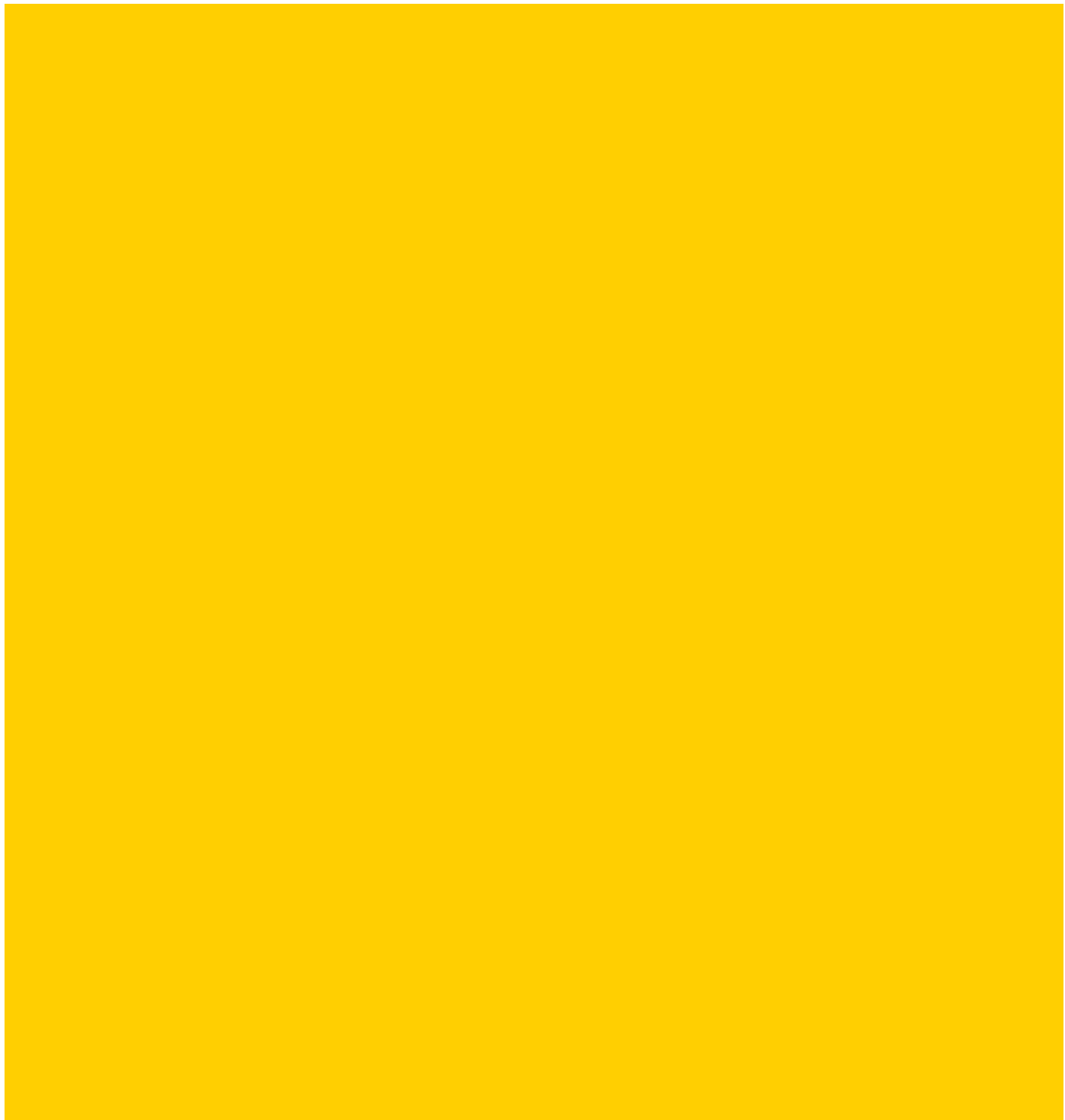




Doing Business in Colombia



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An overview of the country

Geographical and demographical background

Colombia is located at the North-western edge of the South American continent and it is bordered by Panama, Venezuela, Brazil, Peru and Ecuador. It has a total extension of about 1,141,748 square kilometers and is the fourth largest country of South America, after Brazil, Argentina and Peru. It is the only South American country with shores at both oceans. The Andes Mountains pass along the Colombian territory.

- Capital: Bogotá D.C.
- Population: around 41,5 million
- Area: 1,138,910 sq Km (439,735 sq mi.)
- Language: spanish
- Religion: roman catholic 95%
- Currency: colombian peso (COP)

Brief history of the country

On July 20, 1810, the country declared its independence from Spain, beginning the period of the Republic. The Constitution of 1886 was the legal support of the Nation until 1991, when a National Constitutional Assembly enacted the current Constitution. The 20th Century brought a fast modernization of the country's infrastructure and urbanization, which implied a change in the type of society from rural to a predominantly urban one.

At the beginning of the 90's, there was a fundamental change in the development model, creating greater economy opening for the international commerce and foreign investment, a hemispherical integration and promotion of the export sector as a driver of the economic development.



What is the climate of the country?

Colombia's climatic variations are determined by altitude, due to its location near the Equator. Seasons are periods of lesser or greater rainfall, with little or no temperature change. Average temperatures in the main cities are as follows:

- Bogotá 59°F (16°C), Medellín 75°F (24°C), Cali 82°F (28°C), Cartagena 84°F (30°C).

Mineral and energy resources

Colombia is rich in energy and mineral resources. Minerals ranging from Coal, Gold, Nickel, among others, and other resources like Petroleum.

What are the major races?

58% of the population is mestizo, or of mixed European and Amerindian ancestry, while 20% is of European ancestry. Another 14% is mulatto, or of mixed black African and European ancestry, while 4% is of black African ancestry and 3% are of mixed black African and Amerindian ancestry. Pure indigenous Amerindians comprise 1 percent of the population.

What is / are the legal language(s)? What are the common languages / dialects used?

Spanish is the legal language and is spoken throughout all of Colombia. There are 101 languages listed for Colombia in the Ethnologue database, of which 80 are spoken today as living languages. There are about 500,000 speakers of indigenous languages in Colombia today.

Where are major cities? What are the prominent industrial sectors in such major cities?

- Bogotá – capital city, strong service economy and headquarters for major corporations.
- Medellín – industrial city. Hub for textile production, consumer products production, and financial services.
- Cali – industrial city. Hub for production plant sites, including paper processing, tire and rubber manufacturing, consumer products, industrial manufacturing.
- Cartagena – tourist capital. Hub for tourism and hospitality and leisure sector.

What about education standard in Colombia

Over 94% of the entire population over 15 years of age can read and write. Sixty percent of students complete primary schooling (5 years) and move onto secondary schooling (6 years). Approximately 80 percent of Colombian children enter school, they usually join a preschool academy until age 6 and then go to school.

The school year extends from February to November or from August to June. Primary education is free and compulsory for nine years for children between 6 and 12 years of age. The net primary enrolment (percentage of relevant age-group) in 2001 was 86.7 percent. The completion rate (percentage of age-group) for children attending elementary school (primaria) in 2001 totalled 89.5 percent. In many rural areas, teachers are poorly qualified, and only five years of primary school are offered.

Secondary education (educación media) begins at age 11 and lasts up to six years. Secondary-school graduates are awarded the diploma (high-school diploma). Net secondary enrolment in 2001 was 53.5 percent. School life expectancy in 2001 was 11,1 years.

School for foreign children can be found at local American or European schools, which cater to a large audience of foreign students and are English, French or German based.

