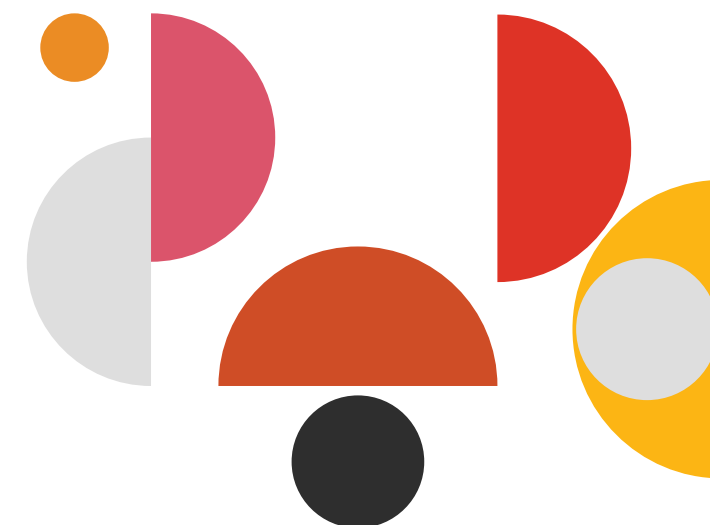
b. Contract for the duration of a work/task or contract job

The compensation shall be equal to the salary corresponding to the time remaining until the completion of the service or work contracted, in which case the compensation shall not be less than fifteen (15) days.

c. Indefinite term contract

If the employee earns less than ten (10) times the MMLS, it would be thirty (30) days of salary for one (1) year or less than one (1) year of service, plus twenty (20) additional days for each subsequent year and pro rata for fractions thereof.

If the employee's salary is more than ten (10) times the MMLS, it would be equal to twenty (20) days of salary for one (1) year or less than one (1) year of service, plus fifteen (15) additional days for each subsequent year and pro rata for fractions thereof.



4.3 By mutual agreement

In order to avoid a termination, the Company may settle the termination of the employment agreement under a transaction agreement by mutual consent.

In this scenario, both parties enter into a settlement agreement (known as an “Acuerdo Transaccional”) in which the employer agrees to a settlement amount (a lump sum) that is usually equal to the legal compensation for dismissal without just cause plus 5% to 30% (the percentage is for reference only).

In exchange, the Employee agrees not to bring any claim or action against the Company arising out of the employment relationship.

Typically, this process involves the following steps:

I.
The employee will be invited to a meeting at which this agreement will be offered and its terms explained.

II.
If the employee accepts the offer, the parties proceed to sign the agreement and the termination documents are given to the employee.

III.
Although this scenario does not require prior approval from any authority or completion of any mandatory legal step, it is customary to sign in front of a notary public.

IV.
If the employee does not accept the proposal, the Company may terminate the contract without just cause.

Indemnity for failure to pay salaries and labor benefits

If the Employer fails to pay the Employee the unpaid wages and social benefits upon termination of the employment contract, the Employee shall be entitled to compensation for the delay in the amount of one (1) day’s wages for each one (1) day of the delay during the first 24 months.

Protected employees

Before terminating the employment contract, the employer must verify that the employee does not benefit from a legal or constitutional protection that prevents his or her dismissal, either because of pregnancy (maternity/paternity leave), age (pre-retirement leave), health condition, being a member of a union or in the middle of collective bargaining (union leave), being a parent or head of a household, or having filed a complaint of harassment at work in the six (6) months prior to the dismissal.

