



Doing Business in COLOMBIA



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1.

About Andersen

Andersen Global

Andersen Global® was established in 2013 as an association of legally separate, independent member firms, with a worldwide presence and comprised of professionals that share a common background and the same vision no matter the location where they are.

Our growth is a byproduct of the outstanding client service delivered by our people, the best professionals in the industry and our objective isn't to be the biggest firm, it is to provide best-in-class client services in seamless fashion across the globe.

Outstanding client service has and will continue to be our top priority.

Our professionals are selected based on quality, like-mindedness, and commitment to client service and each and every one of the professionals that are a part of Andersen Global share our core values.

Andersen Global was established to create an enduring place – ONE FIRM where clients across the globe are afforded the best, most comprehensive tax and legal services provided by skilled staff with the highest standards.

Outstanding client service has and will continue to be our top priority.



2.

Country Highlights

In recent years, the Colombian economy registered a growth of 1.8% due to the thrust of the financial and insurance sectors (6.9%), agriculture, livestock, hunting, forestry and fishing (5.6%) and artistic activities, entertainment and recreation and other services activities (3.9%), among others.

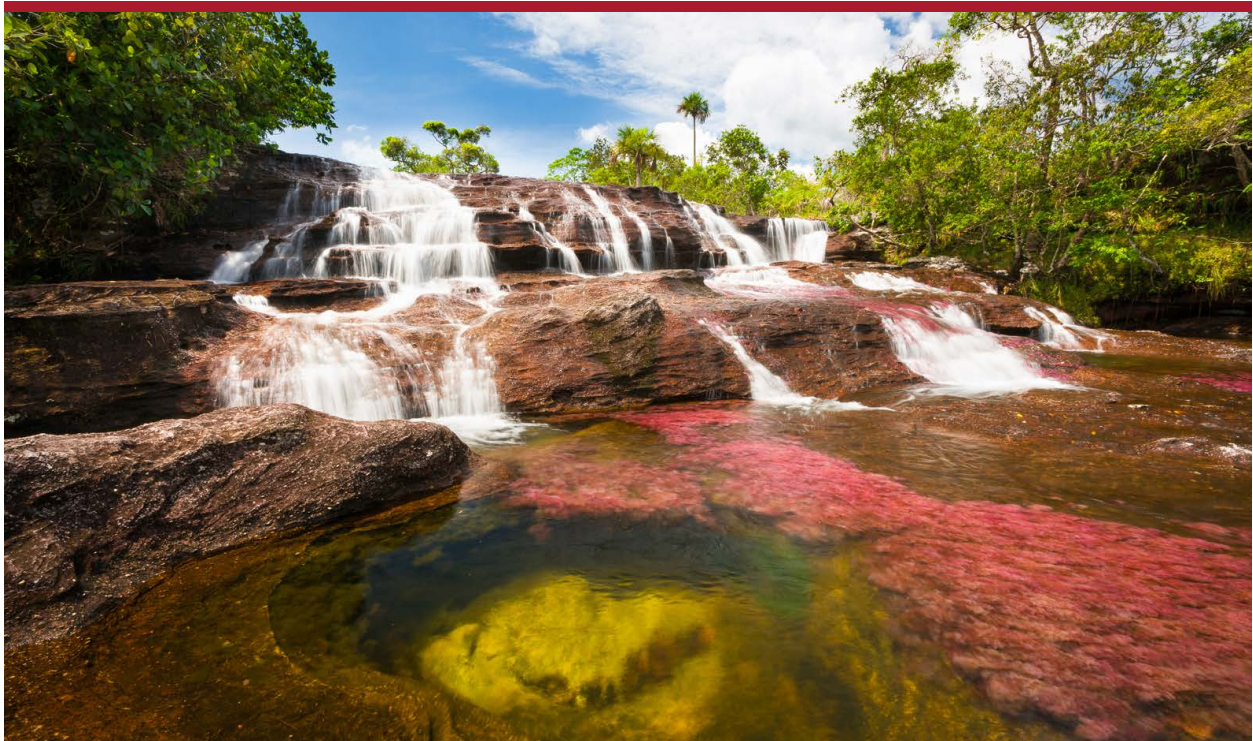
Colombia has exceeded a GDP of 3.3% in recent years, surpassing other countries in the region and the average growth of Latin América and the Caribbean (2.2%).

