Gobierno de Colombia

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2026 **Legal Guide**
to doing business in Colombia

Corporate law





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This memorandum reflects the legislation in force in Colombia as of the date of its preparation and is intended to provide general and basic information about Colombian law.

It is not intended to constitute or serve as a substitute or replacement for specific legal advice regarding any particular matter or issue. Such legal advice should be obtained through direct consultation with specialized legal services. For this purpose, we suggest contacting one of the firms listed in the Investor Services Directory available on the ProColombia website.

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Colombian corporate law combines a traditional company-law framework with modern mechanisms designed to attract investment and facilitate diverse types of transactions. The simplified joint stock company (Sociedad por Acciones Simplificada – S.A.S.) has become the predominant corporate vehicle due to its flexibility in structuring economic and governance rights, its ease of incorporation, and its suitability for foreign investment structures.



1. INTRODUCTION TO THE COLOMBIAN CORPORATE REGIME

Other corporate forms (such as the S.A. and the Ltda.) coexist alongside it, remaining particularly relevant in regulated sectors and for issuers of securities.

The regime is characterised by:

- *A broad scope for contractual autonomy.*
- *Recognition of shareholders' agreements and ancillary arrangements.*
- *A strong emphasis on investor protection and sound corporate governance.*

1.1. Overview and applicable legal framework

The core regulatory framework consists of:

i. ***The Commercial Code,*** *which contains the general regime for commercial companies.*
ii. ***Law 222 of 1995,*** *which introduced reforms relating to corporate matters, directors' duties, and corporate groups.*
iii. ***Law 1258 of 2008,*** *establishing the special regime for the S.A.S., noted for its high level of flexibility.*
iv. ***Special regulations*** *on securities markets, competition, consumer protection and data protection.*

The principal authorities are the Superintendence of Companies, the Financial Superintendence (with jurisdiction over issuers and supervised entities), and the Chambers of Commerce, which administer the commercial registry. Soft

law instruments—including corporate governance guides and codes aligned with OECD standards—complement this framework.

1.2. Guiding principles and recent trends in corporate structuring

Recent developments in Colombia's corporate regime reflect a drive for enhanced competitiveness and greater legal certainty for investment. Key themes include:

- ***Flexibility and autonomy of will:*** *the S.A.S. allows for bespoke structuring in both by-laws and shareholders' agreements.*
- ***Investor protection and corporate governance:*** *obligations of directors, controls on conflicts of interest, and minority shareholder protections have been strengthened, particularly for securities issuers.*
- ***Transparency and compliance:*** *anti corruption, anti money laundering and data protection regulations have driven the adoption of robust compliance programmes and internal policies.*
- ***Digitalisation of corporate processes:*** *the expanded use of electronic filings and registries has simplified incorporation and ongoing corporate administration, especially for non resident investors.*

2. CORPORATE VEHICLES FOR NEW INVESTMENTS (GREENFIELD)

2.1. Types of companies in Colombia: overview

Colombia has a modern and flexible corporate framework that facilitates the entry and establishment of new investments (greenfield). The most commonly used vehicles to carry out business activities on a permanent basis are: (i) commercial companies (mainly the Simplified Stock Company (S.A.S.), the Public Limited Company (S.A.) and the Limited Liability Company (Ltda.) and (ii) the branches of foreign companies.

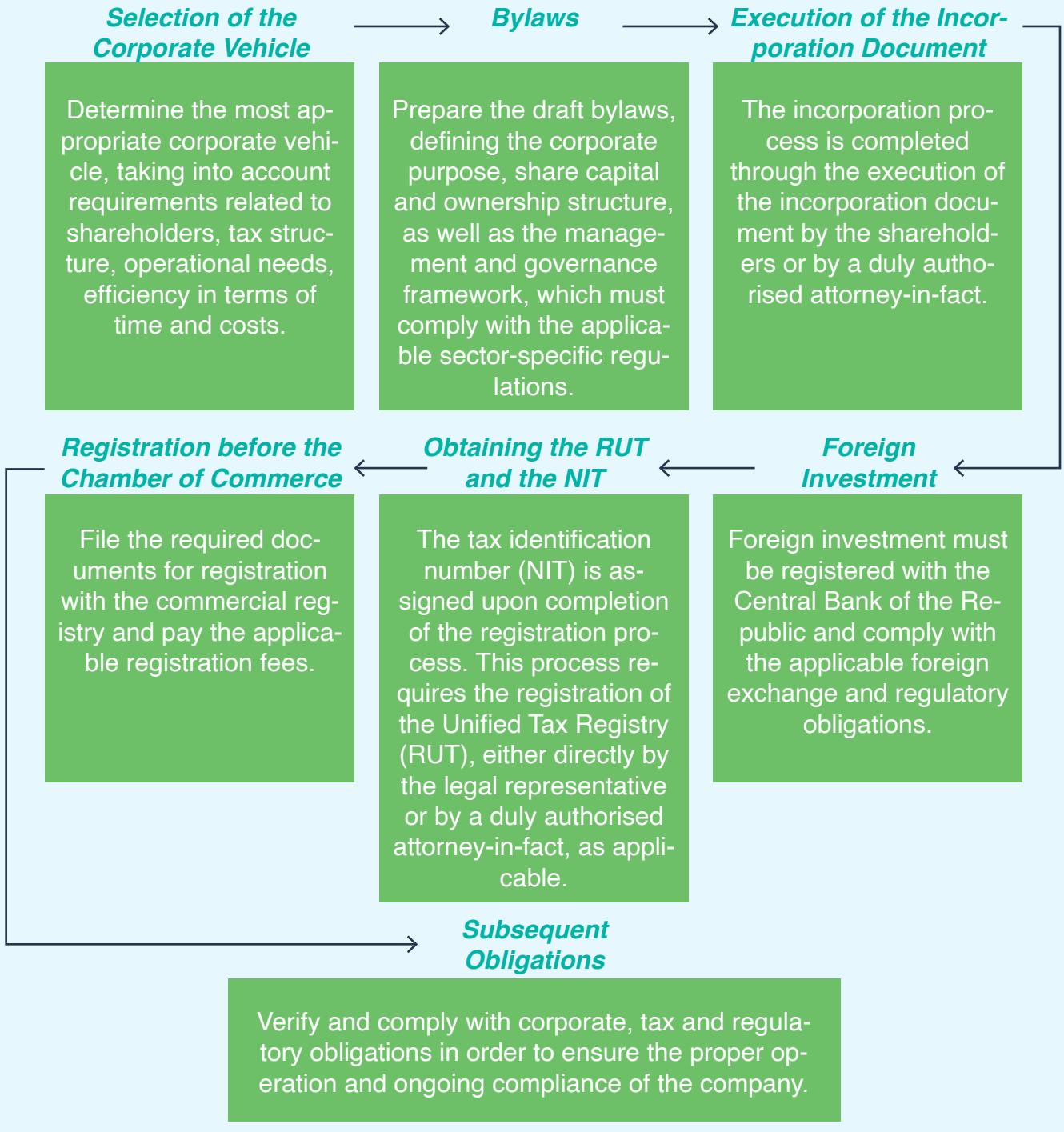
Furthermore, any commercial company may elect to obtain the status of a Collective Benefit and Interest Company (BIC) by incorporating voluntary sustainability commitments into its corporate purpose and governance framework.

