

Indirect Tax Alert

News from Americas Tax Center

Colombia issues regulation on voluntary VAT collection system for foreign service providers of digital services

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On 1 August 2019, the Colombian tax authorities issued Resolution 49 of 2019, which regulates an alternative collection system/Value Added Tax (VAT) withholding system for the VAT on digital services provided by foreign service providers (FSPs) to Colombian residents.

Background

Since 1 July 2018, FSPs have been generally required to register as the VAT responsible party in Colombia and must charge, collect and declare Colombian VAT on business-to-consumer (B2C) transactions (i.e., those in which the recipient is not a Colombian VAT responsible party).

For some "digital services,"¹ Resolution 51 of 2018 allows FSPs to voluntarily elect to be subject to the alternative VAT withholding system under which VAT collection and payment to tax authorities shifts from the FSPs to: (i) credit and debit card issuers; (ii) sellers of prepaid cards; and (iii) collectors of cash on behalf of third parties.

Resolution 49 of 2019

Resolution 49 regulates the voluntary alternative collection system. The Resolution establishes that collection agents should prepare their systems to go-live on 1 February 2020, at the latest. However, sellers of prepaid cards should be ready to apply the new collection system starting on 1 September 2019.

FSPs that are currently collecting VAT, filing returns and transferring the tax to the tax authorities will have only one opportunity to elect to shift to the new voluntary collection system. To voluntarily elect to be subject to the voluntary collection system, FSPs should submit a request to the tax authorities. The tax authorities will issue resolutions that will list the FSPs covered by the collection system and the date on which collection under the system will begin. FSPs should keep collecting the VAT until the collection agents begin to apply the VAT withholding.

FSPs subject to the new voluntary collection system should report the VAT charged on the digital services to its Colombian customers. The VAT will then be collected via a withholding tax that will be charged to the credit/debit card holder or subtracted from the face value of prepaid cards.

Endnote

1. Colombian tax law considers the following as digital services: (i) audiovisual services, (ii) digital platform services, (iii) online advertising services, (iv) e-learning and long-distance training services, (v) sales of intangibles, and (vi) other digital services provided to customers in Colombia.

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