Political and legal system

What are the major government authorities? A chart is nice to have

Government	Constitutional	Law and Bill of Rights
	Executive	President, Vice President, Council of Ministers, Government agencies
	Legislative	Congress (Senate and Representatives)
	Judicial	Superior Council, Attorney General, Supreme Court, Constitutional Court
	Control	Controller General, Auditor General, Inspector General, Customs and Tax Division

Colombia is divided into 32 departamentos (departments) and one distrito capital (capital district). Each Department has its capital city or town. The Departamentos and cities are governed by popular vote elected governors or mayors, and each count with legislative organs (like the Department Assembly or the City Council).

What are the major duties of the government authorities?

Colombia is a Country of laws and organized as a Unitary Republic; it has a Presidential political system and its territorial entities are autonomous. The public power is divided in three branches; executive, legislative and judicial.

The President is the Chief of both the State and the Government. He is elected, along with a Vice-President, by popular vote every four years and can be re-elected for one more period.

The Colombian State is ruled by the Constitution of 1991. This new Political Constitution created a new democratic framework based on the legal recognition of the fundamental rights for all Colombians. In that sense, the constitutional letter is considered as one of the most advanced in the world.

The major duties authority is the Tax and Duties National Direction (DIAN).

Please give a brief description of the legal framework

- Which is the legalisation body?

The Colombian bicameral parliament is the Congress, comprised by the Senate and House of Representatives. The members of both cameras are elected by popular vote to serve during a four-year period.

- Which is the legal enforcement body?

The Colombian legal system is comprised mainly by the Supreme Court of Justice, which is the maximum court of the Colombian justice, the Nation's General Prosecutor, the Constitutional Court, the State Council, and the Superior Judicial Council.

- Is it a common law system or continental law system?
Respect precedent cases in the legal system?

Independence in the 19th century culminated in the adoption of a written constitution and later in the reform of Spanish legislation through the issue of codes following the French system. This influence is important in civil matters, for which the code adopted was one prepared by Andres Bello on the lines of the Napoleonic Code. However, some of the Civil Code's contents were subsequently modified to modernize and adapt them to cultural and social developments.

The Commercial Code is patterned on modern European lines. For other matters of common, penal and labor law, the codes in force are also based on modern legislation with European influence.

The economy

General outlook

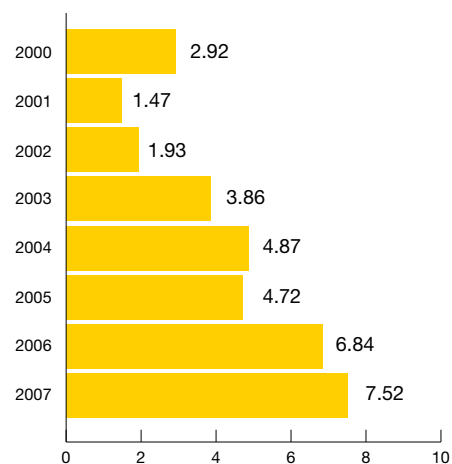
Gross GDP of the latest 3 years

Gross GDP (2004-2007)	
Year	Variation (%)
2004	4.96
2005	4.74
2006	6.96
2007	7.62

source: DANE.

GDP growth rate of the latest 3 years

GDP annual growth rate (%)



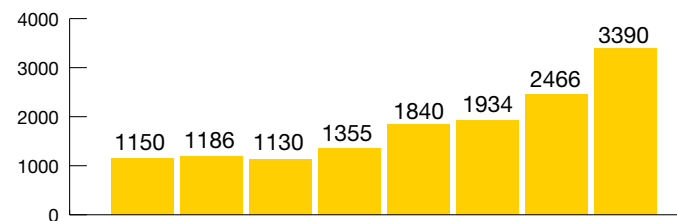
Foreign trade and balance of payment

Colombian balance of Payments (2003 - 2008)			Millions of USD - FOB
Year	Exports	Imports	Balance
2003	13,129	13,026	102,8
2004	16,788	15,649	1,139,7
2005	21,190	19,799	1,391,5
2006	24,391	24,534	-143,0
2007	29,991	30,816	-824,3
2008*	5,668	5,625	42,6

* Corresponds to January 2008.

Source: DIAN - Calculated by DANE.

CIF value on Colombian imports – Country total – April (2001-2008)



Composition of economy by industrial sectors

Colombia's GDP composition by sector:

- Agriculture: 11.5%.
- Industry: 36%.
- Services: 52.4%.

Strength of prominent industrial sectors

The following are the most prominent industrial sectors, with aggregate revenue data for the sector in 2006. Data is in Colombian Pesos '000 (three zeroes missing).

Industry Cluster / Sector	2006 Sector Revenue	2005 Sector Revenue	Growth
Coffee	4,736,098	4,145,081	14%
Avian Sector	2,533,047	2,250,597	13%
Chocolate and Candy	2,555,689	1,997,467	28%
Textiles	3,583,117	3,107,882	15%
Confections	3,440,655	3,043,777	13%
Retail Textile Commerce	2,412,408	2,056,418	17%
Chemicals	10,007,092	8,671,860	15%
Pharmaceutical Retail	3,633,241	3,168,848	15%
Plastics	4,198,042	3,692,434	14%
Iron and Steel Industry	2,286,918	1,583,978	44%
Metalic Products	2,710,927	2,063,864	31%
Machinery and Electric Equipment	6,577,246	5,554,241	18%
Electric Appliances	2,515,010	2,042,050	23%
Appliances and Machinery	3,522,962	3,027,743	16%
Transportation Equipment	4,381,186	3,137,795	40%
Car Dealerships	3,152,897	2,400,148	31%
Autoparts Commerce	4,959,949	3,979,055	25%
Fuels and Lubricants	10,089,109	8,749,544	15%
Civil Construction	3,169,087	2,819,338	12%
Construction Materials	3,552,319	2,841,081	25%
Mobile Comms	3,939,669	2,707,138	46%
Healthcare	4,401,660	3,825,169	15%

Foreign investment utilization

FDI of the latest 3 years. A comparative bar chart is nice to have

- 2005 - US\$ 10,240,4 million.
- 2006 - US\$ 6,463,5 million.
- 2007 - US\$ 9,028,1 million.

FDI distribution by major industrial sectors of the latest year

Energy and mining, manufacturing, high-tech, trading, financial institution, etc.

Investment by sector 2007	Amount in USD millions	Percentage
Oil / Petroleum	3,428,9	38.0%
Manufacturing	1,516,2	16.8%
Banking	1,196,3	13.3%
Mining	1,047,1	11.6%
Tourism	893,7	9.9%
Transportation and Communications	766,3	8.5%
Construction	175,9	1.9%
Agriculture	55,2	0.6%
Others	30,9	0.3%
Utilities	-82,3	-0.9%
Total 2007	9,028,1	100%

Source: Balanza de Pagos Banco de la República de Colombia.

Doing business
in the country

General business and investment climate

- Government attitude toward foreign investment.
Are there any investment protection agreements?
- The Government guarantees that the foreign investor will be treated as a local investor.
- Local competitor attitude toward foreign investment.
Local competitors usually dislike foreign investment when it is the entrance of a new competitor, and they will try to establish barriers in terms of regulations, marketing and / or distribution.
- Labour attitude toward foreign investment.
When it comes to the establishment of new job positions, people are open to new companies when there is investment and job generation, considering that it complies with all legal norms and regulations of the country.

Foreign investment regime

The Colombian Foreign Exchange Regime is regulated mainly by Law 9 of 1991, by Resolution 8 of May 5, 2000 of the Board of Directors of the Central Bank (Banco de la República), and by Regulatory Circular DCIN 83 of the Central Bank of December 16, 2003.

The General Regime of Investments of Foreign Capital in Colombia and of Colombian Capital Abroad is regulated by Decision 291 of the Commission of the Cartagena Agreement, by Law 9 of 1991 and by Decree 2080 of October 18, 2000.