5. Foreign employees or workers

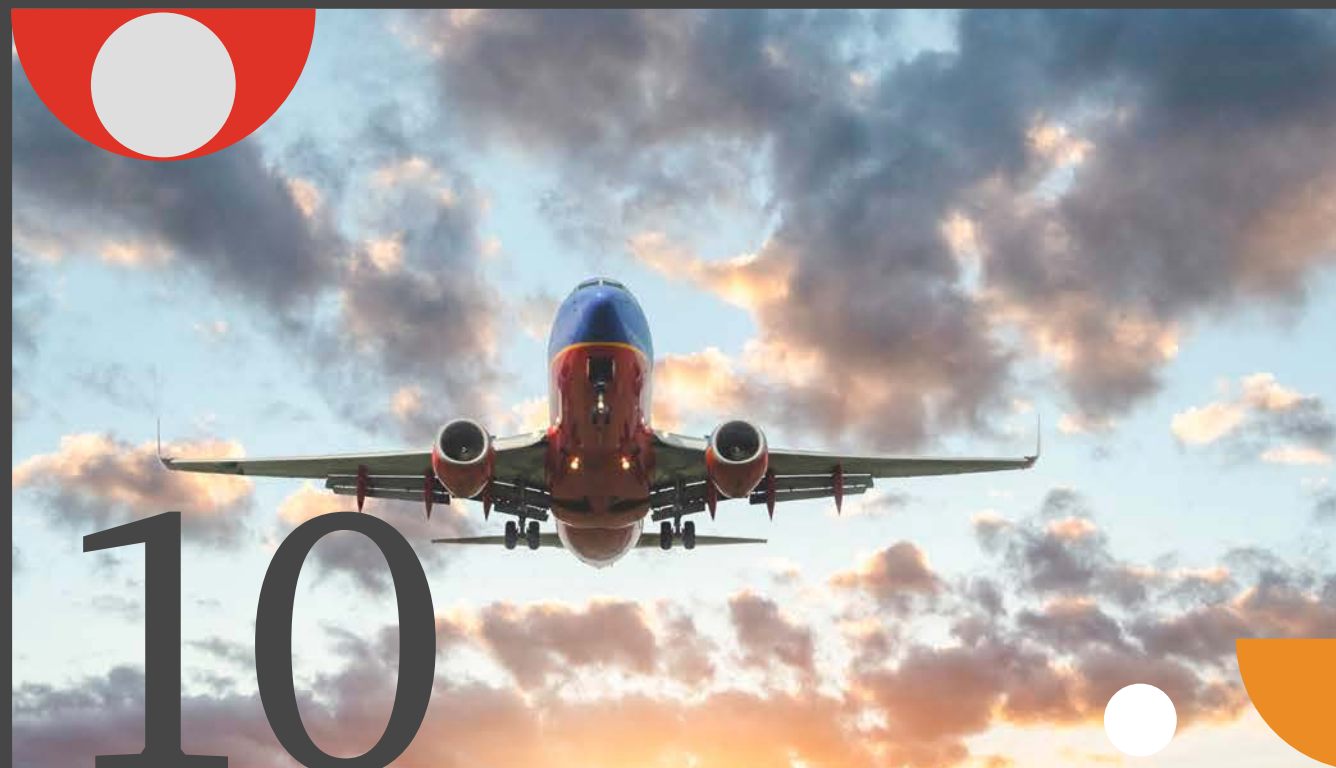
Foreign employees or workers have the same rights and obligations as Colombian workers. However, when a foreigner signs an employment contract in Colombia, both parties must fulfill certain additional obligations compared to those applicable to national employees. These special obligations arise from the immigration laws and controls that apply to foreign workers during their stay in the country.

6. Collective Labor Law

Collective labor law regulates the relationship between employers and trade unions, collective hiring, and the defense of the common interests of both employers and their workers/employees in terms of managing collective labor conflicts. The purpose of the Collective Labor Law is to develop the trade union right and the right to collective hiring in negotiations, as well as to establish the mechanisms that make the right to unionize and the right to protest effective.

Colombian workers have the right to organize in order to exercise collective labor guarantees. This is a constitutional right that seeks to protect the creation and development of trade unions and to guarantee the exercise of the right of workers to defend their interests, both labor and union-related.





Immigration Law – Visas

Colombian immigration law provides for over twenty (20) different types of visas, divided into categories for visitors, migrants and residents. Foreigners can apply for permits to carry out commercial, business or tourist activities in the country.

When a foreigner enters into a work contract in Colombia, both the employer and the employee must fulfill certain obligations to ensure the foreigner's legal residency in the country.

Colombia controls and regulates the entry and stay of foreigners in the country through its migration regime. This chapter contains the regulations issued by the Ministry of Foreign Affairs concerning foreign nationals who do not require a visa to enter the country as visitors.

In addition, we will explain the three types of visas that exist in Colombia and that can be requested by foreigners depending on the activities that they will carry out in the country, such as providing services to a company with a labor contract, providing services or carrying out business, commercial, corporate or investment activities in Colombia.





Countries that do not require a visa to visit Colombia for tourism purposes

Nationals of the following countries do not require a Colombian visa of type “V” to enter the country as tourists and may apply for a temporary permit (PIP) upon arrival in the country:

Table 1: countries do not require a type “V” Colombian visa

A.	B.	C.
Germany	Bahamas	Canadá
Andorra	Barbados	Chile
Antigua and Barbuda	Belgium	Cyprus
The former Yugoslav Republic of Macedonia	Belize	Croatia
Argentina	Bolivia	Croatia
Aruba	Bonaire	Curaçao
Australia	Brazil	
Austria	Brunei-Darussalam	
Azerbaijan	Bulgaria	
	Bhutan	
D.	E.	F.
Denmark	Ecuador	Fiji
Dominica	El Salvador	Finland
Dominican Republic	Equatorial Guinea	France
Romania	Slovakia	Finlandia
	Slovenia	Francia
	Spain	
	United States of America	
	Estonia	
G.	H.	I.
Georgia	Honduras	Indonesia
Grenada	Hungary	Ireland
Greece		Iceland
Guatemala		Marshall Islands
Guyana		Solomon Islands
		Israel
		Italy

J.
Jamaica
Japan

K.
Kazakhstan

L.
Latvia
Liechtenstein
Lithuania
Luxembourg

M.
Malta
Mexico
Micronesia
Monaco
Montenegro

N.
Norway
New Zealand

P.
Netherlands
Palau
Panama
Papua New Guinea
Paraguay
Peru
Poland
Portugal
Philippines

Q.
Qatar

R.
Republic of Korea
Russian Federation

S.
Saba
St. Kitts and Nevis
St. Eustace
St. Martin
Samoa
Sint Maarten
Saint Lucia
Saint Vincent and the Grenadines
Saint Vincent and the Grenadines
Serbia
Singapore
Sovereign Order of Malta
Sweden
Switzerland
Suriname

T.
Taiwan
Trinidad and Tobago
Turkey

U.
Uruguay
United Kingdom of Great Britain and Northern Ireland

V.
Venezuela



Source: Prepared by PwC Colombia- Ministry of Foreign Affairs.