The selection of the appropriate corporate vehicle depends, among other factors, on: **(i) the level of control that investors seek to retain; (ii) the flexibility to admit new partners or shareholders; (iii) the regulatory requirements applicable to the relevant industry; (iv) the costs associated with ongoing regulatory compliance; and (v) the international structure of the business group.**



The following provides a general overview of the typical process for incorporating a commercial company or establishing a branch in Colombia:

Flujograma 2.1



2.2. Simplified Stock Company (S.A.S.)

In Colombia, the S.A.S. has positioned itself as the corporate vehicle of choice for investors due to its flexibility, low operating costs, and rapid incorporation process. Its formation may be executed through a private document, except when real estate contributions are involved, in which case a public deed is required.

This type of company offers significant advantages, including the ability to adopt a broad or indeterminate corporate purpose and to establish an indefinite duration. It may dispense with a legal reserve and allows for the creation of multiple classes of shares, as well as the execution of shareholders' agreements. The transfer of shares is streamlined, carried out in accordance with the bylaws, and perfected upon registration in the shareholders' ledger. Owing to its flexibility, it is generally well suited for projects with growth potential, future incorporation of investors, or sophisticated financing structures.

2.3. Public Limited Company (S.A.)

The S.A. is appropriate for structures that require greater formality, involve multiple investors, or are intended to access the public securities market. Generally, its incorporation must be carried out through a public deed. It must also define a specific corporate purpose and duration, and it is required to create a legal reserve equivalent to 50% of the subscribed capital.

This type of company requires the establishment of a mandatory board of directors and a more robust corporate governance framework, which entails more formal procedures for decision making, notices, minutes, and information management. Its shares are freely transferable, except when the bylaws establish preemptive rights or specific restrictions. It is particularly suitable for investors seeking a more structured control environment, well defined rules for the protection of minority shareholders, and greater transparency in management.

2.4. Limited Liability Company (Ltda.)

The Ltda. Is a closed corporate structure, commonly used by family businesses or small groups of investors. Generally, its incorporation must be executed through a public deed, and it must establish a specific corporate purpose and duration. The shares may only be transferred through a statutory amendment and must be registered with the commercial registry. Additionally, it is required to maintain a mandatory legal reserve equivalent to 50% of its capital.

Due to its closed nature and greater rigidity, it is convenient in projects with low turnover of partners and where the stability of the corporate composition is prioritized.

2.5. Foreign Company Branch

In Colombia, a branch is considered an extension of a foreign company, rather than a separate legal entity. It operates with assigned, fully paid in capital and functions under the direct responsibility of its parent company. Opening a branch requires the submission of the foreign company's corporate documents, duly legalized or apostilled, as well as the appointment of a legal representative with authority to act in the country. The branch must maintain independent accounting records in Colombia and comply with all applicable tax, foreign exchange, and corporate regulations.

Under the Colombian Commercial Code, a foreign company is required to establish a branch in Colombia when it intends to engage in activities of a permanent nature within the country. The statute provides a non exhaustive list of activities that are deemed to constitute permanent operations, including: **(i) opening commercial establishments or offices in Colombia; (ii) acting as a contractor for the execution of works or the provision of services; (iii) carrying out activities related to the management, use, or investment of funds derived from private savings; (iv) engaging in activities pertaining to the extractive industry in any of its sectors or related services; (v) obtaining or participating in concessions granted by the Colombian State; and (vi) conducting within Colombian territory the operation of corporate administrative bodies, such as shareholders' meetings, boards of directors, or management structures.**

However, the determination of whether an activity is considered "permanent" must be assessed on a case by case basis, considering the nature of the activity, as well as factors such as its duration, immutability, continuity, and stability.

This vehicle is usually preferred in regulated sectors or in contracts that require direct support from the parent company, such as some financial services, energy, infrastructure or complex work contracts.

2.6. BIC Companies (Collective Benefit and Interest)

In Colombia, the BIC Company is a legal status that may be adopted by any type of commercial company (e.g., S.A.S., S.A., Ltda.). By adopting this designation, the company incorporates into its bylaws a formal commitment to generate economic value while simultaneously producing a positive social and/or environmental impact. Accordingly, the company's directors are required to consider, in their decision making processes, the effects of their actions on the company's various stakeholders, including employees, the community, customers, suppliers, and the environment. Additionally, the company must publicly disclose a BIC management report, typically on its website or an equivalent platform, as a mechanism of accountability to shareholders/partners and third parties. Regulatory authorities may request or verify information related to the company's BIC obligations within the scope of their respective capacity.

The adoption of BIC status is formalized through the inclusion of a specific clause in the company's bylaws—either at the time of incorporation or by means of a subsequent amendment. This clause must identify the activities the company will undertake in at least one of the legally established dimensions (business model, corporate governance, labor practices, community, or environment). The adoption requires compliance with the applicable corporate approval mechanisms and must be registered with the Commercial Registry in order to take legal effect.

This designation can help differentiate the company in the market, enhance its reputation, strengthen corporate governance practices, and facilitate access to capital and ESG driven initiatives. In addition, it may enable the company to access benefits associated with BIC recognition, such as preferential rates for certain services, support programs, and institutional visibility, depending on the offerings available at any given time. These elements may, in turn, have a positive impact on commercial relationships, strategic partnerships, and talent attraction. This designation can help differentiate the company

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From a tax perspective, BIC status does not, by itself, confer automatic incentives solely by virtue of holding the designation. However, it may support or facilitate the structuring of benefits applicable to specific investments or activities, provided the requirements of the relevant tax regimes are duly satisfied.

