

23 April 2020

Global Tax Alert

News from EY Americas Tax

Colombia issues additional COVID-19 tax measures

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In response to the ongoing COVID-19 pandemic, Colombia has established additional tax measures to ease the burden on taxpayers. For information on the previous tax measures established, see EY Global Tax Alert, [Colombia issues COVID-19 tax measures](#), dated 25 March 2020.

Extended due dates for income tax filings and payments

The Colombian Government extended due dates for the filing of income tax returns and the payment of income tax for a second time. The Government has also changed the amounts to be paid in each installment. The new due dates for filing the income tax return and paying the tax are as follows:¹

Item	Large taxpayers	Standard legal entities
Tax return filing	Due dates: 9 June to 24 June 2020, depending on the last digit of the taxpayer's identification number (pre-COVID-19: due dates were from 14 April to 27 April 2020).	Due dates: 1 June to 1 July 2020, depending on the last two digits of the taxpayer's identification number (pre-COVID 19, due dates were from 14 April to 12 May 2020).
First installment payment	Due dates: 11 February to 24 February 2020, depending on the last digit of the taxpayer's identification number (not impacted by COVID-19). Amount: at least 20% of the amount due in the 2018 income tax return.	Due dates: 21 April to 19 May 2020, depending on the last two digits of the taxpayer's identification number (pre-COVID-19 due dates were from 14 April to 10 May 2020). Amount: 50% of the amount due in the 2018 income tax return.
Second installment payment	Due dates: 21 April to 5 May 2020, depending on the last digit of the taxpayer's identification number (pre-COVID-19 due dates were from 14 April to 27 April 2020). Amount: 45% of the amount due in the 2018 income tax return.	Due dates: From 1 June to 1 July 2020 depending on the last two digits of the taxpayer's identification number (pre-COVID-19 due dates were from 9 June to 24 June 2020). Amount: The balance of the amount due in the 2019 income tax return minus the amount paid in the first installment.
Third installment payment	Due dates: 9 June to 24 June 2020 depending on the last digit of the taxpayer's identification number (no change from pre-COVID-19). Amount: The balance of the amount due in the 2019 income tax return minus the amounts paid in the first and second installments.	Not applicable.

For companies engaged in hoteling services, passenger air travel services, theatrical activities and live show business activities, the due dates for filings and payments are also delayed to July and August, as mentioned in EY Global Tax Alert, [Colombia issues COVID-19 tax measures](#), dated 25 March 2020.

For a large taxpayer that already filed the 2019 income tax return when the second installment is due, the taxpayer should subtract, from the payment due, the amount paid in the first installment, and the balance should be split in half with one half paid in the second installment and the other half in the third installment.

For standard legal entities that already filed the 2019 income tax return when the first installment was due, the amount determined in the 2019 income tax return should be divided in half and paid in the first and second installments.

The extended due dates applicable to income tax returns also apply to the annual tax return for assets held abroad.

Fast track procedure for income tax and Value-Added Tax (VAT) refunds and compensation requests²

The Government established a fast-track procedure for income tax and VAT refunds and set-offs (i.e., tax receivable against a tax payable). Under this procedure, to the extent the taxpayer is not categorized as "high risk," the refund or set-off should be granted within 15 business days following the date the request is submitted (ordinarily, the procedure takes 50 days). The tax authorities, however, may suspend the refund procedure for 90 days.

The request does not have to include the detailed description of the costs, expenses and deductions (which is usually required). However, this request should be submitted within 30 days of the date on which the sanitary emergency is lifted (currently, the sanitary emergency will be in place until 30 May 2020, but may be extended if required).

Tax audits for these refunds will be performed once the sanitary emergency is lifted.

Tax measures for entities in a reorganization process³

Entities that enter into a reorganization or execute a reorganization plan (similar to a Chapter 11 process) will not be subject to income tax withholding or self-withholding through 31 December 2020.

Those entities should not make income tax advance payments or determine their income under the presumptive system⁴ for tax year 2020.

Additionally, these entities will be subject to VAT withholding of 50% of the usual rate (e.g., if the general 19% VAT rate applies, the withholding tax to be applied is 9.5%) until 31 December 2020.

Tax benefits for investments made in the air transportation industry⁵

Generally, taxpayers must invest at least 30 million tax units (approx. US\$267 million) to apply for the mega investment regime. The Government reduced the investment amount, allowing taxpayers that invest more than 2 million tax units (approx. US\$18 million) in Colombian air transportation to qualify for the benefits of the mega investment regime (e.g., a reduced income tax rate of generally 27% instead of 32%, a two-year depreciation period, no 10% dividend tax).

To apply to the benefits provided by the mega investment regime, the investments should be made before 31 December 2021. Taxpayers also will have to satisfy other requirements applicable to the regime.