Those holding passports from Hong Kong SAR China, the Sovereign Military Order of Malta and Taiwan China, as well as nationals of the Republic of Nicaragua who can prove that they are natives of the North Caribbean Autonomous Coastal Region and the South Caribbean Autonomous Coastal Region, are also exempt from the visa requirement to enter the country as tourists.

When foreigners enter the country, the immigration authorities stamp a seal in their passports granting a temporary permit - PIP or PTP (for its acronym in Spanish) as a tourist indicating the number of days authorized to stay in the country.



The PIP is granted for a period of ninety (90) days and may be extended for an additional ninety (90) days, if necessary, within the same calendar year.

This permit does not allow a person to work or perform any type of activity on behalf of a Colombian company.



Entry and permanence permit types

These permits are issued to foreigners who enter Colombia with no intention of settling in the country and who, by virtue of their nationality, do not require a tourist visa.

The Colombian Special Administrative Unit for Migration - UMC (for its acronym in Spanish) is the agency in charge of issuing Entry and Permanent Permits - PIP - and Temporary Permanent Permits - PTP - to foreigners who do not require a tourist visa to enter the country.

I. PIPs are granted to foreigners that will enter the country to carry out any of the following activities:

a.

Tourism Permit (PT by its Spanish acronym)

This permit allows tourist activities, medical treatment, participation in cultural, scientific, sports or conventional events and business.



c.

Permit to develop other activities (POA by its Spanish acronym)

This permit is granted to foreigners who provide specialized technical assistance, who carry out artistic performances, among other activities.

The duration of the PIP varies depending on the activity that foreigners are going to perform. In general, the duration is ninety (90) days, except for those that specify a term and except for the provision of specialized technical assistance, which may not exceed thirty (30) calendar days per year. Rights reserved.



b.

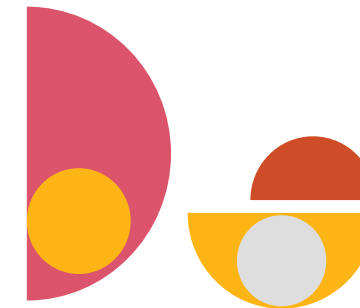
Integration and Development Permit (PID by its Spanish acronym)

This permit is issued to foreigners who enter the country to carry out personal procedures, to support important efforts for the national government, to attend academic or educational courses and events, among others.



II. PTPs are permits issued by the Colombian Special Migration Administration Unit -UMC- to any foreigner who does not require a visa and who has already used a PIP, and who seeks to extend their stay in the country or change the authorized activity.

PIPs and PTPs are regulated by Resolutions 3167 of 2019 and 2061 of 2020, issued by the Colombian Special Administrative Unit for Migration - UMC.



Visa classification

In the event that a foreigner requires a visa, either because of his/her nationality or to develop an activity other than tourism, it will be necessary to evaluate one of the options indicated below:

1.

Visitors' Visa – Type “V” Visas

a. Tourism Visitor Visa:

Applicants: This visa is issued to carry out leisure, rest or recreation, tourism or cultural interest in Colombian territory.

This visa is for foreigners with restricted nationalities, i.e. those who cannot enter the country without a Colombian visa.

Term: This visa is issued for a maximum term of one (1) year with multiple entries and allows a foreigner to stay in the country for up to 180 consecutive or discontinuous days during the 365 days that the visa is valid.

b. Business Visitor Visa:

Applicants: This visa is issued to foreigners who intend to enter Colombia to carry out business management activities, marketing studies, direct investment plans or paperwork, or to establish a commercial company.

Term: This visa is issued for a maximum of two (2) years and allows a foreigner to stay in the country for up to 180 consecutive or nonconsecutive days during the 365 days that the visa is valid.

c. Visitor visa as vessel or coastal platform crew member:

Applicants: This visa allows to work in Colombian territorial waters as a crew member of a vessel or coastal offshore platform.

Term: This visa is granted for up to one (1) year at the discretion of the immigration authorities and authorizes a foreigner to work exclusively for the project or company sponsoring the visa.

d. Visitor Visa as a seasonal agricultural worker

Applicants: This visa allows for the performance of seasonal agricultural work under programs sponsored by the Colombian Ministry of Agriculture or the Governors' Offices in consultation with the agricultural sector. The Ministry of Labor will indicate the available quotas and the tasks for which personnel are needed.