2.7. Comparison of corporate vehicles: costs, times, flexibility and risks

Below is a comparison of the main Colombian vehicles:

ASPECT	S.A.S.	S.A.	LTDA.	BRANCH
Number of shareholders / partners	Minimum of 1 shareholder, with no maximum limit.	Minimum of 5 shareholders, no maximum number; no shareholder may hold 95% or more of the share capital.	A minimum of 2 and a maximum of 25 partners.	It has no shareholders or partners in Colombia, as it is not an independent legal entity.
Incorporation	By private document, except where real estate contributions are made.	By public deed.	By public deed.	The resolution approving the opening of the branch by the parent company must be formalised by public deed in Colombia.
Liability of shareholders / parent company	Limited liability, except where abuse of the corporate form or fraud of the law is proven.	Liability is limited to the amount of the contribution, subject to specific statutory exceptions.	Liability is limited to the amount of the contribution, except where the law or the bylaws establish additional obligations in specific cases.	All obligations arising from operations in Colombia are borne in full by the foreign parent company.

ASPECT	S.A.S.	S.A.	LTDA.	BRANCH
Capital	Freedom to define rules for issuance, subscription and payment. Maximum term of 2 years to pay subscribed capital.	At least 50% of the authorised capital must be subscribed and at least 1/3 of the value of each share must be paid upon incorporation; the remaining balance must be paid within 1 year.	Capital must be fully paid upon incorporation. Any increase must be formalised.	Operates with an assigned capital, fully paid. Increases require approval of the parent company. Supplementary investment may be increased through remittances without a formal amendment.
Corporate governance	The board of directors is optional. The company may be managed by a legal representative, who may be a foreign national, subject to statutory exceptions (e.g. public utility companies).	A board of directors is mandatory. The company is managed by a legal representative, who may be a foreign national, subject to statutory exceptions (e.g. public utility companies).	A board of directors is not required; management generally rests with one or more managers. The manager may be a foreign national, subject to specific sector related restrictions.	A legal representative with authority to act in Colombia must be appointed. The legal representative may be a foreign national, unless specific sector regulations provide otherwise.
Statutory auditor (Revisor Fiscal)	Not required, unless the company exceeds the applicable statutory thresholds for income or assets.	A statutory auditor is generally mandatory.	Not required, unless the company exceeds the applicable statutory thresholds for income or assets.	A statutory auditor must be appointed from the commencement of operations and must be a certified public accountant licensed in Colombia.
Timing and costs	**Costs:** Registration tax of up to 0.7% of the subscribed capital + applicable fee based on the company's asset range + COP 73,000 (approx. USD 18.01) for registration rights. **Timing:** 3 to 5 business days.	**Costs:** Public deed (0.3% of capital + 19% VAT on notarial fees), plus registration tax of up to 0.7% of the subscribed capital + applicable fee based on the company's asset range + COP 69,00 (approx. USD 17.02) for registration rights. **Timing:** 6 to 10 business days.	**Costs:** Public deed (0.3% of capital + 19% VAT on notarial fees), plus registration tax of up to 0.7% of the initial capital + applicable fee based on the company's asset range + COP 73,000 (approx. USD 18.01) for registration rights. **Timing:** 6 to 10 business days.	**Costs:** Public deed (0.3% of capital + 19% VAT on notarial fees), plus registration tax of up to 0.7% of the initial capital + applicable fee based on the company's asset range + COP 73,000 (approx. USD 18.01) for registration rights. **Timing:** 6 to 10 business days.

3. ONGOING ACQUISITION PROCESSES (BROWNFIELD)

Mergers and acquisitions (M&A) include the purchase of shares or assets, integrations, and mergers through which one company acquires, obtain control of or combines with another. In Colombia, M&A transactions are a fundamental mechanism for business growth, corporate reorganization, access to new markets and technologies, and the attraction of investment. Their relevance lies in their impact on corporate structure, control, governance, and legal and regulatory risk. For this reason, they require strategic planning, thorough due diligence, and careful evaluation of operational, financial, and contractual considerations.

1	2	3	4	5
Pre Contractual Stage (LOI / MOU / NDA)	Due Diligence	Drafting and Execution of the Agreement (SPA / APA)	Closing	Post Closing Obligations and Activities

3.1. Pre-contractual stage of M&A Operations (LOI/MOU).

The pre contractual stage of an M&A transaction is typically structured through Letters of Intent (LOIs) or Memorandums of Understanding (MOUs). These documents establish the initial framework of the deal and outline the key economic and legal terms (such as the proposed structure, purchase price or price ranges, payment mechanisms, target assets or equity interests, timeline, conditions precedent, and preliminary allocation of risks). They also organize the procedures for conducting due diligence and negotiating the definitive agreements, ensuring that the parties follow a clear and coordinated process toward closing.

Generally, these documents do not create an obligation to complete the sale or merger under the proposed terms. However, they may include binding provisions, such as confidentiality obligations, exclusivity or non negotiation clauses, rules regarding the handling of information, non recruitment of employees, cost allocation, governing law, dispute resolution mechanisms, and, in certain cases, break up fee clauses. These stipulations must be drafted with precision to clearly define their scope and enforceability. Regardless of their binding nature, the parties remain subject to the duties of good faith and commercial loyalty inherent to the pre contractual stage, including the duty to provide relevant information and the prohibition against contradictory conduct.

3.2. Legal, tax and labor due diligence: best practices

In Colombian M&A transactions, legal (corporate and contractual), tax, and labor due diligence are essential to gaining a comprehensive understanding of the target and the risks inherent to the acquisition. Due diligence extends well beyond confirming the accuracy of disclosed

information: it aims to identify potential contingencies, assess their likelihood and financial impact, and translate those findings into informed transactional decisions. These insights ultimately shape key aspects of the deal, including the transaction structure, purchase price, closing conditions, and the scope and allocation of risk under the representations, warranties, and indemnification regime.

The process should commence with a clearly defined scope, including the companies, assets, contracts, and relevant periods to be reviewed, together with a materiality framework to prioritize issues that may affect business continuity or valuation. In practice, this work is facilitated by a well organized virtual data room (VDR) and an established Q&A channel, with the aim of issuing an early red flags report.