Investments of foreign capital in the country

Definition of foreign investment in Colombia

In accordance with decree 1888 of the 30th of May 2008, Foreign Direct Investment in Colombia must remain inside the Colombia Territory for a period of at least two years as from the date in which the investment was channeled through the Foreign Exchange Market. However, it is important to bear in mind that the remittance of net profit derived from the foreign investment can take place at any time without having to stay in Colombia for the period of two years.

Business entities

Incorporation

The starting point for the inception of companies is the execution of a contract (company contract or bylaws) which rules basic matters such as the company name, domicile, business purpose, meetings of the company's direction bodies, legal representative powers and restrictions, etc. Incorporation of the company is subject to the formality of a public deed, the objective of which is to provide the company with a juridical standing that is different and independent from that of its partners or shareholders, and to the requirement of inscription in a Chamber of Commerce register for public exposure purposes (third-party opposition right).

In addition to the provisions of the Commerce Code, special regimes may be applicable to certain types of commercial companies by reference to the activities comprising their business purposes. Such is the case of financial entities, utility companies and health promotion entities, among others.

Operation

Generally, commercial companies do not require prior authorization from any public authority in order to be able to operate.

The business purpose defines the activities that the company is entitled to execute (capability), which include, implicitly and by virtue of the law, those activities which are either associated or necessary to develop such business purpose.

Also, as a general rule reforms to the bylaws do not require authorization from the authorities, except in the case of reforms of bylaws implying a business reorganization.

Dissolution and liquidation

Dissolution is a stage preceding liquidation (i.e. extinction) of the legal entity, characterized by termination of the period agreed by the partners or shareholders as Company's lifetime or by the emergence of certain legal or statutory circumstances that prevent continuance of exploitation of the business purpose, such as a decision of either the company's top body or a competent authority, the extinction of the thing whose exploitation constitutes the Company's business purpose, etc.

Regime of parent and subsidiary companies and economic group

In Colombia, a company is subordinated or controlled when its decision power is subject to the will of either an individual or a company, which constitute the parent or controlling party. This control may be economic, political or commercial.

If the subordinated company is directly controlled, it is denominated an affiliate; if it is controlled via the parent company or through companies subordinated to the parent, it is denominated a subsidiary.

Financial statements

- As a part of the accounting, the purpose of the financial statements is to serve as means for information to learn about controlled resources, obligations by virtue of which resources have to be transferred, changes experienced by those resources and results obtained during an accounting period.
- The balance sheet, the statement of income, the statement of changes in owners' equity, the statement of changes in financial position and the statement of cash flows are general purpose financial statements.

Earnings

Earnings will be distributed based on financial statements prepared in accordance with generally accepted accounting principles, proportionally to the paid portion of the par value of shares or partnership quotas owned by each shareholder or partner, if nothing else has been validly agreed in this regard in the company contract.

Inspection, surveillance and control

As a general rule all commercial companies are subject to the inspection, and eventually to the surveillance and control, of the Superintendency of Companies.

Forms of business enterprises

According to the Colombian commercial regulations, commercial companies must fit into one of the following modalities:

Corporation or stock company (sociedad anónima)

This type of company is the one legally required for financial entities (those subject to the surveillance of the Finance Superintendency), stock exchanges, stock exchange brokerage companies, and utility companies, among other.

Shareholders

A corporation (“sociedad anónima”) must be incorporated and subsist with a minimum number of five (5) shareholders, that are accountable for the corporation’s liabilities up to the amount of their respective contributions.

Capital

The capital of a corporation (sociedad anónima) is conformed as follows:

- Authorized capital, Subscribed capital, and Paid-in capital.
- The subscribed capital amount corresponds to the company capital.

Company bodies

A limited liability company has the following bodies:

- Board of Partners, Legal Representative, and Statutory Auditor.

Limited liability company (sociedad de responsabilidad limitada)

Partners

A limited liability company is incorporated and subsists with a minimum of two (2) and a maximum of twenty-five (25) partners.

Capital

Capital must be paid up entirely at the moment of incorporation or of each subsequent issue of capital, and is divided into quotas of equal value.

Company bodies

A limited liability company has the following bodies:

- Board of Partners, Legal Representative, and Statutory Auditor.

Unipersonal enterprise

Sole partner

The sole member of a unipersonal enterprise is the individual or the legal entity (Colombian or foreign) that owns it. Once inscribed in the mercantile registry (at a Chamber of Commerce) a unipersonal enterprise constitutes a legal person different from its owner.

Capital

Capital must be fully paid at the time of incorporation, and will be divided into quotas of equal nominal value.

Bodies of a unipersonal enterprise

No legal regulations exist in this respect, and therefore it may be understood that the owner is the only organ of the enterprise. In those cases in which the owner delegates legal representation, he/she may establish in the bylaws the business organs he/she deems convenient.

In any case, a unipersonal enterprise must have at least one legal representative with at least one substitute.

These entities are obliged to have a statutory auditor in the same way as limited liability companies.

Branch of a foreign company

Incorporation

The branch is a commercial facility incorporated by a foreign company being its Head Office, reason why it has no juridical representation other than its Head Office.

Assigned capital

A branch of a foreign company has capital assigned by its head office, which in principle constitutes a guarantee for the obligations it may incur in Colombia.

Branch organs

Regarding the organs of a branch, it is important to consider that because it is a commercial facility, its organs are the same of its Head Office.

International exchange regime

All individuals and juridical persons resident or domiciled in this country are subject to the exchange regime.

Basic notions

Residence

For exchange and foreign investment purposes residents are all individuals who inhabit the national territory, all juridical persons domiciled in Colombia, public law entities and branches of foreign companies established in this country. For aliens, they are deemed as residents as of the sixth month of their continuous or discontinuous permanence during a one-year period

Exchange operation

No legal definition exists of an exchange operation, given that the delegated legislator of the National government determines various exchange operations on the basis of the categories indicated by the legislator.

Exchange market

The exchange market is comprised by all the foreign currencies that are canalized mandatory or voluntary in the behavior of exchange market brokers or through current accounts abroad that are registered at the Central Bank under the mechanism of compensation.

Exchange market brokers

These are financial institutions authorized to acquire and sell foreign currencies and securities that must be canalized through the exchange market. The following are exchange market brokers: commercial banks, financial corporations, commercial finance companies, stock exchange brokerage companies, and exchange houses, among others.

Purchasing and selling rates for foreign currencies are freely agreed by the parties.

Foreign currency current accounts

Foreign currency current accounts opened in this country: According to Article 59 of Resolution 8 of 2000 of the Central Bank, as a general rule residents in this country are not allowed to make foreign currency deposits in domestic financial entities. Enterprises located in the free trade zones and international transport enterprises, among others, are excluded from this prohibition.

Accounts to manage “free market” foreign currencies: current accounts opened by residents (or domiciled entities) in banks abroad used only to deposit funds and to make payments related with operations that do not need to be canalized through the exchange

market, do not require registration at the Central Bank, nor is it required to submit any information to that agency about their movement.

Compensation accounts: Compensation accounts are used to canalize foreign currencies derived from operations that are required to be canalized through the exchange market. Likewise, deposits and drawings from these accounts may be made even if they correspond to operations that are not subject to the requirement of being canalized through the exchange market.

The following are the requirements that must be complied for a compensation account:

- Registration, Supply of information, Exchange returns, Submission of exchange returns to the Central Bank, Use of account balances, Current account statement, Special compensation accounts.

Foreign trade and customs regime

General

Colombian customs law is basically regulated by Decree 2685 of 1999 and by its respective Regulatory Resolution 4240 of 2000.

From the standpoint of foreign trade and customs there are three predominant sets of legal rules, i.e. Incoterms, International Treaties in which Colombia participates, and the Colombian customs regime.

- INCOTERMS (International Commercial Terms) or international quotations.
- International treaties.