According to the April 2021 Monetary Policy Report, there is evidence of an increase in oil prices and other export products, resulting in a forecast of economic growth for 2021 at 6%, higher than the previous forecast of 4.6% growth.

Colombia has a dynamic and stable economic system, a growing market, strategically located to facilitate transactions and business in the region, a trading platform with more than 16 trade agreements, which allows investors to preferential access to various markets.

In addition, multiple development centers and regions with a growing middle class ensure optimal demand for products and services.

The country currently has a growing group of qualified Colombian companies capable of partnering with international organizations and investors to reach regional markets with various investment opportunities in a wide variety of sectors.



3.

Investment Climate

According to the World Bank, Colombia is positioned as the third country with the best business environment in Latin America. The country has a privileged geographical position that allows a high level of connectivity both internally and externally. Additionally, it has the fourth-largest population in the region, with 49 million potential consumers.

Compared to the economic results of last year, the expansion of the economic growth rate stands out to 2.7% (GDP) as a turning point for the economic downturn presented in previous years. This data was found above the average according to the International Monetary Fund.

The best growth prospects are partly due to Colombia's accession to the Organization for Economic Co-operation and Development (OECD), which represents potential benefits and challenges both economically and socially. Among the main benefits of subscribing to the organization, are the adoption of good practices, that will facilitate the insertion and competitiveness of the country in international markets. This would be evidenced in the increased inflows related to Foreign Direct Investment (FDI).

The adoption of these good practices challenges the country to comply with certain institutional reforms in order to promote its competitiveness. In addition, the possible alternatives to reduce the cost of commercial exchange should be evaluated, from the consolidation of the improving infrastructure and the development of incentives for research and development in different economic sectors



that allow a diversification of the economy, avoiding a complete dependence on the energy-mining sector.

Diversification in investment has allowed the country to develop sectors other than energy-mining such as transportation, commerce, manufacturing, tourism, information and communications, which in turn attract more capital flows to the country.

Therefore, within the strategies of foreign trade policy, the flow of FDI is sought to be enhanced, through a scheme of tax incentives by sectors, incentives in megaprojects, restructuring in free zones, the creation of a program of strategic regions of priority internationalization and an exceptionally active agenda with potential investors so that by 2020, FDI in non-mining energy sectors exceed USD \$11.5 million.

Regarding perspectives for the coming years, the Colombian government, through the Medium-Term Fiscal Framework, bets on an annual GDP of 4.4% by 2022, leveraged in the optimization of tax collection and the reduction of the effective rate of taxation to companies, accompanied by a public expenses reduction within the General Budget of the Nation.



In the last year, the dynamism of the main sources of external income was presented, driven to a greater extent by the external sales of mining-energy goods. On the other hand, there was also a significant increase in imports of goods and outlays for factorial income. The latter was consistent with the greater growth in local spending and investment and with the higher profits of companies with foreign capital.

Commercial and Customs Regulations

To facilitate foreign trade, the *Ventanilla Unica de Comercio Exterior (VUCE)* was created, through which foreign trade procedures of 55,000 users related to 21 state entities are channeled to exchange information, eliminate redundancy of procedures, implement efficient controls and promote transparent administrative

actions. To date, 4.1 million operations have been carried out since 2005 as well as the investments of USD \$7 million.

In recent years, significant progress has been made in reducing time and costs for foreign trade users, through the strengthening of inter-institutional coordination, security, modernization, automation, simplification, and standardization of processes.

In customs matters, Colombia is currently governed by Decree 1165 of 2019 with its modifications and additions.

The Customs Statute bases its articulation in Numeral 25 of Article 189 of the Political Constitution, subject to Article 3 of Law No. 6 of 1971 and Article 2 of Law No. 7 of 1991.