(i) Legal perspective: the review should encompass: (a) confirmation of the Target's corporate status, including its existence and legal representation, key bylaws and corporate resolutions, shareholder composition, and any encumbrances or restrictions on the transfer of equity interests; (b) examination of material contracts—such as those with customers, suppliers, landlords, lenders, and technology providers—with particular attention to termination provisions, penalties, and consent requirements for assignment or change of control that may affect closing; and (c) identification of litigation, investigations, and other contingencies, assessing their likelihood of occurrence, potential economic exposure, and available mitigation strategies.

(ii) Tax perspective: the review should include: (a) verification of the Target's compliance status and potential exposure before the DIAN and local tax authorities with respect to income tax, VAT, withholding taxes, and municipal taxes (such as ICA), including any ongoing or potential audits and associated penalties; (b) a reconciliation of tax returns, accounting records, and supporting documentation, with a focus on recurring risk areas such as withholdings, VAT, cross border payments, and, where applicable, transfer pricing obligations; and (c) translating the identified risks into appropriate contractual protections—such as specific tax indemnities or purchase price retentions/escrow arrangements—and assessing their impact on the transaction structure (e.g., share purchase versus asset purchase).

(iii) Labor perspective: the review should include: (a) an analysis of the Target's hiring structure, compensation and benefits arrangements, and reliance on third party service providers, including risks related to misclassification, de employment claims, and situations involving enhanced or reinforced job stability; (b) verification of compliance with labor obligations and with social security and parafiscal contribution requirements (PILA), together with a review of the implementation and effectiveness of the Occupational Health and Safety Management System (SG SST); and (iii) a review of collective labor disputes and ongoing or potential labor claims, and an evaluation, particularly relevant in asset purchase structures, of risks associated with employer substitution and the continuity of labor related obligations.

3.3. Sales and Purchase Agreements and Shareholder Agreements

In M&A transactions in Colombia, the purchase agreement (whether for shares, quotas, or assets) constitutes the principal instrument for executing the transaction and allocating risks among the parties. The shareholders' agreement complements this framework by governing the relationship between the shareholders and

the corporate governance structure, which is particularly relevant in joint investment scenarios or when minority shareholders remain in the company post closing.

3.3.1. Sales and Purchase Agreement (SPA/APA)

(i) Structure of the transaction: (a) Share deal: the buyer acquires an equity interest in the target company and, in most cases, obtains control over it; and (b) Asset deal: the buyer acquires specific assets (or a business unit), which requires a detailed review of the assignment of contracts, permits, licenses, and any associated liabilities.

(ii) Price and financing mechanisms: Price and financing mechanisms: (a) the determination of the purchase price and any subsequent adjustments (e.g., cash, debt, and working capital adjustments) under either a locked box structure or closing accounts methodology; and (b) the use of deferred payments, purchase price withholdings, escrow arrangements, or fiduciary structures as common mechanisms to secure the seller's obligations.

(iii) Condition precedent and authorizations: (a) internal corporate approvals, waivers of pre emptive rights, and third party consents (including from lenders, key customers, and landlords); (b) regulatory authorizations required in supervised sectors or triggered by a change of control; and (c) an assessment of potential filing obligations before the Colombian Competition Authority (the Superintendence of Industry and Commerce – SIC) for business combinations, based on applicable thresholds and relevant markets; (d) reps and warranties covering the target's existence, capitalization, financial statements, tax compliance, labor matters, litigation, regulatory compliance, ownership of assets, and related areas; (e) specific indemnities and negotiated liability limitations, including caps, baskets, de minimis thresholds, and survival periods; and (f) mechanisms for resolving purchase price adjustments and indemnification claims, such as expert determinations or arbitration.

(iv) Solution mechanisms for price adjustments and claims (expert/arbitration): (a) covenants to operate "in ordinary course" until closing and restrictions on relevant indebtedness, dividends or sales; and (b) non-competition and non-solicitation agreements, which must be reasonable in scope, time and territory.

3.3.2. Shareholder Agreements (SHAs): content and effects

(i) Corporate governance: rules on majorities in corporate bodies, appointment of directors, quorums and reinforced majorities, reserved matters and information rights.

(ii) Transfer of shares: lock-ups, pre-emptive rights, prior authorizations, and buying/selling mechanisms between shareholders.

(iii) Unlock mechanism: Transfer of shares: lock-ups, pre-emptive rights, prior authorizations, and buy/sell mechanisms between partners.

(iv) Economic aspects: dividend policy, future contributions, anti-dilution and financing rules.

(v) Dispute resolution: staggered dispute-resolution clauses, such as negotiation and mediation followed by arbitration, as well as expert determinations for valuation matters or contractual adjustments.

(vi) Opposability and coordination with statutes: to be effective, the agreement must be consistent with applicable law and the company's bylaws. In practice, key provisions (such as transfer restrictions, special majorities, and similar governance mechanisms) are often mirrored in the bylaws and in the closing document package to minimize the risk of unenforceability or internal conflicts. Likewise, shareholders' agreements must be filed at the company's registered office and may have a term of ten years, renewable for an additional ten year period.

3.4. Closing and registration procedure

The closing of an M&A transaction must be carried out in accordance with the formalities and registration requirements applicable to the transaction structure (whether a share purchase or asset purchase), the corporate form of the target entity, and the nature of the assets being transferred. In general terms, the closing process includes: (i) verification of the conditions precedent; (ii) execution and delivery of the transfer instruments; (iii) payment of the price and, where applicable, the transfer of control; and (iv) preparation and filing of the corporate and/or public registrations necessary to ensure enforceability against the company and third parties.

In share acquisitions, the closing aims to formalize the transaction and properly reflect it on the company's corporate records. To that end, compliance with the relevant conditions, including statutory restrictions such as pre emptive rights and required authorizations, is verified, the closing documents are executed (including the share purchase agreement and the payment instruments), and the necessary administrative updates are coordinated. The central legal act is the registration of the share transfer in the shareholders' ledger book, as the transfer becomes effective in relation to the company only upon such entry.

In asset acquisitions, closing is completed through the individual transfer of the assets, in compliance with the formalities required for the acquirer's title to be valid and enforceable against third parties. This entails, among other aspects, that real estate must be transferred by means of a public deed and registered with the Office of the Registry of Public Instruments; that assets subject to specialized registries follow their respective procedures; and that the assignment of trademarks, patents, or other industrial property rights is processed before the SIC.

In sum, the closing of a transaction in Colombia is not limited to the execution of documents and the payment of the price; it also requires preparing and completing the necessary registrations to finalize the transfer and ensure its legal enforceability.

