PwC

Tax & Legal Times

Executive Summary

Colombian Tax Reform Unveiled

On September 1, 2025 the Government presented to Congress a set of draft tax rules as fiscal imbalances continue to drive uncertainty. Passing remains uncertain in 2025 ahead of the presidential elections happening in 2026. Some of the draft rules are highlighted below:

1. VAT and consumption tax

1.1. Online gambling to become taxed (currently subject to VAT temporarily through the end of 2025), including the obligation for non-resident operators to register for, collect and file, where applicable.

PwC notes: If passed, industry associations have raised a concern over the impact on the business profitability.

1.2. Filing frequency of VAT to become every two months for all registered suppliers (down from fourth filings per year for certain businesses).

PwC notes: This is positive in terms of simplification and penalty risk reduction.

1.3. Window for input VAT creditability to reduce to six months, down from eight months. Timing to be tied to the occurrence of the economical transaction.

PwC notes: The rationale to reduce the window is unclear and reference to the “economical transaction” may be confusing.

1.4. Large taxpayers (as defined by the Tax Office) to self-charge VAT on taxable services into Colombia.

PwC notes: Controversy over this obligation for these taxpayers is put to rest.

1.5. Increased taxation for fuel oils through adjustments to taxable base and rising rates.

PwC notes: Fiscal imbalances appear to drive these changes plus the need to raise taxation on fossil fuels.

1.6. Recreational, cultural, music festivals, sports and the like to become taxed at 19% (consumption tax).

PwC notes: The industry boom appears to drive this proposal as a source of collection.

1.7. The so-called “de minimis” exemption for low value shipments to be removed.

1.8. Exemption for cloud computing, hosting and software licenses for digital content, to be removed.

PwC notes: If passed, this change will also likely impact non-resident providers selling services in Colombia to VAT unregistered customers (B2C).

2. Energy

2.1. A tax on extraction at 1% to be imposed on the extraction for domestic sale or export of coal and oil . Applicable for oil & coal taxpayers with taxable income as of the end of the prior year at or over USD585,000.

PwC notes: This tax is currently imposed through the end of 2025 under certain extraordinary legislation, and it is the under-Court’s scrutiny. Any decision by the Court will likely have a bearing on this proposal.

2.2. Brackets for income tax incremental rates for coal producers are tightened.

PwC notes: Stepped up taxation on coal producers by levelling the brackets with those set for oil producers.

2.3. The 50% super deduction for qualified renewable projects to be replaced for bonds redeemable over 15 years, as well as supplies intended for these to become zero-rated (exempted today).

PwC notes: Another attempt to create a bond market relating to the super deduction tax benefit.

3. Corporate Income tax & Capital gain tax

3.1. Surcharge for the financial industry to rise to 15% (up from 5%) in addition to the headline rate of 35%.

PwC notes: The industry continues to be subject to stepped up taxation.

3.2. Withholding tax to become a requisite for deductibility of costs & expenses. Remittance to be required by the income tax return due date.

3.3. Tax amortization of fixed term and shares to be permitted.

PwC notes: Unclear if this is really intended following the removal of a similar rule in 2012.

3.4. Capital gain tax to rise to 30% for lotteries, raffles, gambling and the like, up from 20%.

The 15% rate for the sale of fixed assets to remain, provided a four-year ownership (up from two years).

PwC notes: The games of luck industry and customers are broadly targeted by the Bill (plus VAT as set out above).

3.5. Non-resident dividend tax to rise to 30% (up from 20%).

PwC notes: Concern over stepped up taxation of profits plus the high headline rate in the absence of any grandfathering rules to provide some certainty.

4. Personal Income Tax

4.1. The withholding tax rate system based on a 12 average to be removed and replaced by the tax brackets system on monthly income. Tax brackets to rise across income ranges while the top marginal rate rises to 41% (up from 39%)

PwC notes: The withholding tax rate determination based on average generally creates less cash to remit monthly while catching up as the income tax return is filed. If removed, cash tax pressure on monthly employment income will rise.

4.2. Dividend tax credit against individuals income tax to be removed.

PwC notes: Concern overstepped up taxation of profits plus the high headline rate plus the absence of any grandfathering rules to provide some certainty.

5. International Taxation

5.1. Direct sale of shares to be ignored for tax purposes if the non-resident seller fails to provide proof of filing and tax payment, where applicable, to the local recipient's registered agent or representative, both of which are also to become jointly liable with the non-resident seller for any outstanding tax, penalty and interest upon the sale.

PwC notes: This proposal is likely to yield much controversy over disregarding for tax purposes the change of shareholders upon the sale.

5.2. For indirect sales, joint liability to be introduced for any seller's unfiled income tax return.

PwC notes: The inability to effectively chase non-resident sellers subject to tax filings appears to drive this change that facilitates enforcement.

5.3. Corporate restructurings where the effective place of management rules are used, to be reported to the Tax Office as well as in the financial statements. Otherwise, GAAR to be imposed on the transactions.

5.4. Failure to provide data eligible for automatic exchange of information to result in the closure of the bank account or related products

PwC notes: Stepped up scrutiny on individuals subject to reporting.

5.5. Taxation for permanent establishments to align with rules for tax residents.

PwC notes: Potentially positive change where rules were only written to resident entities.

5.6. Related parties' limitations on costs and deductions to continue to be lifted if arm's length compliant, but withholding tax where applicable to remain due.

PwC notes: transfer pricing rules no longer would facilitate deductibility of expenses with tax havens and low tax jurisdictions, but withholding tax when applicable will continue to be required.

6. Digital Taxation

6.1. The 3% rate to rise to 5% for significant economic presence taxpayers electing to file annual income tax returns.

6.2. Digital assets to be out of scope for income tax purposes except where representing underlying assets. Digital assets to potentially eligible for tax amortization.

6.3. Indirect disposal of assets in Colombia through the transfer of digital assets internationally to become in scope for income tax purposes.

7. Tax Amnesty

7.1. Penalties and interest to be reduced under certain circumstances and by certain due dates, including any relating to unfiled returns, unpaid taxes or on-going tax disputes, provided any tax under discussion is fully paid.

7.2. Underreported assets or overreported liabilities as of 01/01/26 to be subject to a 15% complementary tax rate while at the same time not triggering any penalties or delay interest (tax due 31/07/26).

8. Miscellaneous provisions

8.1. Excise tax rates for beers, liquors and the like to level to 30% while broadening the taxable base based on liquor content.

8.2. Window to file amended returns to pay more tax or cause a tax receivable to grow to be tied to the statute of limitations (3 or 5 years).

PwC notes: While positive, the 1 year deadline to file amended returns to reduce the tax remains unchanged.

The Takeaway:

While the passing of the Bill is uncertain due to political uncertainty and the fast approaching presidential elections, taxpayers should carefully identify any changes potentially being critical to the operation in Colombia to anticipate any adverse impacts and opportunities.

Find the text here

Find the reasons here.

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