Term: This visa is issued for a maximum period of one hundred and eighty (180) days.

e. Visitor's visa to participate in events:

Applicants: This visa allows a person to enter the country to participate in business, cultural or academic conventions or activities as a speaker, exhibitor, participant, artist, athlete, juror, contestant, organizer or logistical personnel.

Term: This visa is issued for a maximum term of one (1) year with multiple entries and allows a foreigner to stay in the country for up to 180 consecutive or discontinuous days during the 365 days that the visa remains valid.

f. Visitor's visa to participate in an audiovisual production or to produce digital content work:

Applicants: This visa is issued to foreigners who plan to enter the country to make an audiovisual production or to produce audiovisuals or large-format documentaries.

Term: This visa is issued for a maximum of one (1) year at the discretion of the immigration authorities.

Passport holders from countries or territories that are exempt from the visa requirement,

who visit Colombia for this purpose, are exempt from the processing of this type of visa, provided that their stay in Colombia does not exceed ninety (90) days, which may be extended up to a maximum of one hundred eighty (180) continuous or discontinuous days per calendar year, and that they do not receive a salary in the country.

g. Visitor Visa for digital nomads.

Applicants: This visa allows foreigners of restricted nationalities to work remotely from Colombia as long as they have a valid employment contract with a foreign company. However, they may not perform any services on behalf of a Colombian entity.

For non-restricted nationalities, this visa is only required if a foreigner intends to stay in the country for more than 180 calendar days while working remotely.

Term: This visa is issued for a maximum of two (2) years at the discretion of the immigration authorities. This visa does not allow you to provide services on behalf of a Colombian company.

1.

h. Visitor's visa to conduct journalistic reporting or to stay temporarily as a foreign news correspondent:

Applicants: This visa is issued to foreigners who plan to enter the country to conduct journalistic reporting or to stay in the country temporarily as an international news press correspondent.

Term: This visa is issued for a maximum of one (1) year at the discretion of the immigration authorities. The granted permanence may not exceed one hundred and eighty (180) continuous or discontinuous calendar days.

Holders of passports from countries or territories that are exempt from the visa requirement do not need to apply for this type of visa if their stay in Colombia does not exceed one hundred and eighty (180) calendar days and they do not receive a salary or wage in the country.

i. Permanent Correspondent Visitor Visa:

Applicants: This visa is issued to a foreigner who intends to enter Colombia to work as a permanent press correspondent for a foreign media.

Term: This visa is issued for a maximum of two (2) years at the discretion of the immigration authorities.

j. Visitor visa to provide technical assistance to a legal entity in Colombia:

Applicants: It will allow a foreigner to enter the country multiple times to provide technical assistance, equipment maintenance, and other technical related tasks while remaining employed abroad by a foreign company and on home payroll.

Term: This visa is issued for a maximum period of two (2) years and entitles the alien to stay in the country for up to one hundred and eighty (180) calendar days continuously or discontinuously during the 365 days that the visa is valid.

This visa grants a work permit exclusively for the Company that sponsors the visa.

k. Visitor visa under a Free Trade Agreement (FTA):

Applicants: This visa is issued to foreigners who intend to work in a Colombian company within the framework of the commitments acquired under the Free Trade Agreements signed and in force with other countries.

Term: This visa is issued for a maximum of two (2) years at the discretion of the immigration authorities. (This visa includes a work permit).

l. Visitor's visa to visit the national territory under vacation-work programs:

Applicants: This visa is issued to foreigners who intend to enter Colombia to visit the national territory within the framework of a vacation-work program established by an agreement between a foreign state and Colombia.

Term: This visa is issued for a maximum period of one (1) year and entitles the alien to stay in the country for up to one (1) year continuously or discontinuously during the period of validity of the visa. (This visa includes a work permit).

m. Visitor's visa as an intern in a Colombian company:

Applicants: This visa is issued to foreigners who plan to participate in an internship in a company located in Colombia. This visa is for holders of nationalities exempt from the short-stay visa requirement.

Term: This visa is issued for a maximum of one (1) year at the discretion of the immigration authorities. (This visa includes a work permit).

n. Visitor visa for the provision of services or for the duration of the hired task or activity:

Applicants: This visa is issued to a foreigner who intends to enter Colombia to perform temporary work as a contractor or under an employment contract for the duration of the hired task or activity.

Term: This visa is issued for a maximum of two (2) years at the discretion of the immigration authorities. This visa grants an exclusive work permit for the position, entity, and activity for which it was requested.

O. Visitor visa to promote internationalization:

Applicants: This visa is issued to foreigners who intend to enter Colombia to carry out production, innovation or research activities aimed at the adoption or adaptation of technologies that complement or develop products, processes or services that contribute to strengthening the country's competitiveness.

1.