3.5. Regulatory and competition considerations

In addition to the foregoing, M&A transactions require, beyond the previously described corporate and contractual analysis, an early assessment of two elements that may significantly affect the timeline and the structuring of the closing: (i) the applicable sector specific regulatory framework, and (ii) the merger control regime governing business combinations.

To begin with, it is necessary to determine whether the target company operates in a sector subject to special supervision or authorization requirements for changes in ownership or control. In regulated industries, such as financial services, securities markets, public utilities, tele-

communications, concession based infrastructure, hydrocarbons, and healthcare, the acquisition of significant equity interests, a change of control, or the assignment of certain rights may require prior approval from, or notification to, the relevant supervisory authorities.

Furthermore, even in the absence of sector specific authorization requirements, the transaction may trigger the merger control regime. It must be assessed whether the transaction constitutes business concentration and whether it exceeds the applicable asset or revenue thresholds. Where these thresholds are met, the parties may be required to notify the SIC or, in certain cases, obtain prior authorization. In such scenarios, the parties must refrain from implementing the transaction before obtaining clearance or submitting the required notification, in order to avoid gun jumping violations.

For these reasons, it is customary for transaction documents to incorporate regulatory and competition related conditions precedent, together with undertakings regarding cooperation and provisions governing the allocation of risks arising from potential regulatory requirements. Undertaking a regulatory assessment and competition screening at the structuring stage enables the parties to anticipate relevant timelines, refine the design of the transaction, and mitigate associated contingencies.

3.6. Specific aspects in energy M&A transactions

In M&A transactions within Colombia's renewable energy sector, the principal asset is typically the project itself and the achievement of the critical path leading to its entry into operation. Accordingly, the due diligence review is directed at confirming the validity, adequacy, and internal consistency of permits, land use rights, regulatory milestones, and essential project agreements.

To begin with, the project's status before UPME must be verified, particularly its phase, current development status, and technical coherence. With respect to grid connection, the allocation of capacity and the project's progress against the approved schedule constitute the primary risk factors. Accordingly, both the reference and monitoring S Curves (within renewable energy projects, it is understood as a planning and control tool designed to graphically depict the project's cumulative progress across key dimensions, including costs, physical execution, and schedule performance) are reviewed, together with supporting evidence of compliance, the potential impacts of delays, and the guarantees administered to by the entity acting as Administrator of the Wholesale Energy Market (in Colombia, XM S.A.S. E.S.P.), as applicable. These elements are typically reflected in conditions precedent, covenants, and adjustment mechanisms tied to the achievement of regulatory milestones.

At the same time, the land tenure component is often determinative. The due diligence review examines title documents and any potential encumbrances, the robustness of the land use rights, and the status of easements and access routes, including those required for the evacuation line, to ensure that the project benefits from clear and enforceable legal foundations.

In addition, the environmental dimension requires thorough verification of the applicable environmental license or permits, their level of compliance, and the existence of any requirements, investigations, or administrative sanctioning proceedings that could adversely affect the development of the project.

Finally, the contractual framework underpinning the project's viability is assessed, including power purchase agreements (PPAs), engineering procurement and construction (EPC) and supply agreements, operation and maintenance (O&M) contracts, interconnection documentation, and, where relevant, financing agreements.

Taken as a whole, a properly structured transaction harmonizes the contractual arrangements and closing mechanics with the project's critical path—encompassing property matters, environmental obligations, UPME milestones, grid connection requirements, and essential contractual instruments—while allocating risks through conditions precedent, indemnification provisions, and, where appropriate, pricing mechanisms or withholdings linked to the satisfaction of defined milestones.

4. OBLIGATIONS OF BUSINESS GROUPS

4.1. Definition and registration of business groups

In Colombia, a business group is deemed to exist when a relationship of corporate control is accompanied by a unity of purpose and direction among the affiliated companies, as provided in Article 28 of Law 222 of 1995. In practice, this means that although each company preserves its own legal personality and manages its individual corporate purpose, all entities align their decision making pursuant to a common policy established by the parent (controlling) company, which defines the strategic course of the group as a whole and harmonizes objectives, priorities, and operating parameters across the affiliated entities. This shared direction is expressed through cross cutting guidelines (whether financial, commercial, operational, or related to corporate governance) that enable the implementation of a coherent and sustained group wide strategy over time, without undermining the formal legal autonomy of each company.

Once a business group has been formed, it must be registered in the Mercantile Registry of the corresponding Chamber of Commerce within 30 business days following its formation, in accordance with Article 30 of Law 222 of 1995. This registration must be updated in the event of any material changes, such as corporate reorganizations or modifications to the shareholding structure.

4.2. Obligations before the Superintendence of Companies

The Superintendence of Companies is the governmental authority vested with the powers of inspection, oversight, and control over commercial companies in Colombia. In relation to business groups, their principal supervisory obligations encompass the following:

(i) Verification and updating of the registry: The Superintendence of Companies may require information to verify the correct registration of the business group and order adjustments if it finds inconsistencies.

(ii) Special group report: The directors of the parent company and its subordinate entities must annually submit a special report to the highest corporate body, detailing the intensity and nature of the material economic relationships within the group, as well as the principal transactions and decisions undertaken under the influence of, or in the interest of, the parent company or its subsidiaries.

(iii) Consolidated financial statements: The parent company is obliged to prepare and present consolidated financial statements in accor-

dance with International Financial Reporting Standards (IFRS). In cases where the parent company is located abroad, this obligation is assumed by the Colombian subsidiary with the largest volume of assets.

(iv) Submission of information: Business groups are required to file their consolidated financial statements and accompanying schedules as part of the exogenous information submitted to the tax authority, within the deadlines established annually.

4.3. Relevant aspects of competition and authorization

Competition law has a direct impact on business groups in Colombia, principally through the control of business combinations and the prevention of anticompetitive conduct. The SIC, as previously mentioned, is the authority responsible for ensuring that concentration operations do not impair free competition in the market.

Business integrations encompass mergers, acquisitions of shares or assets, takeovers (including the acquisition of joint control), and corporate reorganizations that result in an economic concentration. When certain criteria are met, such as surpassing the asset or revenue thresholds established for the corresponding year, the parties must notify the transaction and, in some instances, obtain prior authorization before its completion. It is important to underscore that these thresholds are assessed with reference to the economic group as a whole, rather than solely the acquiring or the acquired entity in isolation.