Customs regimes are the treatment applicable to goods subject to the control and supervision of the Colombian Tax and Customs Authority (DIAN) through which a specific destination is assigned within international trade and in accordance with the customs regulations in force at the time of operation, and such regimes are:

- Import Regime
- Export Regime
- Customs Transit Regime

The DIAN supports its management on a model known as MUISCA, an acronym that stands for Sole Model of Revenue, Services and Automated Control, the latter virtue that allows its users to enjoy the benefits of the automated process.

Free Trade Agreements

Colombia has free trade agreements (FTAs) in force with the following countries:

Additionally, it has signed the following free trade agreements:

Israel: Negotiations with Israel began in March 2012. This is the first negotiation with a Middle Eastern country, with which Colombia seeks to increase trade and investment flows, boost bilateral economic cooperation, remove barriers to non-tariff, and promote diplomatic relations. The FTA with Israel will allow preferential access to this market and a consequent increase in trade as a result of the reduction in transaction costs and the improvement in customs procedures. Likewise, the FTA with Israel will promote the expansion of bilateral investment flows and the creation of new businesses.

Panama: The negotiations for an FTA with Panama began in March 2010. With this negotiation, Colombia seeks to strengthen its commercial ties with one of its natural partners because it is a bordering country and the complementarity of economies. The economic growth of Panama has been quite dynamic in recent years and is consolidating itself as a business center in the region, a circumstance that provides very interesting opportunities for the Colombian industry.

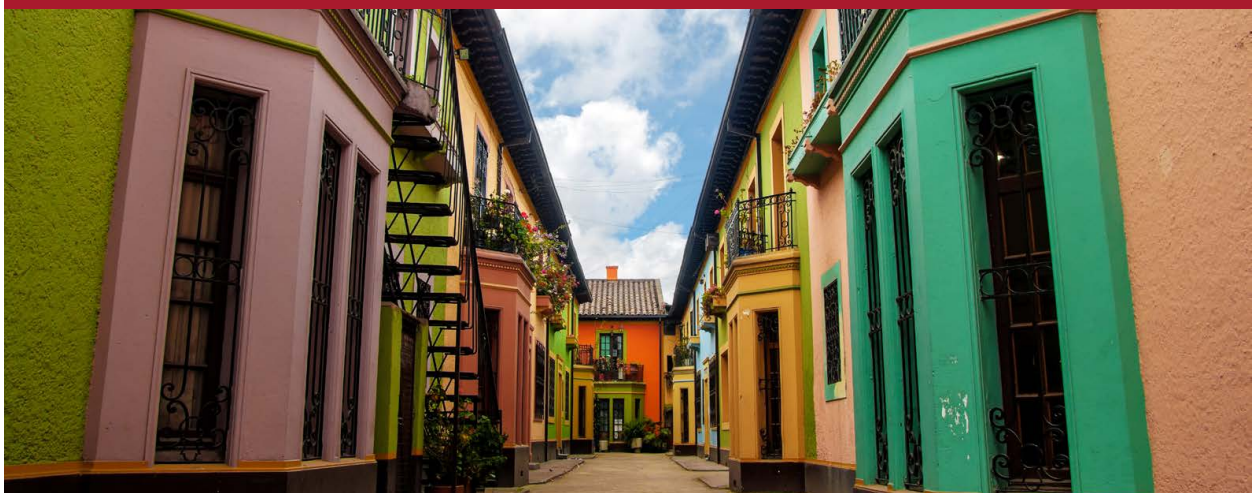
United Kingdom: Colombia, in the company of Perú and Ecuador, signed on May 15, 2019 with the United Kingdom the instrument that will preserve the commercial

relationship framework that it currently has in the agreement with the European Union (EU). The objective is to ensure that the conditions of integration and preferential access that are currently in place with that important market are maintained, in the face of the process of leaving the European bloc.

The following are negotiations in progress:

Turkey: The negotiations for an FTA between Colombia and Turkey began at the end of May 2011. According to the Negotiations Agenda approved by the Superior Council of Foreign Trade in 2009, Turkey is one of the priority countries for Colombia. There is a special interest of the National Government to strengthen relations with Asian countries as well as with the countries called CIVETS (Colombia, Israel, Vietnam, Egypt, Turkey and South Africa). This negotiation represents a step towards the consolidation of bilateral relations and the beginning of new commercial and investment opportunities, which will benefit the economies, strengthening Latin American ties with the so-called Asia Minor.