VAT measures

The Government established a 0% VAT rate for 211 goods, including medical equipment, soap, antibacterial gel, laundry detergent, some cleaners, special masks, gloves for surgery, nebulizers, vital sign monitors, portable x-ray machines and hospital beds. The 0% VAT rate will apply during the time that the sanitary emergency is in place. Taxpayers must meet certain requirements for the 0% rate to apply.⁶

A VAT exclusion applies to the commissions on the guarantees granted by the Agrarian Guarantees Fund. The VAT exclusion will apply until 31 December 2021, provided certain requirements are met.^{7,8}

A 5% VAT rate (the general VAT rate is 19%) will apply to Colombian aviation gasoline Jet A1 and/or 100/130, as well as passenger air travel services. This reduced VAT rate will apply until 31 December 2021.⁹

An in-kind donation of goods for human and animal consumption, clothing, personal care goods, medicines, medical devices and construction materials used to respond to the sanitary emergency will not be deemed as a "sale" for VAT purposes (therefore, those donations will not be subject to VAT). This treatment will not apply if the donation / gift is concluded, directly or indirectly, between related parties. This treatment will apply during the remainder of the state of emergency.¹⁰

Mobile voice and internet plans with a value lower than approximately US\$18 will be exempt from VAT for four months as from 13 April 2020.¹¹

Pension contribution¹²

Generally, the pension contribution is 16% (12% paid by the employer, 4% paid by the employee). Because of the COVID-19 pandemic, the Government will allow employers and independent contractors to pay a 3% pension contribution for April and May. The contribution must be paid in May and June 2020. This 3% pension contribution must be paid as follows: 2.25% will be paid by the employer and 0.75% will be paid by the employee. Independent contractors will pay the full 3% pension contribution.

Debit tax exemption¹³

To support vulnerable sectors of the population, the Government has established a debit tax exemption that will apply to withdrawals made by non-profit organizations from their Colombian bank accounts. The exemption will apply until the state of emergency is lifted. The non-profit organizations also must meet other requirements to qualify for the exemption.

Suspension of tax procedures¹⁴

The tax authorities suspended all tax, customs or foreign exchange procedures or actions that are carried out before them until the state of emergency is lifted. The suspension does not apply to: (i) compliance with filing tax returns and making tax payments; (ii) refund requests made through the tax authorities' electronic system; (iii) requests submitted through the tax authorities' electronic channels; (iv) payment agreements requested through the tax authorities' electronic channels; (v) procedures related to cash deposits ordered by a judge; and (vi) requests to lift liens on assets through the tax authorities' electronic channels.

Extended due dates for the submission of the magnetic media report

The due dates for the submission of magnetic media reports for FY 2019 have been extended as follows:¹⁵

Large taxpayers	Standard taxpayers
From 15 May to 29 May 2020, depending on the last digit of the taxpayer's identification number (pre-COVID-19 due dates were from 28 April to 12 May 2020).	From 1 June to 1 July 2020, depending on the last two digits of the taxpayer's identification number (pre-COVID-19 due dates were from 13 May to 10 June 2020).

Mandatory investment in Government securities¹⁶

The Colombian Government established a mandatory temporary investment in Government securities (called solidarity securities) for financial institutions. These Government securities will have a one-year term (which could be extended until 2029).

The financial institutions must invest up to 3% of demand deposits subject to the bank reserve, after subtracting the bank reserve, and up to 1% of the term deposits subject to the bank reserve. The amount of the investment should be determined based on the information reported in the financial statements as of 31 March 2020.

The financial institutions must make the mandatory investment in the securities within 90 days of 15 April 2020.

Solidarity tax¹⁷

The Government established a new "solidarity tax" that applies from 1 May 2020 to 31 July 2020. The solidarity tax applies to public officers and individuals contracted by the Colombian Government (at the Central and local level), as well as to retired employees, with a monthly salary, remuneration or pension of more than COP10 million (approx. US\$2,500). The tax will be progressive, with rates ranging from 15% to 20%. The tax will be collected via withholding tax.

Endnotes

- Decree 520 of 6 April 2020.
- Legislative Decree 435 of 10 April 2020.
- Legislative Decree 560 of 15 April 2020.
- Under the minimum presumptive income system, taxable income cannot be lower than 1.5% of the net equity as of 31 December of the preceding tax year.
- Legislative Decree 575 of 15 April 2020.
- Legislative Decree 551 of 15 April 2020.
- Legislative Decree 573 of 15 April 2020.
- It also introduced a reduced domestic income withholding tax rate of 4% for the payments of these commissions.
- Legislative Decree 575 of 15 April 2020.
- Legislative Decree 530 of 8 April 2020.
- Legislative Decree 540 of 2020.
- Legislative Decree 558 of 15 April 2020.
- Legislative Decree 530 of 8 April 2020.
- Resolution 000030 of 29 March 2020.
- Resolution 000027 of 25 March 2020.
- Legislative Decree 562 of 15 April 2020.
- Legislative Decree 568 of 15 April 2020.

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EYG no. 002450-20Gbl

1508-1600216 NY
ED None

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