Term: This visa is issued for a maximum of two (2) years at the discretion of the immigration authorities and authorizes stay during the term of the visa.

p. Visitor's visa as a rentier:

Applicants: This visa is issued to an alien who receives a regular and variable income from a creditable lawful source. The amount of income cannot be less than ten (10) Legal Minimum Monthly Salaries in Force - LMMS, whose approximate value in Colombian Pesos is COP 10,000,000 (USD 2,170)*1.

Term: The visa is issued for a maximum of two (2) years at the discretion of the immigration authorities. (This visa does not grant a work permit).

q. Visitor visa for unforeseen cases:

Applicants: This visa is granted for cases and circumstances not provided for in the applicable immigration regulations, on an exceptional basis and after evaluation by the Visa and Immigration Service.

Term: to be determined by the immigration authority.

2.

Migrant Visa–Type “M” Visas

a. Migrant visa as spouse of a Colombian national:

Applicants: This visa is issued to foreigners who are married to a Colombian national and who intend to reside in the country with their Colombian spouse.

Term: This visa is issued for a maximum period of three (3) years and entitles the holder to stay during the period of validity of the visa. This visa grants an open work permit to perform any legal activity in Colombia.

b. Migrant Visa for the permanent partner/companion of a Colombian national:

Applicants: This visa is issued to a foreigner who has a de facto marital union with a Colombian citizen.

Term: This visa is issued for a maximum of one (1) year at the discretion of the immigration authorities.

This visa grants an open work permit to perform any legal activity in Colombia.

c. Migrant visa for mother/father of Colombian citizen by birth:

Applicants: This visa is issued to a foreigner who is a parent (mother or father) of a Colombian citizen by birth.

Term: This visa is issued for a maximum of three (3) years at the discretion of the immigration authorities. (This visa grants a work permit).

d. Business Migrant Visa:

Applicants: This visa is issued to foreigners who wish to enter the country as a partner or owner of a company. Your share must be worth at least 100 minimum monthly salaries - LMMS, which is equivalent to COP 100,000,000 (USD 21,712*).

Term: This visa is granted for a maximum of three (3) years at the discretion of the Immigration Service, and permanency is contingent upon maintaining the level of investment during the term of the visa. (This visa includes a work permit issued solely for the purpose of working in the business acquired by the businessperson).

e. Migrant Visa as Real Estate Investor:

Applicants: This visa is issued to a foreigner who intends to enter the country as an investor who has made a direct foreign investment or has acquired real estate in his own name and will maintain such investment or acquisition during the term of his visa.

The foreign investment must be for an amount greater than six hundred and fifty (650) Minimum Monthly Salaries - LMMS at the time of filing the application, which has an approximate value in Colombian Pesos of COP 650,000,000 (USD 141,073*).

If the investment is in real estate, a foreigner must make an investment of at least three hundred and fifty (350) LMMS, whose approximate value in Colombian Pesos is COP 350,000,000 (USD 75,951*).

Term: This visa is issued for a maximum of three (3) years at the discretion of the immigration authorities and entitles the holder to remain in the country during the period of validity of the visa.

*1 USD = COP 4.608 as of October 10, 2022

2.

f. Work Migrant Visa:

Applicants: This visa is issued to a foreigner who intends to enter the country on the basis of a work or service contract.

Term: This visa is issued for up to three (3) years at the discretion of the immigration authorities and allows the holder to stay for the duration of validity of the visa.

The work permit is for the sole purpose of providing services on behalf of the company that sponsored the application).

g. Migrant Visa as a Freelancer/
Self-employed Professional:

Applicants: This visa is issued to foreigners who wish to enter the country to exercise a regulated profession or, exceptionally, an unregulated activity, as long as it is in the country's interest.

Term: This visa is issued for a maximum period of three (3) years at the discretion of the immigration authorities and entitles the holder to stay for the duration of the validity of the visa. (This visa includes a work permit that is issued only for the job stated on the application).

h. Migrant visa as an independent professional:

Applicants: it is issued to foreigners who intend to enter the country to exercise a regulated profession or, exceptionally, an unregulated activity, provided that the activity is of interest to the country.

Term: the visa is granted for a maximum term of three (3) years at the discretion of the immigration authority and authorizes the stay during the term of the visa.

i. Migrant Visa as a national of the MERCOSUR countries:

Applicants: This visa is issued to citizens of all MERCOSUR member and associate countries. Currently, this visa may be issued to citizens of Argentina, Brazil, Bolivia, Peru, Chile, Ecuador, Uruguay and Paraguay.

Term: This visa is issued for a maximum period of two (2) years and entitles the holder to stay during the period of validity of the visa. (This visa includes a work permit).

j. Andean Migrant Visa:

Applicants: This visa is granted to citizens of Bolivia, Ecuador and Peru.

Term: It is issued for a period of up to two (2) years and authorizes permanent residence during its term. This visa includes a work permit.

k. Migrant visa to promote internationalization:

Applicants: This visa is issued to foreigners with a master's degree, doctorate or post-doctorate in basic or applied sciences, engineering, mathematics and related fields, whose profiles correspond to the priorities required by the country in its public and private internationalization plans, or to professionals in fields pre-established by the Directorate of Migration, Consular Affairs and Citizen Attention, whose exercise contributes to the adoption and/or adaptation of technologies that strengthen the country's competitiveness.