For business groups, the competition analysis must be carried out from the planning stage, since executing an integration without complying with the procedures can lead to sanctions and the reversal of the operation.

4.4. Transfer Pricing: Obligations, Documentation and Risks

The transfer pricing regime in Colombia seeks to ensure that transactions between related companies, especially with parent companies or subsidiaries abroad, are carried out at market values. The main obligations include:

(i) Identification of related-party transactions: It is necessary to identify all transactions with related companies, including the purchase and sale of goods, services, royalties, financing and assignment of intangibles.

(ii) Supporting documentation: Depending on the amounts and nature of the transactions, the Transfer Pricing Information Return, the Local Report, the Master Report, and, for certain multinational groups, the Country-by-Country Report, must be prepared.

(iii) Submission and retention: Reports must be submitted in accordance with the applicable fiscal calendars and retained for potential review in the event of audits.

Failure to comply may give rise to tax adjustments, financial penalties, and risks of double taxation. It is essential that contracts and internal documentation remain consistent with the operational and accounting reality of the group.

4.5. Reporting and tax compliance

Each company in the corporate group must comply with its tax obligations individually, but the authorities usually analyze the consistency of the information at the group level. The main obligations include:

- ***Tax returns:*** *File income tax returns, VAT, withholdings and other national and territorial taxes in accordance with official calendars.*
- ***Exogenous information:*** *Report to the tax authority operations with third parties, payments, withholdings and relevant transactions, ensuring consistency with financial statements and electronic invoicing.*
- ***Ultimate beneficial ownership registration:*** *Identify and report to the tax authority the information of the final beneficiaries of the group, updating it in the event of any relevant changes.*
- ***Documentation of reorganizations:*** *Mergers, spin offs, and other intra group reorganizations must be duly documented for both tax and registration purposes.*

Obligations of Business Groups

OBLIGATION	DEADLINE	AUTHORITY / REGULATOR
Registration of Business Group or Control Situation	Within 30 business days from the date on which the situation is configured.	Chamber of Commerce
Filing of Consolidated Financial Statements	Must be filed between 13 April and 11 May 2026.	Superintendence of Companies (Superintendencia de Sociedades)
Transfer Pricing: Informative Return and Local File	9–22 September 2026 (depending on the taxpayer's NIT).	DIAN (Colombian Tax Authority)
Transfer Pricing: Country by Country Report	No later than 15 December 2026.	DIAN (Colombian Tax Authority)
Notification of Business Combinations (Merger Control)	Prior to the execution of the transaction.	Superintendence of Industry and Commerce
National Database Registry (RNBD)	By 31 March 2026 (update).	Superintendence of Industry and Commerce

5. LIQUIDATION OF COMPANIES AND BRANCHES

Liquidation is the process through which a Colombian company, or a branch of a foreign company, ceases its activities, settles its assets, and extinguishes its obligations. The process may commence only after the company has been formally dissolved, or after the parent company has adopted the decision to liquidate the branch, at such point the entity retains its legal personality solely for purposes of carrying out the liquidation, which is governed by the Commercial Code and the applicable special regulations.

1	2	3
Dissolution and appointment of the liquidator	Registration with the Chamber of Commerce of the dissolution status and start of liquidation	Publication of liquidation notices, notification to creditors and DIAN, and subsequent verification of claims
4	**5**	**6**
Preparation and approval of the final liquidation accounts	Registration of the final liquidation accounts with the Chamber of Commerce and cancellation of the commercial registration	Cancellation of the RUT

5.1. Legal procedure for voluntary and compulsory liquidation

5.1.1. Voluntary liquidation

(i) Dissolution or adoption of the decision to liquidate: the decision must be approved by the competent body and registered with the Chamber of Commerce. From that moment on, the entity can only execute acts aimed at its liquidation and must add "in liquidation" to its name. In branches, the dissolution is formalized with the registration of the decision of the parent company.

Note: *if the highest corporate body does not appoint a liquidator, the legal representative of the company or branch will perform the functions of liquidator.*

(ii) Appointment of the liquidator: The liquidator may be designated either pursuant to the by-laws or as mandated by the law. In the absence

of an appointment by the highest corporate body, the legal representative shall automatically assume the role. Within one month thereafter, a comprehensive inventory must be prepared, setting out all assets, liabilities, contingent obligations, and existing contracts.

(iii) Verification of credits: First, notices are published at the company's registered office, and both the creditors and the DIAN are notified. Afterwards, the credit verification process begins, during which creditors submit their claims to be admitted, challenged, or rejected, in accordance with the supporting documentation and the legal rules of priority. Once this stage is completed, the liquidator proceeds to realize the assets through appropriate disposal mechanisms and allocates the funds obtained to the orderly payment of obligations, following the priority established by law.

(iv) Final liquidation account: Once all liabilities have been fully satisfied, the liquidator prepares the final liquidation account for approval by the highest corporate body. Following such approval and the corresponding registration with the Chamber of Commerce, the company's commercial registration is cancelled. In the case of branches, the parent company prepares the final account once all local liabilities have been settled and the applicable foreign exchange procedures have been completed.

(v) Cancellation of the RUT: Following this registration, the entity must: (a) file the income tax return corresponding to the applicable fraction of the taxable year; and (b) request the cancellation of the Tax Registry (RUT) before the DIAN, thereby formalizing the fiscal closure of the entity and the definitive termination of its tax obligations in Colombia.

5.1.2. Forced liquidation

It is initiated pursuant to a judicial or administrative order when a cessation of payments or other critical legal or patrimonial circumstances arise. The procedure is conducted under Law 1116 of 2006 or the applicable special regimes, depending on the sector. The judge or competent authority appoints the liquidator and directs the process, ensuring compliance with the statutory order of priority and the orderly termination of obligations.