Japan: Negotiations for an Economic Partnership Agreement (EPA) with Japan formally began in December 2012, prior to which both countries carried out a joint study on the possibility of advancing this process. The negotiation is part of the approach to Asia that the National Government has been developing and represents a great opportunity for Colombia because Japan is a country with which it has significantly strengthened its commercial relations in the last decade.

Trade in Services Agreement (TiSA): Due to the limited progress made in the multilateral negotiations on services within the World Trade Organization (WTO), the Secretary General urged members to explore new negotiation options among smaller groups of countries, with the aim that any result achieved will serve to boost the general negotiation process that is part of the WTO General Agreement on Trade in Services (GATS).

In response to that call, a *Group of Friends of Services Trade (Group of Friends)* was created to discuss how to achieve greater liberalization of trade in services. Colombia is part of the Group since its formation. Currently, the Group has gained great

importance internationally because it has varied participation of countries that is quite representative in levels of development and geographic location.

The participating countries other than Colombia include:

- Australia
- Canada
- Chile
- South Korea
- Costa Rica
- The U.S.
- Iceland
- Israel
- Japan
- Hong Kong
- Liechtenstein
- Mauricio
- Mexico
- Norway
- New Zealand
- Pakistan
- Panama
- Peru
- Switzerland
- Republic of China
- Turkey
- The European Union

Free Trade Zones

The following are the classes of free zones in Colombia:

Permanent Free Trade Zone: It is the delimited area of the national territory in which multiple industrial or commercial users are installed, who enjoy special tax, customs and foreign trade treatment, as the case may be.

Special Permanent Free Zone: It is the delimited area of the national territory in which a single industrial user is installed, which enjoys a special tax, customs and foreign trade treatment.

The tax benefits obtained by companies that use free zones include:

Income Tax Rate: It is a 20% rate for industrial users.

Value-Added Tax (VAT) Exemption: Sale to industrial users from the National Customs Territory of goods necessary for the development of the corporate purpose of such users.

Non-Importation: The introduction of merchandise from the rest of the world to the free trade zone is not considered an importation, provided that it is necessary goods for the development of the corporate purpose of the industrial user.

Contributions: There is no obligation to make tax employment contributions for those salaries paid that do not exceed 10 monthly minimum wages.

Transfer Pricing

Colombian companies that have operations with foreign related parties or related parties on free trade zones are obliged to the compliance with the arm's length principle in the transfer pricing regime for these operations. In addition to this, Colombian companies that have operations with third parties in tax havens are obliged to the compliment of this principle.

The documentation for companies that have operations with related parties include the following:

- Companies with total assets over USD \$1 million or gross income over USD \$610,000 must present a transfer pricing informative statement.
- If the operations with related parties are over USD \$450,000 by type of operation, it must present transfer pricing local file.
- If the company belongs to a multinational group, it must present a transfer pricing master file.
- If the multinational group has a gross income over USD \$800 million, the company must inform the entity that presents the country-by-country report. If the headquarters doesn't preset this report, the company may be obliged to present a country-by-country report in Colombia.

The documentation for companies that have operations with third parties in tax havens include:

- Companies are obliged to present a transfer pricing informative statement.
- If the operations with third parties in tax havens are over USD \$100,000, it must present a transfer pricing local file.

Additionally, it is important to mention that the following articles of the Colombian tax code do not apply to companies who are within the transfer pricing regime and who demonstrate compliance with the arm's length principle in their operations:

- Article 35: Debts for loans between companies and partners generate presumptive interest
- Article 90: Determination of gross income in asset transfers

- Article 124-1: Other non-deductible payments
- Article 124-2: Payments to tax havens
- Paragraph 2 of Article 143: Deduction for amortization of intangible assets
- Article 151: Losses are not deductible due to the disposal of assets to related parties
- Article 152: Losses are not deductible due to the disposal of company assets to partners
- Numerals 2 and 3 of Article 312: Cases in which occasional losses are not accepted



General Overview

The regulation in Colombia regarding taxes is established within two points of view: local and national. In the local taxes regulation, the local authorities have specific faculties to manage the local taxes, but only the national legislative authority will be able to create the tax.