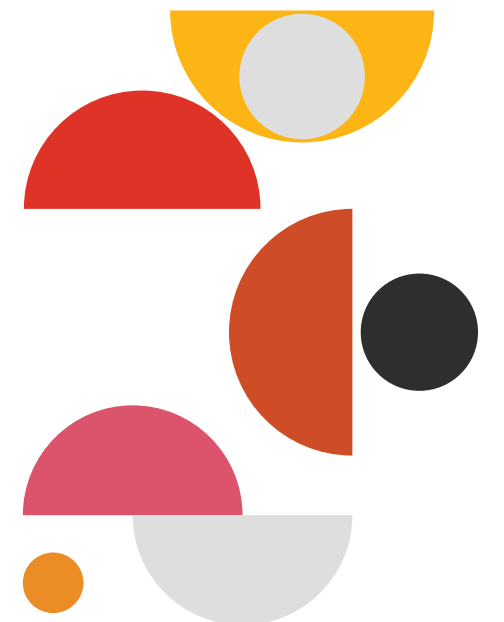
Term: This visa is issued for a maximum of three (3) years at the discretion of the immigration authorities.

l. Stateless Migrant Visa:

Applicants: it is issued to foreigners who have been recognized by the Colombian State as stateless persons.

Term: the visa is granted for a maximum term of three (3) years at the discretion of the immigration authority.

Nota: Migrant visas expire automatically if a foreigner stays abroad for more than 180 calendar days.



3.

Resident Visa – Type “R” Visas

This visa is issued to foreigners who intend to enter and stay in the country and can be applied for in the following cases:

- When a foreigner who is a former Colombian citizen, either by adoption or by birth, renounces his Colombian nationality.
- For the accumulated time, for a foreigner who has stayed in the national territory as a holder of a Migrant (M) visa. The minimum period of permanence required depends on the type of visa held by a foreigner, as follows:



Spouse of a Colombian citizen:
Minimum period of permanence of 3 years.



Employee Migrant Visa:
Minimum period of permanence of 5 years.



Permanent partner of a Colombian citizen: Minimum period of permanence of 5 years.



Mercosur or Andean Visa:
Minimum stay of 2 years.



Parent of a Colombian citizen:
Minimum period of permanence of 2 years.



Stateless Migrant Visa:
Minimum stay of 2 years.



Migrant visas from: Refugee; Partner or owner; Self-employed professional; Retiree; Promoter of internationalization; Investor, a minimum period of residence of 5 years is required.



When an alien of legal age has been the beneficiary of a resident visa type “R” for at least five (5) continuous and uninterrupted years.

- For Venezuelan citizens under the Temporary Protection Statute for Venezuelan Migrants if: they have been holders of a Special Permit to Reside (PEP) in force for 5 years; or they can prove that they have been holders of a Temporary Protection Permit (PPT) in force for 5 years; or they have completed 5 years of accumulated time between the two previous ones.

General information about the type of visa:

- This type of visa allows its holder to apply for a beneficiary visa.
- Continuity will be considered only if the new visa is issued before the expiration of the previous visa.
- Extensions of permanence (Salvoconductos) do not constitute a factor of continuity for the accumulation of time.
- The visa sticker must be renewed every five (5) years.
- This visa grants an open work permit to perform any legal activity in Colombia.



Post- Visa's Issuance Processes

Foreign ID card

All foreigners who are granted a visa for a period of more than three (3) months must register their visa at the offices of Migración Colombia within 15 days of their arrival in Colombia, or from the date the visa was issued, if it was issued in Colombia.

Once the visa is registered, Migración Colombia will issue the requested ID if the foreigner is over 7 years of age.

This document serves as a foreigner's identification within Colombia and entitles him/her to enter into contracts, open bank accounts and perform various operations. A foreigner must keep it at all times while in the country.

This document will have the same validity as the visa, so it is necessary to go through this procedure each time a new visa is issued.

SIRE and RUTEC registrations

Any Colombian company that enters into or terminates an employment contract with a foreign worker must report the newcomer to the Ministry of Labor and the Colombian Immigration Service through the SIRE (Information System for the Reporting of Foreigners) and RUTEC (Single Registry of Foreign Workers in Colombia) platforms.

For the SIRE report, the company has 15 calendar days to report the start or end of the employment contract.

With respect to the RUTEC, the Company has 120 calendar days to report the start date of the employment contract and 30 calendar days to report the termination.

Failure to complete these registrations by the deadlines may result in immigration penalties for the company.