Regarding International treaties to liberate from duties and obstacles the purchase and sale of goods, Colombia, in particular, belongs to the CAN (Andean Community of Nations, together with Peru, Bolivia, Ecuador and Venezuela, that is no longer a member, is required to maintain the benefits for 5 years), to the G-3 (with Mexico; Venezuela is no longer a member), to ALADI (together with a number of Central and South American countries), to CARICOM (together with some Central American countries and islands), and also has several agreements with the European Community. It has likewise signed a number of bilateral trade treaties with Asiatic and African countries etc., in which specific products and items have been negotiated.

The subject of customs law will be referred to specifically under the heading of customs regimes, in Section 3.

Customs regimes

Customs regimes are imports, exports and customs transit, multimodal transport, transshipment and coastal trade.

Imports

Imports of goods into Colombia are subject to customs duties ranging between 0 and 20% and to sales tax (IVA), generally at the rate of 16%. In order to calculate import dues on an item its CIF value is taken and multiplied by the customs tariff. To the aggregate amount of these two factors the corresponding sales tax rate is applied.

1. Ordinary import

Imports of goods into Colombia are subject to customs duties ranging between 0% and 20% and to VAT generally at the rate of 16%.

2. Temporary imports

The import regime states various modes of imports, among which there are incentives, as follows:

- Short term temporary import, Long term temporary import (LTTI), Import of capital goods, Special import and export systems, or Temporary imports for industrial processing.

3. Free trade zones

Free zones are delimited geographical areas in the national territory whose object is to promote and develop the process of industrialization of goods and the rendering of services, for the development of new employments and investments.

3.1. Types of free trade zones

There exists Permanent Free Trade Zones and Special Free Trade Zones, as well as Tourist Free Trade Zones.

3.2. Free trade zone (FTZ) benefits

According to the Law 1004 / 05, free trade zone users will have the following benefits:

- Income Tax
- VAT
- Custom Duties

Goods entering Colombian Customs' Area from FTZ will have a special Customs Duties assessment. Customs regimes are imports, exports and customs transit, multimodal transport, transshipment and coastal trade.

Exports

Special export programs

These programs consist of operations whereby a person resident or domiciled abroad buys raw materials and components from a person resident or domiciled in Colombia (for all purposes denominated the PRODUCER), ordering its delivery to another producer within the Colombian territory that will manufacture, transform and export the final manufactured good that result from such raw materials, in accordance with the instructions given by the external buyer.

In order to make this figure operate properly, the producers of raw materials and of the final goods must have an agreement establishing the quantities, terms and conditions of delivery of raw material and of the manufactured products and define the delivery to the customer abroad.

Employment agreement

In Colombia a labor contract is an agreement whereby a person agrees to render to another (an individual or a company) his / her personal services under a continued subordination and receiving a periodical compensation that remunerates the work performed.

Formal requirements: the following elements must concur:

1. Employee's personal activity.
2. Continued subordination or dependency of the employee with respect to the employer, granting the employer the authority to give orders and instructions at any time concerning mode, time, or quantity of work.
3. A salary that remunerates the service.

Work contracts may be classified as follows:

- Fixed term contract, Contract for the duration of the contracted work or task, and Accidental or transitory contract, Indefinite term contract.

Fringe benefits

- Payments received by employees (or workers) who earn a salary other than an integral salary and that are mandatory by law.

Vacations and holidays

These include:

- Remunerated Sundays and holidays. This remuneration is included in the monthly amount payable for salary. If an employee (worker) works sporadically on Sundays, they must be paid the salary with a 100% surcharge; and if they work on a regular basis, the employee must additionally receive one paid day's rest per week.
- Annual paid vacations. Employees (workers) are entitled to enjoy remunerated vacations of 15 working days for each year worked.

Indemnities

- These arise as a consequence of the employer's incompliance with their legal or conventional obligations, or due to the ignorance of the duties set-forth by the labor law.

Contributions to the social security system

Every employee (or worker), whose working contract is governed by Colombian law, must be affiliated to the Integral Social Security System, comprised by the Health System, the Pension System and the Professional Risk System.

Payroll fees

These are contributions payable by every employer who has more than one employee, to the Colombian Institute for Family Welfare (Instituto Colombiano de Bienestar Familiar – ICBF), the National Apprenticeship Service (Servicio Nacional de Aprendizaje – SENA), and Family Compensation Funds (Cajas de Compensación Familiar).

Regulations

Employers are required to issue the following bylaws:

- Internal work regulations.
- Hygiene and industrial security regulations.

Expatriate workers

Expatriates have the same rights and obligations as Colombian workers.

However, companies that have more than 10 workers in their service may not hire expatriates that represent more than 10% of the total number of workers on the payroll, or expatriates engaged in direction and trust activities who represent more than 20% of the total number of workers on the payroll.

Visa regime

In accordance with the new regulations of visas, the following are the most important to in order to carry on service activities in Colombia:

Type of visa	Business	Worker	Temporary Visitor
Applicants	Granted to businessmen, traders, industrialists, and executives who come to Colombia in order to carry out businesses, perform company activities with related parties and to perform market studies.	Granted to expatriates contracted by local companies to perform activities in their specialty, of directors that cover specific, technical or professional position, which have no labor relation with the Company that renders services in the country for agreements with companies, journalists, among others.	Technical visitors that render urgent services to public or private companies; journalists that cover a special event; company contacts and activities, academic activities that do not exceed six months and to carry out interviews for the personnel selection process.
Conditions	<ul style="list-style-type: none"> The expatriate may not stay more than six months in Colombia. The expatriate may neither receive remuneration in Colombia nor establish residence in the country. 	<p>For multiple entries, the expatriate may not be abroad for more than 180 continuous days, or else the visa will be cancelled.</p> <p>Must be required for the first time before a Colombian Consulate abroad Colombian territory.</p>	<ul style="list-style-type: none"> In the case of urgent services, the term of permanence will be for 30 days and in other cases for 180 days. The expatriate may neither receive remuneration in Colombia nor establish residence in the country.
Term	Maximum 4 years for multiple visits that do not exceed 6 months.	Maximum 2 years for multiples visits.	Maximum 180 or 30 days as the case might be.

In accordance with the new regulations of visas, the following are the most important in order to carry on service activities in Colombia.

Type of visa	Special (Partner)	Resident (Investor)
Applicants	Partners or owners of commercial companies that are adequately registered at their respective chamber of commerce.	Who performs investments greater than USD 100,000.
Conditions	Multiple visa, but the expatriate may not be abroad for more than 180 days, thus the visa will be cancelled.	The expatriate may not be out of the country for more than 2 continuous years, thus the visa will be cancelled.
Term	Maximum 1 year for multiple entrances.	Undefined.

Tax regime

General considerations

Constitutional and legal framework

Constitutional principles

The new Constitution issued in 1991, limited the faculty of creating or modifying taxes, and assigned it exclusively to the Congress of the Republic, which cannot delegate this power to the government, as formerly made through the granting of extraordinary faculties. Taxes can be created by the executive government only by virtue of faculties derived from some states of exception, and such taxes can have only a temporary duration.

The principles of equity, progressiveness and efficiency of the tax system have also been established at constitutional level

Legal system and tax controversies

Colombia has a Napoleonic Civil law system whereby as a general rule laws are applied according to their literal content. Literalness may be attenuated by systematic interpretation, which is based on the integral analysis of each regulation, as well as its purpose. For tax purposes there exists a legal rule that provides that in cases of lack of proven evidence in processes of official tax determination the discussion must be resolved in the taxpayer's favor. Likewise, the principle of presumption of veracity of tax returns prevails.

General features of tax proceedings and determination process

Tax proceedings are ruled by procedure rules that establish various formal obligations, addressed to ease the law enforcement by Tax Authorities. The quantification of taxes begins with the filing of simple tax returns, which data will be verified by means of subsequent information that can be requested by the Tax Authorities on a general or a specific basis.