From the national point of view, the most important taxes are income tax, tax on financial transactions (GMF or Gravamen a los Movimientos Financieros) and sales tax (VAT). Nonetheless, since 2012 the consumption national tax has been turning into an important tax, given the fact that it is paid only in one moment of the economic performance and that applies only for specific transactions not included in the sales tax.

From the local point of view, the most important taxes are the real estate tax, industry and commerce tax (ICA) and vehicle tax, which, similar to the property tax, is levied on the ownership or possession of vehicles registered in a specific Colombian territorial entity.

In addition, the local authorities manage some taxes called Stamps, which charge the subscription of agreements with the government. The rates of the Stamps depend on each local authority.

Following, we will describe briefly the most important taxes from the local and national points of view.

The regulation in Colombia regarding taxes is established within two points of view: local and national.

Income Tax

The income tax levied on the income of a person (individuals, legal entities or corporations) in the taxable year. Income is understood as any source that increases the wealth of a taxpayer.

The taxable year in Colombia spans from January 1 to December 31, and the payment of the tax must be paid the next year according to the schedule provided by the government on a yearly basis.

The taxpayers in Colombia must file a tax return and pay the tax. Therefore, to determine if a person is a taxpayer in Colombia a residence and domicile criteria must be followed.

If the established criteria are met, those persons must pay taxes for their income of Colombian and global sources. If the criteria are not met, those persons must pay taxes only for their income in Colombia.

Tax Residence and Domicile

An individual has a tax residence in Colombia if he or she stays continuously or discontinuously in Colombia for more than 183 calendar days (including entrance and exit days of the country), during any period

of 365 consecutive calendar days. Like other jurisdictions, Colombia adopted the criteria of the core business center to adopt or exclude a jurisdiction as tax residence or domicile.

In the case of corporations, in order to establish the tax domicile in Colombia, the entities must be incorporated in Colombia or have an effective administration site in the country.

A corporation will be considered domiciled in Colombia if it is incorporated in the country (it means, under the Colombian regulation) or if it has its effective administration site in Colombia, which occurs when the corporation is not incorporated in Colombia, but its most important decisions are made in Colombia.



Permanent Establishment

Without considering the treaties subscribed by Colombia, the tax regulation has considered that permanent establishments pay taxes for their incomes in Colombia and for their incomes abroad attributable to that permanent establishment. This regulation is quite different from the one provided by the OECD countries.

Permanent establishments in Colombia are subject to taxation on their directly attributable worldwide source income, through a function and risk analysis.

Tax Base

The tax base or taxable income has an accounting basis, with some exceptions in income, costs and expenses which are provided by the tax regulation.

The payable tax will be the result of taking the income of the taxable year, subtracting the costs and expenses (in which may apply tax benefits).

Income

The income that is considered inside the tax base is the one in the accounting, except if the tax regulation provides otherwise. An example of this exception is the accounting incomes originated in an accounting measurement that does not have a real cash flow (i.e., fair value measurement).

The income in Colombia is classified according to its source: national source and foreign source income. As a general rule, all sales and service rendering in the national

territory are considered as national source income. The difference is important for non-residents purposes.

Cost and Expenses

For tax purposes, the costs and expenses are the ones in the accounting, whenever they have the proper support in invoices.

The taxes paid by the taxpayer can be deducted from the income tax.

The VAT paid in the purchase of fixed assets (that might produce income) can be deducted from the income tax.

As for the depreciation of assets, it should be the one provided by accounting regulations. Nonetheless, the depreciation cannot be higher than the one provided in the tax regulation, which is between 2.22% and 20%.

As for the payments abroad, the tax regulation provides certain limitations. For example, the withholding for income tax for the payment to be deductible. Some of these limitations will not apply if the transactions are made with related parties.