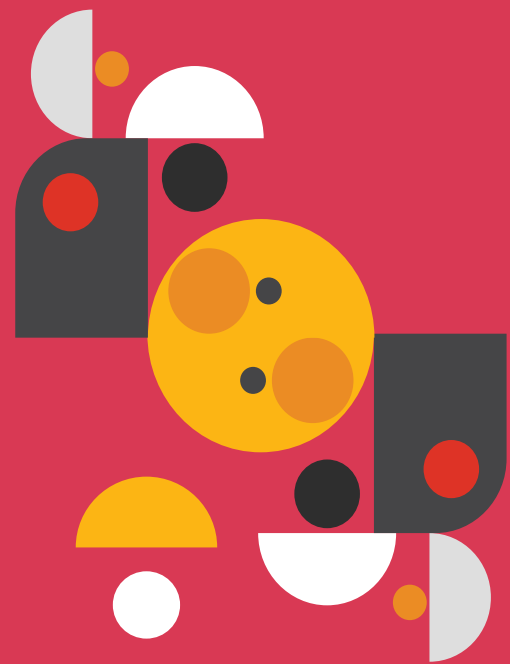
Licenses to practice a regulated profession

In Colombia, regulated professions such as engineering, law, accounting, and others must be licensed by the appropriate professional association to practice in the country.

In some cases, it is possible for a foreigner to apply for a special license to temporarily practice a profession in Colombia, such as engineering.

In other cases, it would be necessary to obtain the corresponding homologation of the degree before the Ministry of Education and then to apply for the corresponding professional registration before the Professional Council.





Leaders



01 Colombian environment

Economy



Francisco González,
Transfer Pricing Partner



Sustainability



Margarita Casas,
Sustainability and Climate
Change Partner



Carolina Agudelo,
Sustainability and Climate
Change Manager



02 Fraud prevention

Economy



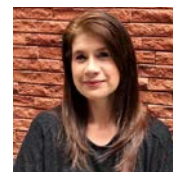
Jorge Roper,
Forensic services Partner



Alejandro Hristodulopulos,
Forensic services Director



03 International Trade, Foreign Exchange and Customs



Eliana Bernal,
Legal Partner



Rafael Vesga,
International Trade, Foreign
Exchange and Customs
Director



Wilson Herrera,
Legal Partner



04 Transfer prices



Francisco González,
Transfer Pricing Partner



05 Conflict resolution



Angélica Acevedo
Tax litigation and
conflict resolution Manager



José Luis García
Tax litigation and
conflict resolution Manager





Leaders



06 Tax law



Alba Gómez,
Tax Partner



Carlos Miguel Chaparro,
Lead Partner Tax and
Legal Services



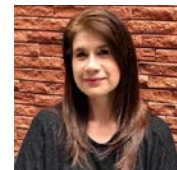
Ángela Sanchez,
Tax Consulting Partner



Omar Cabrera,
Tax Manager



07 Corporate aspects and legal compliance

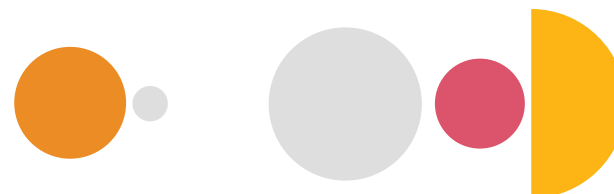


Eliana Bernal Castro,
Legal Partner



Juan Manuel Duarte,
Legal Manager

08 Government Procurement



Wilson Herrera,
Legal Partner



Juan Manuel Duarte,
Legal Manager

09 Labor law



Germán Andrés Benitez,
Labor Manager



10 Immigration law- Visas

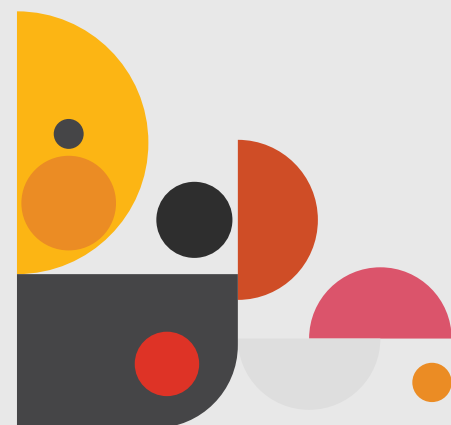


Germán Andrés Benitez,
Immigration Processes
Manager





Credits
Drafting



0. Prologue

Carlos Mario Lafaurie
Eliana Bernal

1.0 Colombian Market

1.1. Colombian Environment
Karen Africano
Laura Camila Martinez Barahona
Francisco Gonzalez
1.2. Why is it attractive to invest in Colombia?
Karen Africano
1.3. Sustainability
Margarita Casas
Laura Cajamarca Novoa
Nicolás Rodríguez Gonzalez