The main formal obligations are as follows:

- File tax returns (income tax, IVA (sales tax), tax withholdings, municipal tax, real estate tax).
- Act as tax withholding agent, in cases contemplated by Law.
- Keep accounting books (obligation of merchants, companies and of non-profit entities).
- Issue invoices in accordance with legal requirements (some exceptions exist).
- Present information in magnetic media, in cases required by tax law.
- Supply information which generally or for specific cases may be requested by the Tax Authorities (it may be to verify the situation of the taxpayer itself or to cross-check information concerning third parties).

Authority to reject operations made by individuals

In some cases the tax authorities have the authority of establishing taxes by rejecting totally or partially the terms of agreements made by individuals: (1) for income tax purposes it is not accepted that an asset's sales price is below 75% of its commercial value, and additionally for real estate the sales price can not be below its cadastral, appraisal or self-assessment; (2) in the Sales VAT liquidation the value of a transaction below market price is not accepted; (3) in certain cases losses arising from the sale of assets (sale of shares or partnership quotas in companies, sales between related parties) are not accepted; (4) as a general rule, in labor relationships all indirect benefits (payments to third parties in the employee's favor) are deemed to be payments to the employee.

Classes of taxes

The Colombian tax regime defines that taxes may be direct or indirect, and there are three categories of taxes depending on the entities that are responsible for their administration and collection, as follows:

Main direct taxes

- Income and complementary taxes (which include tax on occasional gains such as lotteries, inheritances and gains on sale of fixed assets).
- Tax on Financial Transactions (Gravamen a los Movimientos Financieros – GMF).
- Municipal Tax (Impuesto de Industria y Comercio – ICA).
- Real estate or property tax (on immovable property).

Main indirect taxes

- Sales or value-added tax (IVA)
- Tariff liens
- Stamp tax
- Registration tax
- Gasoline tax. (Surtax on automotive gasoline and ACPM)

National taxes

In general these are administered by the Nation through the National Tax and Customs Administration (Dirección de Impuestos y Aduanas Nacionales – DIAN). This category includes Income Tax and its complementary taxes on Occasional Gains, Sales Tax (IVA or VAT).

Departmental taxes

These are administered by departments, the body in which the Nation is politically divided. Among the main taxes we identify sales VAT and consumption of liquor, registration and inscription, beer, cigarettes and tobacco taxes.

Municipal or district taxes

These are administered by municipalities or districts (municipalities with certain characteristics, such as the Bogotá capital district). We identify in this category, among others, Municipal tax (Impuesto de Industria, Comercio y Avisos - ICA), the Registration tax, the Unified Real Estate tax (Impuesto Predial Unificado – IPU), the tax on Circulation and Transit (on vehicles), the tax on Urban Delineation (Impuesto de Delineación Urbana) and the Tax on Chance and Shows (Impuesto de Azar y Espectáculos).

Additionally, there are other liens that have the character of rates and contributions (tasas y contribuciones) or payroll contributions (aportes parafiscales).

Income tax

The income tax is considered to be only one tax, although it is really formed by several liens, even though it is actually integrated by those liquidated based on income and occasional gains as well as over commercial profits in the case of branches of foreign companies and foreign entities.

Before the tax reform of the year 2006 it applied a remittance tax over the transfer of income or profits abroad. This tax was abolished from the Colombian tax regime but some effects will still endure for the remittance of profits generated before said tax reform.

Non-taxable income

Fiscal legislation provides some tax incentives in order to accomplish certain purposes (promote activities, investments, savings etc.). Some tax incentives appear as non-taxable income.

1. Relating to companies and their shareholder's or partner's. (Participation (in partnerships) and dividends, Profits from the sale of shares, Additional paid in capital, Proportional part on profits).
2. Relating to indemnities.
Indemnities received from insurance, in cash or in kind, related with damages, are considered as non-taxable income or occasional gain. For this purpose it is necessary to demonstrate that such indemnities are fully invested in the acquisition of equal or similar assets.

Costs

It is understood that legally acceptable costs are incurred when they are actually paid in cash or in kind, or it is terminated in any way which is legally equivalent to its payment. In consequence, costs incurred in advance are excluded.

Deductions

Deductions are expenses incurred during the tax period in connection with an income-producing activity, which must have a cause effect relationship with that activity and must also be necessary and proportionate. Need and proportionality are determined on the basis of commercial judgment, in accordance with customs and the limitations established by law.

Some examples of deductions are labor payments, taxes, interest, depreciation, amortization of investments, and losses.

Some deductions that may have incidence on an entity with foreign related parties are: Expenses abroad, Tax losses, Investment amortization, Depreciation, Exchange differences.

Net income

The Law defines net assessable income (renta líquida) as the result obtained from adding all ordinary and extraordinary income susceptible of producing a net increase in owners' equity and is not expressly excepted, and subtracting returns, rebates and discounts, as well as the costs and expenses imputable to such income and deductions actually applicable.

Presumptive income

This is the result of the presumption that the net assessable income obtained by a taxpayer during any year is not less than a certain percentage of its net owner's equity at the end of the immediately preceding year.

Exempt income

Some income is tax exempt, as is the case of interest, commissions and other payments for governmental grants and public debt certificates, so that payments made by the Nation and other public right entities, for main and other expenses related to Governmental grants and external debt certificates are exempt of all taxes, rates, contributions or liens of national (domestic) character. This exemption is granted only to persons that are not resident or domiciled in this country.

Foreigners are entitled to exemptions contemplated in current International Treaties or Covenants.

There also exists tax exempt income established by law, such as tax exempt earned income, income of domiciliary public services companies, etc.

Taxable income

The larger value between taxable income computed in the regular way and presumptive income constitutes the basis over which the income tax rate is applied.

Income tax rate

For Colombian individuals and foreigners, resident in this country there is a table that includes a scheme of progressive rates related with their taxable income. This table is set-forth by law.

For domestic or foreign companies the income tax rate is 33% over their taxable income. Transitory for the year 2007 the tax rate will be 34%. This same rate is applied to branches of foreign companies.

Tax discounts

Tax legislation contemplates some amounts that may be subtracted from the tax determined by private liquidation. The main purpose of discounts is to provide incentives for certain activities.

Prepayment of income tax

Income tax payers are obliged to liquidate and prepay income tax for the year following the tax year, equivalent to seventy five percent (75%) of the taxable income for the current year, reducing the value of the income tax withholdings applied during the current year or period.

Tax on equity

For taxable years 2007, 2008, 2009 and 2010 individuals and juridical persons that file income tax returns are subject to tax on equity. This tax is will be generated on an annual basis for equity greater than COP\$ 3,000,000,000 (approximately US\$ 1,500,000), at the rate of 1.2%.

The taxable base for the equity tax is constituted by the amount of net equity owned by a taxpayer held as of January 1 of the year 2007, determined in accordance with law, excluding the net equity value of shares or partnership quotas owned in domestic companies, as well as the first COP\$ 220,000,000 (approximately US\$ 110,000) of the value of his / her dwelling house or apartment.

Tax withholding

In order to facilitate, accelerate and ensure the collection of income taxes, there is a system of tax withholdings at the source whereby a percentage of payments or credits on account is discounted on account of income taxes payable by beneficiaries. The amount withheld may be imputed or discounted when the beneficiary of each payment determines their definite tax.

The withholding percentage varies depending on the payment reason, thus, service rates are for 4%, fees and commissions 10%, transport 1% or 3%, for rental of movable goods 2%, etc.

Withholding agents.

Withholding must be applied by withholding agents, public right entities, some individuals, and the juridical persons that as a result of their activities must make payments subject to withholding tax.