Tax Benefits

Once the costs and expenses are subtracted from the income, the result can be affected by specific benefits such as:

Science, Innovation and Technology

This benefit allows the taxpayer to deduct from its income tax the amount invested in projects of CT+I (science, technology and



innovation) in the taxable year in which the investment is made.

In addition to this benefit, the investment will bring a tax credit of 25% of the total amount of the investment in the year in which the investment was made or in the following four fiscal years.

Innovation

The income produced by corporations incorporated in Colombia with a high technological component will not be subject to income tax for the first seven years if they comply with an investment policy and a number of employees according to the regulation.

Agriculture

The income of corporations incorporated before December 31, 2021 will not have to pay income tax for the first 10 years if they comply with an investment policy and a minimum number of employees according to the regulation.

The income tax rates are 33% for the Fiscal Year (FY) 2019, 32% for FY 2020, 31% for FY 2021 and from 2022 and beyond, the rate will be 30%

Environmental

The tax regulation has some benefits in accordance with international commitments:

- a. Non-conventional sources of energy: the investment to generate this type of energy has two benefits:
 - Investments made to generate this type of energy constitute a special deduction of the income tax of 50% of the investment in 15 years.

The assets that can be depreciated can have an accelerated depreciation with a maximum rate of 20%.

In addition, the assets purchased will not have custom taxes or VAT.
 - The income for generating non-conventional sources of energy will not have to pay income tax.
- b. Investments made in control, conservation, and improvement of the environment. If the taxpayer does these investments voluntarily, it will have a tax credit of 25% of the investments made in the taxable year.

Rates

The income tax rates are 33% for the Fiscal Year (FY) 2019, 32% for FY 2020, 31% for FY 2021 and from 2022 and beyond, the rate will be 30%.

In addition, Colombia has a special regimen with special rates, as follow:

- Mega investments: a rate of 27%
- Hotel services: a rate of 9%
- Investment in zones affected by the armed conflict: for the first five fiscal years, a rate of 0%
- Foreign capital investment funds: a rate of 14% (general rule)
- Free trade zones (industrial users): a rate of 20%

Special Considerations for Vehicles or Transactions When Investing in Colombia

According to the tax regulation specific investment vehicles have a special treatment in tax issues, as follows:

- a. Investment Vehicles

Private Equity Funds:

These funds are not taxpayers for income tax and follow the rule of tax transparency which means the income will be directly from the source to the investor (without considering the existence of a fund).

It is possible to defer in time the income for tax purposes whenever in the fund there is not controlled by a specific person.

Foreign Capital Investment funds:

Those are not taxpayers of the income tax and follow the rule of tax transparency. The investor will be the taxpayer and the payment of the tax will be made through a withholding system.

The general rule is that the rate is 14%, except for dividends or transactions with a fixed income.

Holding Companies in Colombia (CHC):

The CHC regime establishes some benefits related to the Colombian corporations that are holdings. For the corporation to have tax benefits, it must have a real and verifiable operation in Colombia and a minimum of three employees:

- Dividends distributed by foreign corporations to a CHC will not pay income tax and will be exempted from capital gains.
- The distribution of the dividends from a CHC to a non-resident in Colombia will be income from a foreign source.

b. Operations with Special Treatment

Capitalizations of Companies:

The general rule is that the capitalizations are neutral from a tax perspective, which means is not considered as a taxed sale, whenever specific requirements are met.

Corporate Reorganizations:

It will be neutral from the tax perspective.

When a spinoff is made, in order to have the same tax treatment, the spin off must be made of a specific unit of business.

In the case of mergers, the fiscal cost of the assets included in the merger must be the same and the shareholders of the first company must participate in the second company after the merger.

Indirect Transfers:

The indirect transfers regime in Colombia establishes that the transaction carried out between vehicles abroad, in which the asset that is transferred is directly or indirectly owned in Colombia by one of the companies that carry out the transaction, will be subject to income tax in Colombia as if it had been done directly.

Debt Operations:

Debt operations in Colombia are subject to the thin capitalization regime if the transactions are carried out between economic-related parties.

