Gobierno de Colombia

PROCOLOMBIA
EXPORTS TOURISM INVESTMENT COUNTRY BRAND

2026

Legal Guide

To doing business in Colombia



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

General Framework **for Foreign Investment**



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Foreign investment plays a fundamental role in the Colombian economy. For this reason, a clear and efficient regulatory framework aligned with international standards becomes the best tool to attract high value-added investments with a long-term perspective.

The main issues a foreign investor should know regarding foreign investment in Colombia are framed within four fundamental principles of the applicable legal regime:



1. GENERAL REGIME OF INVESTMENT IN COLOMBIA

(i) Equal treatment: As a general rule, the Colombian Constitution provides that foreign nationals and Colombian nationals shall enjoy the same rights and guarantees. Accordingly, foreign investment receives the same treatment as domestic investment, except for the limitations expressly established by law.

(ii) Universality: Foreign investment is allowed in all sectors of the economy, except for: (i) activities related to national defense and security; and (ii) the processing, disposal, and dumping of toxic, hazardous, or radioactive waste not produced in the country.

Notwithstanding the foregoing, certain sectors and activities are subject to restrictions or special conditions for foreign participation, including certain activities related to television broadcasting, the artisanal fishing industry, the manufacture, possession, and use of nuclear, biological, and chemical weapons, the trade of such products, and private armed security and surveillance services, among others.

There are also particular requirements regarding business organization and trusted personnel in sectors such as maritime transport, the press, and radio broadcasting. Likewise, the State maintains a monopoly over certain activities, such as production, import, export, distribution, and sale of liquor, as well as games of chance.

(iii) No prior authorization: As a general rule, foreign investment in Colombia does not require

prior authorization or a favorable opinion from any authority. However, in certain regulated sectors, such as insurance and finance, as well as mining and hydrocarbons, prior authorization or recognition by the competent authorities may be required in specific cases.

In all cases, Foreign Direct Investment ("FDI") must be mandatorily registered before the Colombian Central Bank (Banco de la República).

(iv) Mobility: Foreign investors may freely determine the destination of their investments. Accordingly, they may remit their returns abroad, reinvest them in the country, or dispose of and liquidate their investments to remit the proceeds abroad, subject to the applicable foreign exchange regime.

Although free movement of capital prevails in Colombia, the regulations contemplate the possibility of adopting exceptional measures in specific scenarios, such as when the country's international reserves fall below three months of imports.

(v) Complementary international framework: In addition, Colombia has International Investment Agreements ("IIAs") and Double Taxation Agreements ("DTAs"), which reflect the country's commitment to the promotion, protection, and stability of international investments.

1.1. International Investment Agreements ("IIAs")

In order to establish optimal conditions for investors from other States within Colombian territory, Colombia has implemented a policy of negotiating and ratifying International Investment Agreements ("IIAs"), which are mainly contained in Agreements for the Reciprocal Promotion and Protection of Investments ("BITs") or in foreign investment chapters of Free Trade Agreements ("FTAs").

IIAs seek to create a fair and clear legal framework establishing minimum standards of protection for foreign investors that decide to undertake FDI in Colombia. IIAs also grant such standards of protection to Colombian investors investing in jurisdictions covered by these international instruments.

1.1.1. Contents of the IIAs in force

Although the content of IIAs has evolved since the first type of these agreements was ratified by the Colombian State, as a general rule, these instruments contain clauses relating to: (i) temporal scope; (ii) covered investments and covered investors; (iii) standards of protection (National Treatment, Most-Favoured-Nation Treatment, Minimum Standard of Treatment, prohibition of expropriation without compensation, and free transfer of funds); and (iv) dispute settlement.

The IIAs currently[1] in force in Colombia are the following:

[1] It is important to note that the agreements with EFTA and the European Union do not contain an investment chapter with the same depth as a standard IIA. However, since they do contain provisions relating to investment, they are included in this list.

CHART 1

A. America

COUNTRY	ENTRY INTO FORCE	TITLE OF THE AGREEMENT
Pacific Alliance (Additional Protocol)	In force since May 1, 2016. Law 1721 of June 27, 2014. Approved by decision C-620 of 2015.	Additional Protocol to the Framework Agreement of the Pacific Alliance among the Republic of Colombia, the Republic of Chile, the United Mexican States, and the Republic of Peru.
Canada	In force since August 15, 2011. Law 1363 of 2009. Approved by decision C-608 of 2010.	Free Trade Agreement between the Republic of Colombia and Canada.
Chile	In force since May 8, 2009. Law 1189 of 2008. Approved by decision C-031 of 2009.	Free Trade Agreement between the Republic of Colombia and the Republic of Chile — Additional Protocol to the Economic Complementation Agreement for the Establishment of an Expanded Economic Area between Colombia and Chile (ACE 24) of December 6, 1993," signed in Santiago, Chile, on November 27, 2006.
Costa Rica	In force since August 1, 2016. Law 1763 of 2015. Approved by decision C-157 of 2016.	Free Trade Agreement between the Republic of Colombia and Costa Rica.
Cuba	In force since 1996. Law 245 of 1995. Approved by decision C-379 of 1996.	Agreement between the Government of the Republic of Colombia and the Government of the Republic of Cuba on the Promotion and Reciprocal Protection of Investments.
United States	In force since May 15, 2012. Law 1143 of 2007 and Law 1166 of 2007. Approved by decisions C-750 and C-751 of 2008, respectively.	Trade Promotion Agreement between the Republic of Colombia and the United States of America.

