Tax bill 2024

Executive Summary

1. INCOME TAX – CIT

a. *Corporate income Tax rates*: General corporate income tax rate to be modified from 35% to a progressive rate distributed in three ranges as follows:

Taxable income		Today	2025	2026	2027	2028	2029 and onwards
From	To						
0	USD$74.000	35%	27%				
>USD$74.000	USD$1.412.000		34%	33%	32%	31%	30%
> USD$1.412.000	and onwards		34%	33%			

However, special rules are proposed for the following sectors:

Industry	Nominal rate	Surtax	Others
Oil and gas	35%	Yes	Surtax for the coal sector to be aligned to the surtax stated for oil sector.
Financial entities	Progressive	yes	To remain at 5 pts
Hydroelectric generators		yes	To remain at 3 pts

b. *Top-up tax*: Taxpayers subject to the minimum tax rate would be required to calculate an Additional Tax when their Effective Tax Rate is below 20% [currently 15%].

c. *Deductions*:

- Costs and expenses would be deductible only if the respective withholding tax has been performed, reported in the tax return, and paid within the established deadlines.
- Limits to claim as deducible, cost and expenses for payments in cash would be more stringent.

d. *Presumed interest*: should be calculated not only in the case of loans between companies to shareholders but also between companies and their permanent establishments. It is also proposed to increase the presumed interest to double the DTF in effect as of December 31 of the previous taxable year.

e. Individuals

- It is proposed to increase the tax rate for the highest marginal range (for those with a net income exceeding 31,000 UVT (FY24: USD365K)) from 39% to 41%.
- The so called “additional deduction for dependents”, would specify that the same dependent can only be claimed by a single taxpayer.
- The percentage of deduction for purchases of goods and/or services supported by electronic invoices would be increased for the taxable years 2025 (5%) and 2026 (3%) and would remain at 1% from 2027 onwards. In all cases, the maximum deduction limit of 240 UVT per taxable year is maintained.
- As of February 1st, 2025, the marginal withholding tax rate applicable to taxable income derived from employment, or legal and regulatory relationships, would be increased for the highest marginal range (from 2,300 UVT [FY2024: USD 27k]), from 39% to 41%.

- It would be expressly established that progressive withholding tax rates stated in Section 383 of the Tax Code, will be applicable for individuals that perceived remuneration from services, commissions and other payments that are not derived from a labor income that do not choose to claim costs and expenses on their individual income tax returns.
- Procedure 2 for determining the withholding tax base- which contemplates the possibility of establishing a fixed rate determined semi-annually-, would be repealed.
- Automatic Refund: When more than 80% of the worker's income corresponds to labor income and the income tax return generates a balance in favor due to the withholdings made, the Tax Office would automatically refund the balance in favor within 90 days. This provision would apply to taxpayers who filed the return on time.

2. CAPITAL GAIN TAX

a. The tax rate would be increased from 15% to 20%.
b. The special tax rate on occasional gains from lotteries, raffles, bets, and similar would be modified from 20% to 25%.

3. WEALTH TAX

a. *Taxable persons:*
   - Domestic entities and permanent establishments of foreign companies would be taxable persons, only on "non-productive real fixed assets."
   - These taxpayers would not have a threshold to be required to calculate the wealth tax, and the value of non-productive assets would constitute the tax base.
   - A single rate of 1.5% would apply to these taxpayers.

b. *Taxable Event:* The wealth tax continues to be accrued on net worth, but the threshold is reduced from 72,000 UVT [FY24: USD 850K] to 40,000 UVT [FY24: USD 471k].

c. *Rates:* The progressive rates of the wealth tax would be increased, which could reach up to 2%.

4. "SIMPLE" REGIME

a. Simple taxation regime would be repealed.
b. It is an optional taxation regime of annual periodicity, and it is applicable for taxpayers below certain thresholds.
c. Today, this regime replaces several levies (e.g. income tax and industry and trade tax)

5. VALUE-ADDED TAX (VAT)

a. *Rates:* The sale of hybrid and plug-in hybrid vehicles would be taxed at a rate of 19% [currently 5%]. The preferential rate of 5% would be maintained for electric vehicles.

b. *Excluded Services*: Under the classification of certain CIUU codes, services such as accommodation, travel agencies, tour operators, convention and trade show organizers, and amusement and theme parks would be considered excluded. For this purpose, the services must be provided in municipalities with less than 200,000 inhabitants.

c. *Zero-rated Goods:* As of 2026, the exemption for public passenger transport vehicles and public or private freight transport vehicles would only apply to the acquisition of vehicles that meet the maximum permissible emission limits for air pollutants corresponding to EURO VI technologies or their equivalent, or less or non-polluting technologies. This benefit would be in effect until 2029.

d. *Games of Chance and Gambling:* The tax base for this taxable event is modified. Additionally, it is proposed to include games of chance and gambling operated exclusively online in the taxable events of the tax.

6. TAX INCENTIVES FOR RENEWABLE ENERGY

Law 1715 of 2014 was introduced in order to promote investment and development of non-conventional energy sources ("NCSE") or measures for efficient energy ("MEE") with a specific emphasis on renewables. These rules would be modified as follows:

a. *Corporate income tax:* taxpayers that make investments as NCSE and MEE will be able to issue "*Energy Transition Bonds*" for up to 50% of the value of the investment. The person who acquires the bond can use its face value to claim a deduction for income tax purposes, under certain conditions.
b. VAT on acquisition of goods and services for the development of this kind of projects to become *zero rated* instead of excluded.

7. CARBON TAX

a. Taxable event for coal would be modified to be identical to that stablished in the current regulations of gas and oil derivatives. The same applies to the description of the responsible parties.
b. Rate of this tax would be increased and expressed in UVT.
c. Currently, the law establishes a gradual application of the rate for coal, so that it is only fully applied until 2028. The project proposes to establish only one graduality for the year 2025, and from 2026 the full rate would apply.

8. TAX PROCEDURE

a. Classification as a "fictitious supplier" would be extended to the partners or shareholders of legal entities, whether direct or indirect, and to their final beneficiaries with direct or indirect control.
b. A special penalty in UVT is created for those who voluntarily acknowledge non-compliance with the billing obligation.
c. Currently, law allows a short-term statute of limitations (for FY 2024, 2025 y 2026) when the income tax had been increased over a certain percentage from one year to another. This "Special statute of limitation" would be repealed.

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