5.2. Labor, tax and exchange implications

i. ***Labor obligations:*** *Each employment contract must be terminated in accordance with the provisions of the Substantive Labor Code, and all salaries, benefits, social security contributions, and applicable severance indemnities must be duly settled. In cases involving collective dismissals, the corresponding administrative procedures before the Ministry of Labor may be required.*
ii. ***Tax obligations:*** *The entity must continue filing all tax returns until its definitive closure, including income tax, VAT, withholding tax, and territorial taxes. The distribution of any remaining assets may generate occasional withholdings or taxable gains. Finally, the cancellation of the RUT must be requested.*
iii. ***Foreign exchange obligations:*** *In the case of foreign investment, the corresponding procedures must be carried out to cancel or repatriate the capital registered with the Central Bank. The liquidator must adequately document all foreign currency transactions and proceed to close the bank accounts associated with the operation.*

5.3. Timelines, Costs, and Recommendations for Efficient Settlement

i. The duration of the liquidation procedure is determined by variables such as the complexity of the estate, the number and nature of creditors, the disposal of assets, and any existing contingencies. As a general reference, such proceedings typically extend over a period ranging from 6 months to 2 years.

ii. The costs of the procedure encompass the liquidator's fees, notarial and registry expenses, the appraisals required, any outstanding labor and tax obligations, as well as the operational expenses associated with the closing process.

iii. For an efficient liquidation process, it is advisable to conduct a preliminary review of the accounting and tax situation, regularize any outstanding obligations prior to initiating the procedure, advance the termination of current contracts, and rigorously document the actions undertaken by the liquidator. Additionally, in cases involving foreign investment, it is recommended to coordinate the corresponding exchange procedures in advance.

6. FOREIGN EXCHANGE REGISTRATION AND IMPLICATIONS

In Colombia, the exchange regime operates under two modalities: (i) the free market regime; and (ii) the regulated market regime. The latter requires mandatory channeling of certain operations. In this context, the Central Bank has established that foreign capital investments in Colombia, Colombian investments abroad, and their respective returns, dividends, and other yields must be channeled and reported through authorized intermediaries or designated bank accounts.

6.1. Registration of foreign investment with the Central Bank

The registration of foreign currency investments requires channeling the funds through Foreign Exchange Market Intermediaries (IMC) or duly registered clearing accounts, as well as submitting the corresponding exchange declaration. Although the regulations allow investment registration at any time, they require that substitutions and cancellations be processed in a timely manner.

A recurring challenge involves the omission of updates when changes occur in ownership or the amount of investment, which may create obstacles for future foreign exchange transactions associated with the investment. In such cases, the Central Bank may require the regularization of the registry before authorizing new operations. For example, if a company fails to report an investor substitution within the 6-month period, it must regularize the registration to continue carrying out related transactions; otherwise, it may be subject to penalties. To prevent such situations, it is advisable to implement robust documentary controls, conduct periodic audits, provide training to the responsible team, and maintain ongoing communication with the Central Bank.

6.2. Exchange obligations in incorporation, acquisition and liquidation

The correct channelling and declaration of resources is essential at every stage of the investment. Nevertheless, errors commonly arise, particularly related to the improper use of exchange numbers or the omission of reporting in partial settlements. For example, the transfer of shares without declaring the corresponding cancellation of the investment may prevent the execution of subsequent operations associated with that in-

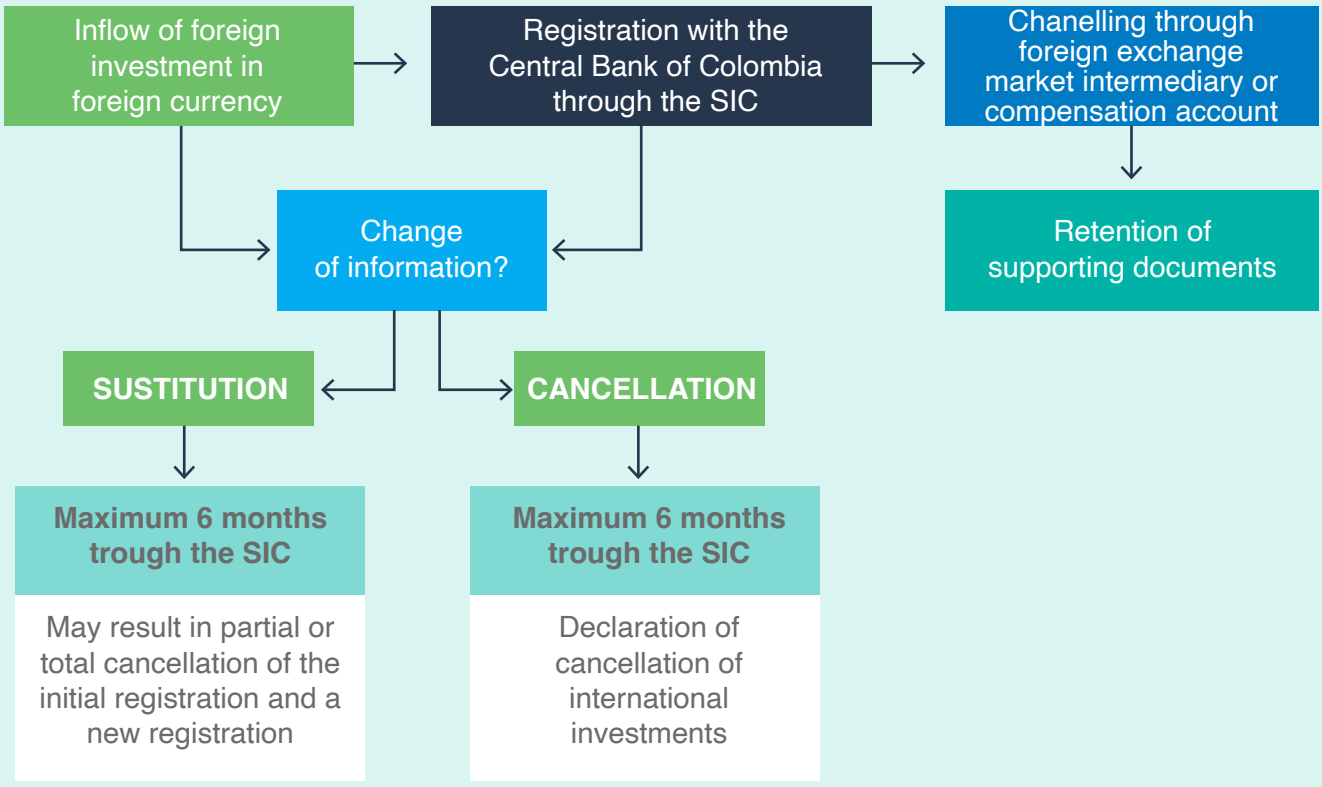
vestment until the registration with the Central Bank is duly regularized.

For efficient management, it is advisable to establish clear internal procedures, designate responsible personnel for foreign-exchange compliance, anticipate potential corporate reorganization scenarios, and ensure that all records are updated in a timely manner. Prevention and proper planning are key to avoiding errors that could hinder the efficient movement of resources.