For income tax purposes interests are only deductible in relation to debts that do not exceed two times the taxpayer's net worth of the previous taxable year.

Tax Treaties – Avoid Double Taxation:

The Colombian government's policy has been signing agreements under the OECD model standard with some particularities, which varies according to each specific case.

Colombia, has advanced with several jurisdictions, with the conventions in force, and others are in the process of ratification by the legislative branch, we detail each one of them:

France	No	Law 2061 of 2020
United Arab Emirates	In ratification process	—
Italy	No	Law 2004 of 2019
Japan	In ratification process	—

It is important to highlight the agreement signed by Colombia with the member countries of the Andean Community of Nations, Decision 578 , which, unlike the other agreements signed by Colombia, was structured under a model that privileges taxation in the source. This agreement by provisions of the treaty prevails over the other internal Colombian regulations.

Tax on Financial Transactions (GMF)

This tax is generated when a financial transaction is made and a disposition of funds is verified. Its rate is 0.4% on any disposition of checking or savings accounts in Colombia, among others.

Industry and Commerce Tax (ICA)

It is a municipal tax, caused by the operating and non-operating income received and which depends on the commercial, industrial or services activity in any municipality of Colombia.

Real Estate Tax

Territorial taxes that annually tax the property, use or possession of the real estate. It is collected by the municipality where the property is located.

The rate is between 0.3% and 3.3%.

The real estate tax is imposed on real estate located in urban, suburban or rural areas, whether or not they are built.

Value-Added Tax (VAT)

As a generality, VAT levies the sale of tangible goods, sale of intangibles associated with industrial property, provision of services in the national territory or from abroad, import of tangible goods and the operation and of circulation of luck and chance games.

The applicable and current rate in Colombia is 5% or 19% depending on the good or service in question.

Colombia has adopted the principle of destination applicable to services, which implies that if services are provided from abroad in favor of a company or resident in Colombia, it will be taxed with the VAT.

Consumption Tax

The consumption tax in Colombia is monophasic – it only occurs in one of the phases of the production chain – and taxes, among others: consumption in restaurants (not franchised), bars, and food services, the production or transformation of cannabis, and the consumption of plastic bags.

Rates vary depending on the transaction, the general rule in consumption in restaurants, bars, and food services is 8%, and in the case of real estate property is 2%.

Payroll Taxes

Every employer in Colombia must pay this tax on the monthly payroll value to the National Apprenticeship Service (SENA), the Colombian Family Welfare Institute (ICBF) and programs to promote the quality of life of their workers and their families – Family Compensation Funds (CCF).

Of the overall percentage of the contribution, 3% of the monthly payroll corresponds to ICBF, 4% goes to companies that benefit the worker's life and 2% goes to SENA. The following table shows the percentages that must be paid to each entity:

Registration Tax

The tax receives all documentary acts, contracts or legal matters that are recorded



in the chambers of commerce or in the public instruments' registry offices.

The acts taxed are the following:

1. Acts or contracts with a specified amount to be recorded in the offices of registry of public instruments (Bogotá: 0.1%).
2. Acts, contracts or legal matters with a certain amount that will be recorded in the chamber of commerce without implying the modification and/or the increase of the premium for placement of shares or social shares of companies (Bogotá: 0.7%).
3. Acts or contracts with a determined amount to be recorded in the chambers of commerce that imply the modification and/or the increase of the premium of the placement of shares or social quotas of companies (Bogotá: 0.3%).
4. Acts or contracts without a specified amount to be recorded in the public registry offices or chambers of commerce (Bogotá: four periodic schedules). The tax must be paid when the documentary acts are recorded in the chambers of commerce or in the public instrument registry office.

Colombian Employment Contracts

The Colombian Labor Code establishes different types of contracts under which the time threshold and the liaison between the employer and the employee will vary. Thus, the following contracting modes may apply:

a. Fixed Term Contract

Under a fixed-term contract, the worker will execute specific activities according to the agreement's scope within a maximum threshold of three years. The contract modality should be included in writing.