2. Fraud Prevention

Jorge Roperro
Alejandro Hristodulopulos

3. International Trade, Exchange and Customs

Rafael Eugenio Vesga
Maria Angelica Suarez
Diego Alberto Ramírez
Wilson Herrera

4. Transfer Prices

Francisco Gonzalez
Karen Africano
Laura Martínez

5. Conflict Resolution

Angélica Acevedo
José Luís García
Gabriel Tovar

6. Tax Regime

Omar Cabrera
Eliana Bernal

7. Corporate Aspects and Legal Compliance

Juan Manuel Duarte
Fabián Osorio
Nicole Rosero
Nicolás Avella
Laura Hernández

8. Public Contract

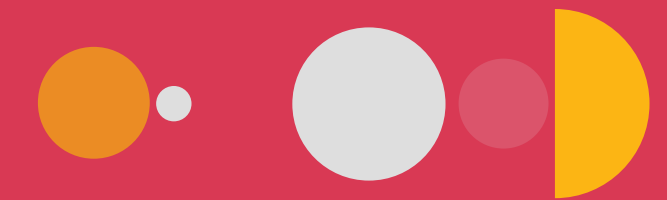
Juan Manuel Duarte
Fabián Osorio
Juan David Castro Rodriguez
Laura Hernández
Nicole Rosero
Nicolás Avella

9. Labor Regime

Germán Benitez
Lina Marcela Milan

10. Immigration Regime

Germán Benitez
Lina Marcela Milan



Design and layout

Sharon Sierra López

Proofreading and style revision

Camila Baez
Amparo Monrabal
Natalia Galindo

Contactos



Lead Partners

Carlos Mario Lafaurie Scorza
Lead Partner of PwC Colombia
carlos_mario.lafaurie@pwc.com

Carlos Miguel Chaparro
Lead Partner Tax and Legal Services
carlos.chaparro@pwc.com

Jorge Mario Añez
Consulting Lead Partner
jorge.anez@pwc.com

Jorge Eliecer Moreno
Audit Lead Partner
jorge.e.moreno@pwc.com

Legal Services

Legal Consultory

Eliana Bernal Castro
Legal Services Partner
eliana.bernal@pwc.com

Legal Consulting and Family Businesses

Wilson Herrera Robles
Legal Services Partner
wilson.herrera@pwc.com

Labor and Immigration Consulting

Germán Andrés Benítez Jaramillo
Labor, Social Security and Immigration Processes
Manager
german.andres.benitez.jaramillo@pwc.com

International Trade, Customs and Changes

Rafael Eugenio Vesga Pérez
Customs, Foreign Exchange and International Trade
Director
rafael.e.vesga@pwc.com

Litigation

Angélica Acevedo Ogliastri
Tax litigation and conflict resolution Manager
angelica.acevedo@pwc.com

José Luis García
Tax litigation and conflict resolution Manager
jose.l.garcia@pwc.com

Tax Services

Tax Consulting

Carlos Miguel Chaparro
Tax Consulting Partner
carlos.chaparro@pwc.com

Ángela Liliana Sánchez
Tax Consulting Partner
angela.liliana.sanchez@pwc.com

Compliance and Tax Outsourcing

María Helena Díaz
Outsourcing in Tax Services Partner
maria_helena.diaz@pwc.com

Nacira Lamprea
Tax and Litigation Partner
nacira.lamprea@pwc.com

Marta Toro Socia Impuestos
Tax Compliance Partner
marta.toro@pwc.com

Hernán Díaz
Tax Consulting Partner
hernan.diaz@pwc.com

Paul Rocha
Tax Compliance Partner
paul.rocha@pwc.com

Transfer Prices

Francisco González
Partner Transfer Pricing
francisco.j.gonzalez@pwc.com

Ricardo Suarez
Transfer Pricing Director
ricardo.suarez@pwc.com

Whanda Gómez
Transfer Pricing Director
whanda.liney.gomez.barrera@pwc.com

Juliana Hernandez
Transfer Pricing Director
juliana.hernandez@pwc.com

Hernando Augusto Ortiz
Transfer Pricing Director
hernando.ortiz@pwc.com



General Information

Maria Camila Silva
Marketing & Sales in Tax and Legal Services Business
Leader
maria.camila.silva@pwc.com

Rafael Rivera
Marketing & Sales Assistant in Tax and Legal Services
rafael.nicolas.rivera.diaz@pwc.com

Alejandro Benavides
Marketing & Sales in Advisory Business Leader
diego.alejandro.benavides.sanabria@pwc.com

Cesar del Corral
Marketing & Sales in Assurance Business Leader
cesar.mauricio.del.corral.lozano@pwc.com



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Bogotá

Street 100 No. 11a - 35, 5th floor.
Telephone: (601) 7431111 ext. 1200

Street 100 No. 13 -95, floor 7 - 8.
Telephone: (601) 3016986705 (Centro de Experiencia y Conocimiento)

Street 26 No. 85D - 55 Module 4
Telephone Office: (601) 7431111 ext 1400

Cali

Street 35 Nte N° 6A Bis -100 floor 2 Centro Empresarial Carvajal
Telephone Office: (602) 4859111.

Medellín

Edificio Forum Street 7 Sur No. 42-70, Tower 2, floor 11
Telephone Office: (604) 604 0606

Barranquilla

Smart Office Center Carrera 51B No. 80 - 58 Floor 7, Office 701
Telephone Office: (605) 3655111