6.3. Sanctions and Best Practices for Foreign Exchange Compliance

Sanctions for foreign exchange non compliance, beyond their financial implications, may adversely affect an entity's reputation and its capacity to operate in both the Colombian and international markets. Accordingly, the proper management of foreign investment requires a strategic approach that integrates regulatory compliance, risk prevention, and operational efficiency.

Best practices include maintaining organized and updated documentation, carrying out periodic internal audits, seeking professional advice when dealing with complex transactions or regulatory modifications, and remaining continuously informed in light of evolving regulations. Specialized support enables entities to anticipate risks, optimize procedures, and ensure transparency before both domestic and foreign authorities and business partners, thereby adding value and reinforcing confidence in operations conducted in Colombia.



7. CASE STUDIES AND STRATEGIC GOOD PRACTICES

Frequent scenarios (Greenfield and Brownfield) and strategic recommendations within the Colombian corporate framework. This approach aims to support international investors in making informed decisions by providing a comprehensive perspective that integrates legal, tax, financial, accounting, cultural, and technological considerations.

7.1. Examples of optimal structures for different investor profiles

(i) Case 1 – Foreign Small/Medium-Sized Enterprise Investor (Non-Regulated Sector) entering Colombia (Greenfield):

a. ***Usually optimal structure:*** *S.A.S. wholly owned (100%) by the parent company (which may be a foreign individual or legal entity) due to its flexibility and expedited implementation. Incorporation is typically carried out through a private document and subsequent registration with the Chamber of Commerce.*
b. ***Key decisions:*** *(1) local operating model (sales/support/distribution), (2) design of light corporate governance and simple powers, (3) early definition of intra-group flows (services/licenses/costs) and capitalization (capital vs. premium).*

(ii) Case 2 – Energy/infrastructure project (Greenfield or pipeline acquisition) with or without financiers:

a. ***Usually optimal structure:*** *Special purpose legal vehicle in Colombia (commonly S.A.S.) + shareholders' agreement + guarantee packages and covenants.*
b. ***Strategic approach:*** *Limit the purpose of the S.A.S. to the project, define "reserved matters" (to be approved by the "owners" or shareholders), rules for future contributions ("anti-dilution") and clear exit mechanisms (sale to strategic investor, refinancing, among others).*
c. ***Multifunctional added value:*** *Align from the beginning the legal structure with the project's financial model ("Debt Service Coverage Ratio", "waterfall", "dividend locks"), capital calls and banking/insurance requirements.*

(iii) Fintech/technology (Greenfield) with rapid growth and capital rounds

a. ***Usually optimal structure:*** *S.A.S. + intellectual property scheme (Transference/assignment, "chain of title"), "Employee Stock Ownership" or incentive plan and personal data policies.*
b. ***Strategy:*** *Prepare the company for investor audits ("clean cap table", standardized contracts, personal data compliance, money laundering policy, technological and financial traceability).*

(iv) Beyond the legal and most importantly: Clear and proven business model.

7.2. Fund/Private Equity buying Colombian company (Brownfield/M&A):

(i) Usually optimal structure: Purchase via holding company or HoldCo (local or foreign according to treaties, substance and tax strategy) + S.P.A. (purchase and sale contract) + escrow/withholdings + insurance of representations and guarantees, if applicable.

(ii) Strategic approach: Due diligence oriented to material contingencies (corporate, labor, tax, exchange, personal data) and "day-1 readiness" plan (powers of attorney, firms, banks, internal controls).

(iii) Corporate governance: Board of directors/ bodies, committees, and rules of conflict of interest and non-compete acts.

7.3. Common mistakes and how to avoid them

i. Risk of selecting a legal vehicle out of habit rather than strategic analysis (e.g., S.A.S. vs. special-purpose entity vs. contractual joint venture vs. commercial trust). How to avoid this? Use a structured decision matrix evaluating: regulatory requirements, risk exposure, financing needs, profit repatriation mechanisms, corporate governance, tax implications, and exit strategies.

ii. Risk of weak corporate compliance (e.g., missing corporate books, incomplete minutes, informal powers of attorney, and undocumented decisions). How to avoid this? Strengthening the corporate secretariat, enforcing documentation discipline, and maintaining a robust audit trail. Ensure proper management and authorization of conflicts of interest and competition issues, the process is just as important as the outcome.

iii. Risk of a "disorderly" shareholding structure and fragmented intellectual property rights (e.g., unclear share issuances, option grants without defined rules, unassigned software or know how, and unregistered trademarks). How to avoid this? Maintain a controlled and transparent shareholder structure, ensure shareholder agreements align with the bylaws, and proactively close intellectual property gaps.

iv. Risk of underestimating liability exposure arising from abuse of the corporate form. For instance, in S.A.S. entities, Law 1258 of 2008 permits the lifting of the corporate veil when fraud or harm to third parties is proven. How to avoid this? Ensure each legal structure serves a legitimate business purpose, maintain adequate capitalization, and strengthen compliance and transparency practices.

v. Risk of failing to map "transversal compliance" obligations (foreign exchange, tax, labor, data protection, cybersecurity, and, when applicable, SAGRILAFT/PTEE). How to avoid this? Adopt an integrated legal–tax–financial–accounting approach and implement controls from the onboarding stage, including policies, training, and secure technological tools.

7.4. Recommendations to streamline processes and mitigate risks.

i. Design the entry as a "program" (not as a procedure): *A single schedule with legal, fiscal, accounting, banking, human talent and technology fronts (roles, dependencies, deliverables).*

i. Standardize global documentation and localize it early: *Powers of attorney, certificates, apostilles/translations; contractual templates and policies adapted to Colombia.*

i. Implement corporate compliance and governance frameworks that are "due diligence ready": *Ensure coherent bylaws and shareholder agreements, maintain an up to date minute book, establish a clear powers of attorney matrix, and adopt a formal conflicts of interest policy that*

supports informed and well documented decision making.

i. ***Prepare the "Exit from Entry":*** *Define from the outset the restrictions and mechanisms governing share transfers (e.g., carry over or adhesion rights, rights of first refusal), as well as performance metrics and exit conditions.*

i. ***Leverage analytics and technology to enhance control, security, and operational speed:*** *Establish a day one data room (contracts, licenses, minutes, consolidated IP assets), implement approval workflows, use e signatures where appropriate, and deploy compliance dashboards (labor, tax, data protection). Adopt technological tools and models that ensure robust cybersecurity.*

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