In some cases, due to legal regulations or to the decision of the Tax authorities (DIAN), taxpayers are authorized to act as self-withholders, so that the withholding is not made by the person making the payment but by its beneficiary.

Concepts subject to tax withholding.

Within the payments or credits on account subject to tax withholding the following, among other, are included: Labor earnings, Dividends and participations, Fees, commissions, services and rents, Financial yields, Payments abroad, and Revenues received from a foreign source.

Investment considerations

- Income tax on dividends and participations. As of the year 2007 dividends or participations earned by foreign companies and other entities that are not domiciled in this country, or by individual foreigners not resident in Colombia, subject to income tax, which must be withheld at the time of payment or credit on account. Regarding dividends or participations earned by tax residents in Colombia the income tax which must be withheld at the time of payment or credit on account.
- Tax applicable to profits obtained by branches of foreign companies. Income tax. This tax rate is 33% (34% only for the year 2007) and is liquidated over taxable income arising from revenues representing income from a national (domestic) source.
- Dividends received by branches of foreign companies. Dividends or participations received by branches of foreign companies established in Colombia are subject to the following special treatment:
- Those corresponding to profits that were taxed on the investee company will not be subject to income tax on the branch.
- Dividends or participations that were not taxed on the investee company are assessable at the rate of 33% (34% only for the year 2007).
- Technical services, technical assistance services, and consulting services. Technical services, technical assistance services and consulting services rendered in this country or abroad by persons not resident or domiciled in Colombia are subject to income tax and its complementary remittance tax at the single rate of 10%.

Sales (value added) tax

The system used in Colombia to determine this tax is the so-called tax-versus-tax system; it results from the difference between the tax calculated on the basis of sales and the tax determined on the basis of purchases.

Taxpayers

The person committed with the State for the payment of sales tax is the one who performs any of the generating acts; although the one that bears the tax economically speaking is the final consumer.

The following parties are liable for the tax:

- In sales, the merchants, whether they are distributors or manufacturers.
- Anyone that renders a service not excluded by the law.
- Importers.

Taxable basis

Both for sale and rendering of services, the taxable basis is comprised by the total amount of each operation, regardless whether it is made for cash or credit, including among other direct ordinary, extraordinary or delayed financing expenses, accessories, carriage, installations, insurance, commissions, guarantees and other complementary charges, although separately invoiced or agreed, and independently considered, they are not subject to the tax.

Rates

There are two types of rates:

- General rate. 16% and is applied to most transactions.
- Differential rates: 20%, 35% and 45% for some luxury goods like certain types of vehicles.

Stamp tax

This tax is essentially a tax on documents. It is accrued over public instruments and private documents, including securities that are issued in this country or that are issued abroad but are executed or generated within Colombia, for an amount exceeding COP\$ 125,844,000 (2007), relating to the constitution, existence, modification or extinction of obligations, as well as, their extension or cession.

Individuals responsible for this tax, not only includes the debtor, but the related parties responsible for it.



Municipal taxes

Industry and trade, signs and placards tax

This is a local tax applied over the income obtained for the performance of industrial, commercial and service activities.

Industrial activity, Commercial activity, and Service activity.

Taxpayers

The assessable parties for service activities are the individuals or the juridical persons that carry on any of the taxable activities within a municipality.

Tax base

This is the amount obtained by the taxpayer after subtracting the deductions, exemptions and exclusions from ordinary and extraordinary revenues to which it is entitled. The tax rate is applied to the resulting amount.

Rates

Municipalities have the autonomy to set rates within the following limits established by law:

- For industrial activities, from 2 to 7 per thousand.
- For commercial and service activities, from 2 to 10 per thousand.

Tax withholding

This anticipated pre-collection tax mechanism has been adopted by the Bogotá capital district and by some other municipalities.

Unified real estate tax

This real estate tax is applicable over land or real estate located in urban, suburban or rural areas, with or without constructions thereon. This tax is justified because real estate has the elemental characteristic of concentrating income, and to that extent property is taxed.

Taxpayers

These are the owners, possessors and community owners of real estate.

Rate

The applicable rate depends on the nature of the premises, i.e. whether they are rural, urban or suburban.

Audit requirements and practices

Statutory requirements

Books and records

The Colombian Code of Commerce requires that the financial statements of merchants and non-for-profit entities should be prepared based on registered accounting books, which should be formed and completed in such a way that its authenticity and integrity is ensured. Such accounting books may be in bound or loose-leaf format or in a series of continuous cards, provided that they are numbered, can be sequentially filed, and be authenticated by the competent authorities. All entries made in them should appear in Spanish and in Colombian pesos and coded in accordance with the standard chart of accounts issued by the related Governmental entity that inspects, supervises and controls the company; besides, records shall be written in chronological order, with no amendments, interlines or modifications. Internal or external vouchers supporting the accounting shall have in turn the related justifying documentation.

Tax requirements

For tax purposes, the accounting of business people and companies shall comply with the Code of Commerce requirements; besides, it shall (1) fairly disclose the daily movement of sales and purchases. Transactions may be expressed globally, provided the accounting vouchers that support the recorded values be precisely specified; and (2) comply with the requirements set forth by the Government regulations, in such a way that makes possible to exercise an effective control and reflect the company's financial and economic position in one or more books.

Audited financial statements

1. Depending on their corporate purpose, Colombian companies with participation of foreign capital, among others, are subject to the supervision of the following Superintendencies: Finance, Public Household Utilities, Solidarity Economy, Ports and Transport, Health and Supervision and Security. If the corporate purpose of the company is not related with any of the above, it will be subject to the control of the Superintendency of Companies.

Statutory audit is mandatory for the following entities:

- a. All companies subject to the control and supervision of the Finance Superintendency. This obligation is for: (a) financial institutions (banks, financial corporations, commercial financing companies, trust companies, bonded warehouses, administrators of pension and severance payment funds, capitalization companies and financial cooperatives), (b) insurance companies, except for brokers (reinsurers, life and general insurance companies), and (c) stock exchanges, stock exchange and security brokers, investment fund companies, administrators of centralized security warehouses, security qualifier companies, and guarantee funds comprising the public securities market.
- b. Branches of foreign companies.
- c. Commercial companies whose assets at December 31 of the last year exceeding 5,000 minimum monthly legal salaries (2006 - COP\$ 2,040,000,000) or whose gross income equal or exceed 3,000 minimum monthly legal salaries (2006 - COP\$ 1,224,000,000).
- d. Stock companies, despite their assets or gross income do not reach the amounts indicated in the above item.
- e. Common profit associations or corporations, funds and institutions.
- f. Entities of the solidarity sector, including cooperatives and mutual funds.
- g. Welfare compensation funds.
- h. Chambers of commerce.
- i. Health promoting entities and health services rendering entities.
- j. Employee funds.
- k. Author associations.
- l. Livestock funds.
- m. Gremial agricultural associations.
- n. Community companies.
- o. Commercial or mixed groups.
- p. Additionally, any commercial company not included in the aforementioned conditions, is allowed to have a statutory auditor by decision of its Board of Partners.

Statutory auditors

It is the exclusive competence of the Shareholders in General Meeting or the Board of Directors, with the absolute voting majority of their members, the appointment of the statutory auditor.

In the case of the branches of foreign companies, the appointment of the statutory auditor corresponds to the competent body of its parent company, in accordance with the company by laws.

At some financial institutions more than 90% owned by the Government, the appointment of the statutory auditor is made by the National Government through the President of the Republic and the Ministry of Finance. At pension and severance payment funds, the appointment of the Statutory Auditor is made by a five-member committee, three of whose members being appointed by the fund and the remaining two being shareholders of the administrator company.