This type of contract may be extended when the parties have not noticed within a 30 day period.

However, the following considerations apply:

- Although the contract is tacitly renewed, the contract will never become an unlimited term contract.
- The extension of the contract made by agreement or tacitly, should not mean the contract ended. In this case, the contract term was extended.

The Colombian Labor Code establishes different types of contracts under which the time threshold and the liaison between the employer and the employee will vary.

- If the term of the contract is less than a year, the contract may be extended for three equal periods or inferior, which by the end of the terms the renewal will be enforceable to a year.

b. Construction Contract or Determined Scope Contract

This contract is determined by the length of the construction or specific job's scope. This means the construction, or its execution determines the time or duration of the contract.

Despite that Colombia's law does not require a written contract, for probatory reasons, we advise to have the written contract, and, in any case, the parties should establish the type of contract.

The contract should be precise, clear and should specifically establish the individuals work within the contract.

The contract should not have a closing date, just a beginning date considering the end of the construction will fix the closing date.

Additionally, within this contract modal, it is not necessary to send a notice of work's ending, as this requirement it is only applicable to the fixed-term contract.

In case the construction work has ended, and the job requires additional input; it will be necessary to sign a new construction contract with the new scope of the job.



c. Occasional, Provisional, or Accidental Contract

This contract modal is determined by the job execution for which the worker is needed. Mostly it is of short length (no longer than a month) and the developed activities should be differentiated from the ones that normally the company develops.

In this case, the contract may be oral or in writing, however, it must be considered that for probatory reasons the activities of the worker should be in writing.

d. Indefinite Term Contract

Under this contract the time is not determined, thus it can be agreed as unlimited, or in case it is not referred to as fixed-term or by another modality, it will be an indefinite term contract.

This contract does not require notice for its termination considering the unlimited time frame. We advise the use of this contract when the employee role is expected unlimitedly.

The company can agree on a two-month probation term, unlike the other contact modalities where the probation term should not exceed a quarter of the time-frame contract.

Compensation

Colombia labor law establishes the causes under which a labor contract may be ended, prior due process of discharges and/or disciplinary, as the case may be – and, if these are not invoked, the law contemplates the payment of compensation.

Compensation under a fixed-term contract:

Under fixed-term contracts, compensation will correspond to the value of wages for the time remaining before the contract ends. For example, if a worker has a fixed-term contract of five months and the company decides to end the contract in the third months without a fair cause considered, then, the employer must pay the value of the remaining two months as compensation plus the corresponding concepts in the settlement of the contract.

Also, under fixed-term contracts it may happen that after operating the third automatic extension, the contract now has a term of one year, in compliance with the provisions of the law, however, if after this occurs the employer decides to terminate



employee's contract without a just cause after a month of having started the new term of one year, then the employer will be obliged to pay the remaining 11 months as compensation plus that corresponds to the settlement of benefits and other labor payments for the termination of the employment contract.

Compensation in the contract for a specific job or work:

For contracts for a specific job or work, the compensation will be equivalent to the wages for the time it is estimated, missing to finish the work, without being less than fifteen 15 days.

Compensation in the indefinite term contract:

In this modality of labor contracts, two types of compensation will be paid, depending on the value of the salary earned by the worker:

- a. For workers who earn a salary of less than 10 current legal monthly minimum wages:

For these employees, the compensation will be equivalent to 30 days of salary when the service time is not more than one year, that is, if the worker was working for three months or exactly for one year, the compensation will be equivalent to 30 days of the salary that is.

However, if the employee has worked for more than one year for the employer, the compensation will correspond to 20 to 30 days of salary for the first year and 20 days of salary for each year. Additionally, and proportionally by the fraction of the year.

- b. For workers who earn a salary equal to or greater than 10 monthly legal minimum wages:

Employees who had service not more than one year, that is, for those who have worked for less or exactly one year, the compensation will be 20 days of the salary that is accruing at the time of dismissal.

Workers who have provided their services to the employer for more than one year, the compensation will be equivalent to 20 days of salary corresponding to the first year and the value of 15 days of salary for each additional year of service or proportionally by the fraction of year.



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