

## ALERT

### Colombian Tax Changes – Law 1739 of 2014

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Juan Carlos Valencia

#### HIGHLIGHTS:

- » The new tax law creates a Wealth Tax, introduces CREE tax modifications and sets forth changes to some items regarding income tax.
- » In addition, several measures to fight against tax evasion are placed as well as certain benefits for the payments of taxes and associated charges for tax obligations cut of year 2012.

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On Dec. 23, 2014, a tax reform bill was enacted in order to increase government revenue for future expenses. Law 1739 of 2014 contains the tax reform bill and states the creation and modification of the following items:

#### Wealth Tax

- » The tax was approved for all resident and nonresident entities, individuals, illiquid inheritances and *de facto* corporations subject to Colombian income tax and regarding all wealth possessed directly or indirectly in Colombia.
- » The tax is applicable to the possession of wealth equal or that exceeds COP\$ 1,000,000.000 (approximately US\$ 434,700) on January 1, 2015. Wealth and the taxable base are defined as the gross equity of the taxpayer minus liabilities and the exclusion of certain assets specified in the new regulation.
- » The tax is determined by ranges (see Rates section below), in which a gradual and progressive decrease of the marginal rate and the total tax per range are expected during the different years for which the tax is applied. Please note that the tax is to be in force until 2018.

#### Modification and Surcharge to CREE Tax

- » Modifications to the calculation of the income tax for equality –CREE- were introduced, including 1) the depreciation of assets, 2) the set-off of tax losses and 3) the option to apply a tax credit.
- » A surcharge to the CREE tax was introduced for taxpayers whose taxable base is higher than COP \$800,000,000 (approximately USD \$347,800). The tax will be determined based on the designated charts (see Rates section below) and will be calculated over the taxable base defined under the applicable regulation for CREE. The rate will increase progressively from 5 percent to 9 percent by 2018, when the surcharge finishes. All the CREE surcharge must be paid in advance.

## Income Tax and Financial Transactions Tax

- » Modifications to the income tax were introduced, including 1) changes in the conditions that generate tax residence, 2) new temporary income tax rates increasing from 39 percent to 43 percent for nonresidents on taxable income not attributed to a branch or a permanent establishment for years 2015 to 2018, and 3) modifications to the calculation of the tax credit.
- » A modification to the decrease and further elimination of the financial transactions tax was introduced as follows: 1) from 4X1000 to 3X1000 for 2019, 2) to 2X100 for 2020, and 3) to 1X1000 for 2021. The total elimination of the financial transactions tax will occur in January 2022.

## Others

- » Mechanisms to fight tax evasion will be implemented. These include 1) an additional tax for the legal recognition and disclosure of hidden assets, 2) the annual return for assets possessed abroad, 3) the conciliation of tax, customs and foreign exchange disputes and 4) the settlement of tax, customs and foreign exchange disputes.
- » Special payment options were introduced for the payment of taxes, fees, customs duties and penalties for years 2012 and earlier, where it is possible to pay the main obligation plus an amount for penalties and interest owed, reduced up to 80 percent.

## RATES

### Wealth Tax

Regarding entities, the applicable tax rates are as follows:

For year 2015:

WEALTH TAX CHART			
Range of taxable base in pesos		Marginal Rate	TAX
Lower Limit	Upper Limit		
\$0	<\$2,000,000,000	0.20%	(Taxable base) * 0.20%
≥\$2,000,000.000	<\$3,000,000,000	0.35%	((Taxable base – \$2,000,000,000)*0.35%) + \$4,000,000
≥\$3,000,000,000	<\$5,000,000,000	0.75%	((Taxable base – \$3,000,000,000)*0.75%) + \$7,500,000
≥\$5,000,000,000	Onwards	1.15%	((Taxable base – \$5,000,000,000)*1.15%) + \$22,500,000

For year 2016:

<b>WEALTH TAX CHART</b>			
<b>Range of taxable base in pesos</b>		<b>Marginal Rate</b>	<b>TAX</b>
<b>Lower Limit</b>	<b>Upper Limit</b>		
\$0	<\$2,000,000,000	0.15%	(Taxable base) * 0.15%
≥\$2,000,000,000	<\$3,000,000,000	0.25%	((Taxable base – \$2,000,000,000)*0.25%) + \$3,000,000
≥\$3,000,000,000	<\$5,000,000,000	0.50%	((Taxable base – \$3,000,000,000)*0.50%) + \$5,500,000
≥\$5,000,000,000	Onwards	1.00%	((Taxable base – \$5,000,000,000)*1.00%) + \$15,500,000