The law allows appointing either an individual or a firm as a statutory auditor. In the first case, the individual must be a public accountant with professional card authorized by the Central Accountants Board (Junta Central de Contadores). In the second case, an accounting firm bearing current authorization by the Central Accountants Board (Junta Central de Contadores) shall be appointed. The accounting firm must assign two public accountants, generally a partner or a member of its personnel, to perform the main and alternate statutory auditor functions, respectively, under the responsibility and direction of the firm. Despite the above, the Colombian authorities attribute the statutory auditor quality to individuals only.

In addition, public accountant opinions and certificates are deemed to have a special proving value, as far as fake is not demonstrated. Accordingly, some commercial and tax regulations, as well as governmental entities, often require from the statutory auditor the issuance of certificates that

cover a big deal of matters, which not necessarily relate to the accounting records. Besides, the Code of Commerce commits the statutory auditor to report to such entities about situations of their interest according to their functions, and such reports shall be delivered, even if they are not expressly required.

Statutory auditor's appointment must be registered before the trade register kept at the Chamber of Commerce corresponding to the domicile of the audited company, by submitting (1) the minutes, or the National Government's decree, establishing the appointment, as the case may be; (2) naming minutes, when applicable, and (3) a certificate of the statutory auditor accepting the appointment.

The reason for the registration is that, for legal purposes, the individual appearing in the registry is considered to be the statutory auditor, even when his period has concluded. A registration is cancelled by registering a new appointment.

Colombian accounting regulations are designed and expressed following the style of the lawful regulations and generally have no practical explanations.

A company might be subject to several regulators, as it is the case of the security issuers inspected by the Superintendency of Companies.

Recognition of revenues and expenses from interests

Colombian accounting regulations do not require that long-term accounts receivable and payable be discounted at net present value at the balance sheet date.

Form and content of the financial statements

Basic financial statements

The following financial statements shall be submitted for approval by the shareholders or partners on an annual basis or by accounting closing periods lower than a year:

1. Balance sheet
2. Statement of income
3. Statement of changes in equity
4. Statement of changes in the financial position
5. Statement of cash flows

According to the commercial regulations, company managers shall account for in three opportunities:

- At the end of each accounting period.
- Within the next month after the date they retire from the position.
- When required by the pertinent authority.

Accounting for implies, in turn, submission of two kinds of documents: (1) the financial statements and (2) the management's report.

Balance sheet

Balance sheet presentation follows mainly the presentation patterns set out by the US GAAP. Captions exceeding 5% of total assets shall be broken down in the explanatory notes.

Statement of changes in the financial position

It shall disclose:

- Cumulative amount of all resources provided during the period and their use.
- Working capital provided by or used in operations of the period.
- Effect of extraordinary items on the working capital.
- Disbursements for acquisition of subordinated companies, grouped per major categories of assets and debts acquired.
- Acquisition of non-current assets.
- Proceeds from sale of non-current assets.
- Translation of long-term liabilities into capital.
- Acquisition, redemption or payment of long-term debts.
- Issuance, redemption or purchase of capital contributions.
- Declared dividends or participations.
- Changes in each element of the working capital.

Statement of cash flows

This statement shall present a detail of the cash received or paid during the period, classified per the following activities:

- Operation
- Resource investment
- Resource financing

Reappraisal of assets

Assets shall be shown in the financial statements as follows:

1. Investments
2. Accounts receivable
3. Inventories
4. Properties, plant and equipment
5. Intangible assets
6. Tangible assets

Consolidation

Commercial regulations require that parent or controlling companies, in addition to prepare its individual financial statements, shall prepare consolidated financial statements at accounting closing periods. The consolidated financial statements shall be submitted to approval by the shareholders or partners in general meeting, but cannot be used for distribution of earnings or participations.

Provisions and reserves

Provisions shall be recorded for revenues earned and expenses incurred. Provisions shall be recorded for contingent losses when their occurrence is likely and are able to be estimated on a fair basis.

Legal reserve

The Commerce Code requires that companies shall create a legal reserve which will amount to at least 50% of the subscribed capital, being comprised by 10% of the earnings of each period. Such reserve will not be available for distribution to the shareholders or partners before the company's liquidation, but may be used to reduce or absorb losses occurred during each period.

Reacquisition of own shares

A company is entitled to reacquire part of its shares or capital contributions, based on the approval granted by the shareholders in general meeting or by the board of partners, and shall be made as from the creation of a new reserve or equity fund equivalent, at least, to the cost of the reacquired shares or contributions. Such reserve or fund shall be maintained while the contributions or shares remain owned by the company. The reacquisition shall be recorded at its cost, which shall be deducted from the reserve or fund created for such purpose. The difference between the re-placement price of the reacquired contributions or shares and their cost shall be recorded as additional paid-in capital when the former is higher; when the sale price is lower than cost, the difference shall affect the related reserve.

Books and tax-related differences

The tax regulations recognize the existence of differences between accounting books and taxable figures.

When Decree 2649 of 1993 was issued, the aim was to preserve the independence between the accounting for tax and financial purposes, providing that regulations of the former would take precedence for their own matter exclusively. So-called tax memorandum accounts were established to record the necessary items to distinguish between data of the financial and tax accounting, disclosure of the reconciliation between the two data sets was decreed as mandatory, recognition of deferred income taxes for accounting purposes was ruled, and the tax accounting body was expressly categorized as an accounting basis different from the generally accepted accounting principles.

Despite the above, there are many aspects in which the tax regulations affect the financial accounting (e.g. regulations on inflation adjustments, financial leasing contracts and regulations on depreciation and depletion of assets, amongst others).

Trend towards the convergence with IFRS

The Colombian authorities have signed international agreements in which they committed themselves to implement in Colombia the international accounting standards issued by the IASB auditing standards issued by the IFAC as from January 1, 2004.

As a consequence of the above, Law 550 of 1999 was enacted, committing the National Government to review the regulations in connection with accounting, auditing, statutory auditing, and disclosure of financial information, in order to adjust them to the international parameters.

To develop this, the Government created an inter-institutional committee comprised by officials of several ministries and superintendencies. On December 2003, the committee submitted a project for public discussion. Many observations were received, most of which implied strong criticism to the draft of law regarding technical matters and inconvenience for the accounting profession practice and for the companies in general.

As a result of that, the project was suspended, and a definition regarding its evolution is not known up to date.

Other Attention Issues:

Price control and unfair competition.

- Is there any price control and anti – trust law? A brief note is required.

Environment issues.

- Is there any environmental protection law? A brief note is required.

Environmental regime

National Constitution and environment

Given the important attention that has been given to the environmental subject in the legislation and in world affairs, the Colombian Political Charter of 1991 has established fundamental guidelines that govern our environmental policies and cover the most important socio-economic aspects ruling the subject.

Fundamental regulations

The starting point for evolution of the regulations is constituted by Law 23 of 1973 and Decree-Law 2811 of 1974, whereby the Code of Renewable Resources was established as an instrument proposing the joint legal and administrative management of each one of the environmental resources and elements.

Subsequently, Law 9 of 1979 (the “National Health Code”) Law 99 of 1993, Law 142 of 1994, Law 143 of 1994, Law 388 of 1997, and Decree 143 of 2004.

Industrial property regime

If a company wishes to make business in Colombia, should include within its judicial planning and strategy a study on the protection of its industrial property, particularly trademarks and patents.

From the juridical standpoint, Colombia is governed by a community-type legislation that covers the Andean countries or member countries of the Andean Pact or Andean Community, i.e. Colombia, Venezuela, Bolivia, Ecuador and Peru. Regarding industrial property there is a supra-national law that governs the aforementioned five countries, i.e. Decision 486 of the Andean Community of Nations, which was set-forth on December 1, 2000.

Trademarks regime

Decision 486 of 2000 unifies trademark law, keeping certain general topics dealt with by its predecessor, Decision 344.

General aspects

Trademarks are how goods and / or services of a merchant are differentiated from those of another, forming part of their property. Trademarks are classified into 45 classes of products and services prescribed by the Nice Convention.