For year 2017:

<b>WEALTH TAX CHART</b>			
<b>Range of taxable base in pesos</b>		<b>Marginal Rate</b>	<b>TAX</b>
<b>Lower Limit</b>	<b>Upper Limit</b>		
\$0	<\$2,000,000,000	0.05%	(Taxable base) * 0.05%
≥\$2,000,000,000	<\$3,000,000,000	0.10%	((Taxable base – \$2,000,000,000)*0.10%) + \$1,000,000
≥\$3,000,000,000	<\$5,000,000,000	0.20%	((Taxable base – \$3,000,000,000)*0.20%) + \$2,000,000
≥\$5,000,000,000	Onwards	0.40%	((Taxable base – \$5,000,000,000)*0.40%) + \$6,000,000

For individuals, the following rates are applicable:

<b>WEALTH TAX CHART</b>			
<b>Range of taxable base in pesos</b>		<b>Marginal Rate</b>	<b>TAX</b>
<b>Lower Limit</b>	<b>Upper Limit</b>		
\$0	<\$2,000,000,000	0.125%	(Taxable base) * 0.125%
≥\$2,000,000,000	<\$3,000,000,000	0.35%	((Taxable base – \$2,000,000,000)*0.35%) + \$2,500,000
≥\$3,000,000,000	<\$5,000,000,000	0.75%	((Taxable base – \$3,000,000,000)*0.75%) + \$6,000,000
≥\$5,000,000,000	Onwards	1.50%	((Taxable base – \$5,000,000,000)*1.50%) + \$21,000,000

### **CREE surcharge**

The following charts are applicable:

For year 2015:

<b>CREE SURCHARGE CHART</b>			
<b>Range of taxable base in pesos</b>		<b>Marginal Rate</b>	<b>SURCHARGE</b>
<b>Lower Limit</b>	<b>Upper Limit</b>		
\$0	<\$800,000,000	0.00%	(Taxable base) * 0.00%
≥\$800,000,000	Onwards	5.00%	((Taxable base – \$800,000,000)*5.00%)

For year 2016:

<b>CREE SURCHARGE CHART</b>			
<b>Range of taxable base in pesos</b>		<b>Marginal Rate</b>	<b>SURCHARGE</b>
<b>Lower Limit</b>	<b>Upper Limit</b>		
\$0	<\$800,000,000	0.00%	(Taxable base) * 0.00%
≥\$800,000,000	Onwards	6.00%	((Taxable base – \$800,000,000)*6.00%)

For year 2017:

<b>CREE SURCHARGE CHART</b>			
<b>Range of taxable base in pesos</b>		<b>Marginal Rate</b>	<b>SURCHARGE</b>
<b>Lower Limit</b>	<b>Upper Limit</b>		
\$0	<\$800,000,000	0.00%	(Taxable base) * 0.00%
≥\$800,000,000	Onwards	8.00%	((Taxable base – \$800,000,000)*8.00%)

For year 2018:

<b>CREE SURCHARGE CHART</b>			
<b>Range of taxable base in pesos</b>		<b>Marginal Rate</b>	<b>SURCHARGE</b>
<b>Lower Limit</b>	<b>Upper Limit</b>		
\$0	<\$800,000,000	0.00%	(Taxable base) * 0.00%
≥\$800,000,000	Onwards	9.00%	((Taxable base – 800,000,000)*9.00%)

If you have any further questions regarding this data, please do not hesitate to contact us.

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## **Authors**

### **Juan Carlos Valencia**

Bogota

+57.1.745.3231

jvalencia@hklaw.com

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## **Related Client Sectors**

Financial Services

## **SEO Words**

Colombian lawyers, tax attorneys, Colombian tax reform, Law 1730, CREE tax, wealth tax, income tax laws, tax rate law

## **SEO Description**

A tax reform enacted under Law 1739 of 2014 to increase revenue has created a Wealth Tax, modifies the CREE tax and sets forth important residence triggers to the application of Colombian income tax.

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