The right to exclusive use of a trademark in Andean countries in conformity with Decision 486 is acquired by means of a registration made at the national Office in charge of managing industrial property, which in Colombia is the Industry and Trade Superintendency.

A trademark used in the Colombian trade environment that has not been registered without having been previously registered, will not grant any right to its owner and what is worse, it does not protect the goods or services detailed herein, given that the registration in the country and in other Andean countries is a right under law. Protection and rights are obtained only through registration.

Trademarks regime of the andean community in Colombian environment

Regulations included in Decision 486, provide a good possibility of legal unification in all countries regarding the procedure to obtain registration, as well as to certain benefits for owners, particularly regarding use.

Attribution of priority

This benefit is granted to the titular of a registration application originally presented in any of the Andean Community countries, so that within a limited six (6) month term counted from the date of the application for the same registration in another country or other countries of the community.

Andean opposition

This is a faculty given to the owner of a trademark or of an application in process opposing the registration of a trademark made by other parties in any of the Andean countries, in case there is a same or very similar trademark previously registered in any of the Andean countries, with the obligation to apply for registration in the country where the opposition is presented in order to evidence the real interest.

Patents regime

Patents undoubtedly have a transcendental importance for the technological development of most countries, and in fact they create a special type of income-producing “monopolies”.

Colombia’s economy is not exempt from this phenomenon, and within its current legislation patents have an important place to ensure their correct use, although its businessmen often do not value them as the important asset that they may constitute for an enterprise.

Reference information

General statistics, i.e., average labour cost, office rental, utilities, and other cost / expense necessary to doing business locally.

Monthly minimum wage is set at: \$ 461,500 which is an estimated US\$ 272.

Office rentals can be sourced in different cities for varying rates depending on city sectors.

Corporate taxes rates

Most products pay a Value Added Tax of 16%. This tax is paid on a bimonthly basis.

Corporations are required to pay a withholding tax that can range between 8%-16% depending on economic activity. The balance is deductible from the yearly tax declaration. This tax is paid monthly.

Corporations may be required to pay a \$ 7 for each \$ 1,000 pesos tax rate for the local ICA tax, depending on the economic activity.

Bank transfers and financial movements are taxed with a \$ 4 for every \$ 1,000 tax.

The corporate tax rate under which profits are taxed is 36.8%. Tax declarations are done every April.

Personal income tax rates

Personal income tax requires a calculation to determine personal taxable income.

A local system determines the amount of UVTs (a local measure) that a person has after this. After 1,050 UVTs the person is required to pay taxes.

Withholding tax rates

Corporations are required to pay a withholding tax that can range between 8%-16% depending on economic activity. The balance is deductible from the yearly tax declaration. This tax is paid monthly.

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Practical tips for business visitors

Requirements for visitors' visas

Visitors and business visitors do require a Visa. Please consult the Colombia embassy online.

International time zone

Bogotá and Colombia are all on Eastern Standard Time, with no daylight savings time.

Normal business hours

Normal business hours are 8:30 a.m. to 5:30 p.m.

Statutory holidays

The following are statutory holidays in Colombia:

January 1, January 6, March 19, Easter Week – est. Thursday, Friday, Saturday, Sunday (March or April), May 1, June 29, July 20, August 7, August 15, October 12, November 1, November 11, December 8, December 25.

Trading currency in the country

Colombian Peso is the official currency. Currency can be easily exchanged from USD, EUR or GBP into Pesos. Currently for every US\$ 1, you receive COP \$ 1,700.

Climate

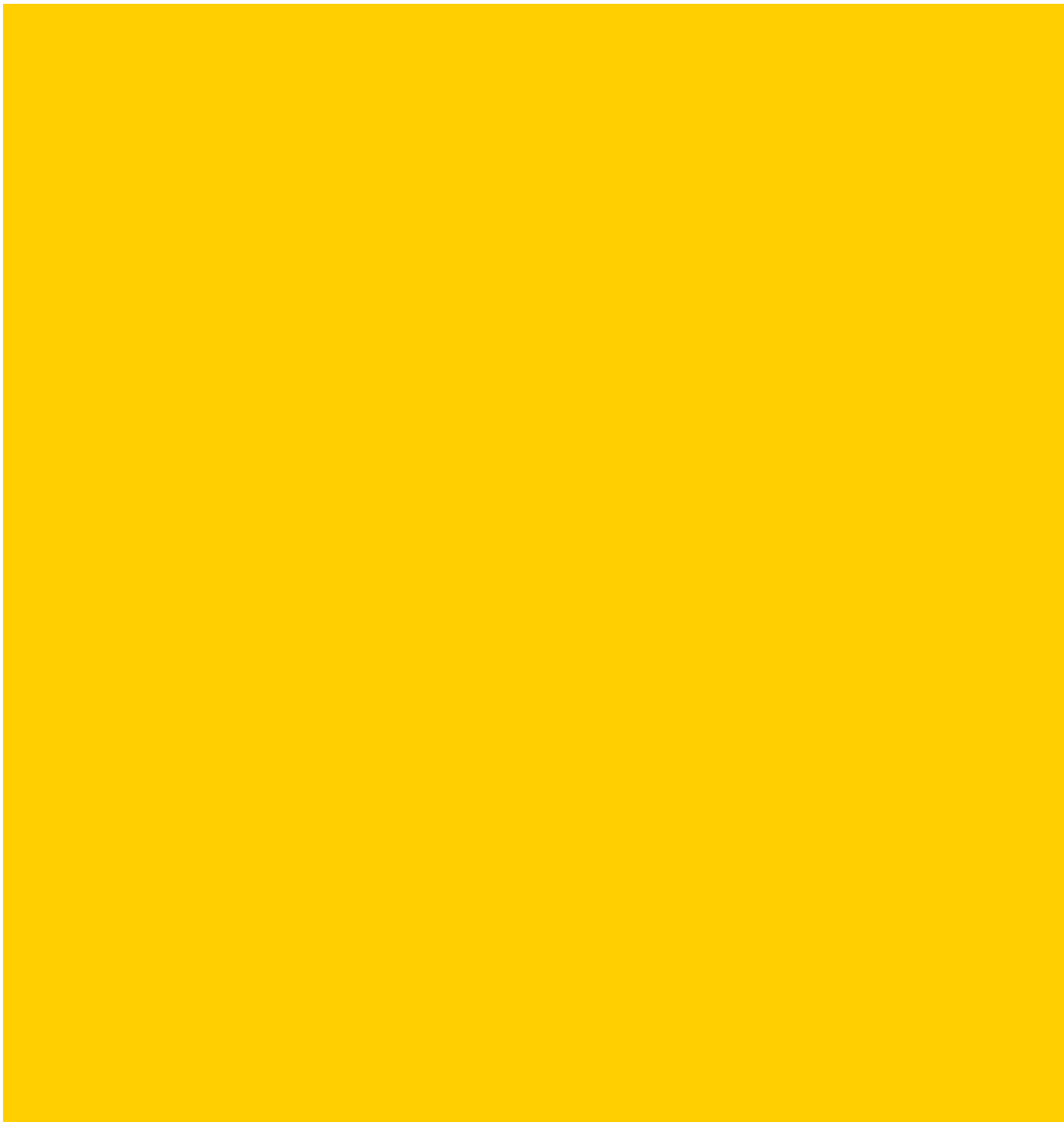
Bogotá: 59°F (16°C), Medellín: 75°F (24°C), Cali: 82°F (28°C), Barranquilla: 84°F (30°C).

Weight and measures

Colombia uses the metric system, using a grams, kilograms, tons system for weight measures, and a centimeter, meter, kilometre system for distance.

Format of dates and numbers

Date format is in DD / MM / YYYY, numbers are formatted with points thousands positions, and with commas for decimal positions.



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