COUNTRY	ENTRY INTO FORCE	TITLE OF THE AGREEMENT
Mexico	In force since 1995. Law 172 of 1994. Approved by decision C-178 of 1995. Decree 2676 of 2011 and amending protocol, Law 1457 of 2011. Approved by decision C-051 of 2012.	Free Trade Agreement between the Republic of Colombia and the United Mexican States.
Peru	In force since December 30, 2010. Law 1342 of July 31, 2009. Approved by decision C-377 of 2010.	Agreement between the Government of the Republic of Colombia and the Government of the Republic of Peru on the Promotion and Reciprocal Protection of Investments.
Northern Triangle (Guatemala, El Salvador, and Honduras)	In force. With Guatemala since November 12, 2009; with El Salvador since February 1, 2010; and with Honduras since March 27, 2010. Law 1241 of 2008. Approved by decision C-446 of 2009.	Free Trade Agreement between the Republic of Colombia and the Republics of El Salvador, Guatemala, and Honduras.

B. Europe

COUNTRY	ENTRY INTO FORCE	TITLE OF THE AGREEMENT
EFTA	In force with Switzerland and Liechtenstein since July 1, 2011. The agreement with Norway entered into force on September 1, 2014. The agreement with Iceland entered into force on October 1, 2014. Law 1372 of 2010. Approved by decision C-941 of 2010.	Free Trade Agreement between the Republic of Colombia and the EFTA States.
Spain	In force since September 22, 2007. Law 1069 of 2006. Approved by decision C-309 of 2007.	Agreement between the Republic of Colombia and the Kingdom of Spain for the Promotion and Reciprocal Protection of Investments.

COUNTRY	ENTRY INTO FORCE	TITLE OF THE AGREEMENT
France	In force since October 14, 2020. Law 1840 of July 12, 2017. Approved by decision C-252/2019.	Agreement between the Government of the Republic of Colombia and the Government of the French Republic on the Promotion and Reciprocal Protection of Investments.
United Kingdom of Great Britain and Northern Ireland	In force since October 10, 2014. Law 1464 of 2011. Approved by decision C-169 of 2012.	Bilateral Agreement for the Promotion and Protection of Investments between the Government of the United Kingdom of Great Britain and Northern Ireland and the Republic of Colombia.
Switzerland	In force since October 6, 2009. Law 1198 of 2008. Approved by decision C-150 of 2009.	Agreement between the Republic of Colombia and the Swiss Confederation on the Promotion and Reciprocal Protection of Investments.
European Union	In force since 2013. Law 1669 of 2013. Approved by decision C-335/2014.	Trade Agreement between the European Union, Colombia, Peru, and Ecuador.

C. Asia and the Middle East

COUNTRY	ENTRY INTO FORCE	TITLE OF THE AGREEMENT
China	In force since July 2, 2012. Law 1462 of 2011. Approved by decision C-199 of 2012.	Bilateral Agreement for the Promotion and Protection of Investments between the Government of the Republic of Colombia and the Government of the People's Republic of China.
South Korea	In force since July 15, 2016. Law 1747 of 2014. Approved by decision C-184 of 2016.	Free Trade Agreement between the Republic of Colombia and the Republic of Korea.
India	In force since July 3, 2012. Law 1449 of 2011. Approved by decision C-123 of 2012.	Agreement for the Promotion and Protection of Investments between the Republic of Colombia and the Republic of India.

COUNTRY	ENTRY INTO FORCE	TITLE OF THE AGREEMENT
Israel	In force since August 11, 2020. Law 1841 of July 12, 2017. Approved by decision C-254/2019.	Free Trade Agreement between the Republic of Colombia and the State of Israel: Chapter 10 – Investment.
Japan	In force since September 11, 2015. Law 1720 of 2014. Approved by decision C-286 of 2015.	Agreement between the Republic of Colombia and Japan on the Liberalization, Promotion and Protection of Investment.

Signed

A. America

COUNTRY	STATUS	TITLE OF THE AGREEMENT
Brazil	Signed on October 9, 2015. Pending domestic approval proceedings before the Congress of the Republic.	Cooperation and Investment Facilitation Agreement between the Republic of Colombia and the Federative Republic of Brazil.
Panama	Signed on September 20, 2013. Pending domestic approval.	Free Trade Agreement between the Republic of Colombia and Republic of Panama
Venezuela	Signed on February 3, 2023. Pending domestic approval proceedings before the Congress of the Republic.	Agreement between the Bolivarian Republic of Venezuela and the Republic of Colombia on the Promotion and Reciprocal Protection of Investments.

B. Europe

COUNTRY	STATUS	TITLE OF THE AGREEMENT
Spain	Both instruments signed on September 16, 2021. Pending legislative approval before the Congress of the Republic.	Agreement between the Republic of Colombia and the Kingdom of Spain for the Promotion and Reciprocal Protection of Investments.
		Joint Interpretive Declaration between the Republic of Colombia and the Kingdom of Spain on the Agreement for the Promotion and Reciprocal Protection of Investments between the Republic of Colombia and the Kingdom of Spain (Colombia–Spain BIT).

C. Asia and the Middle East

COUNTRY	STATUS	TITLE OF THE AGREEMENT
United Arab Emirates	Signed on November 12, 2027. Pending domestic approval proceedings before the Congress of the Republic.	Bilateral Agreement on the Promotion and Protection of Investments between the Government of the Republic of Colombia and the Government of the United Arab Emirates.
Singapore	Signed on January 26, 2022. Pending domestic approval proceedings before the Congress of the Republic.	Trade Agreement between Singapore and the Pacific Alliance.
Turkey	Signed on July 28, 2014. Pending domestic approval proceedings before the Congress of the Republic.	Agreement between the Government of the Republic of Turkey and the Government of the Republic of Colombia on the promotion and reciprocal protection of investments.

2. ONGOING IIA NEGOTIATIONS

Colombia is currently conducting negotiations for BITs with the following countries:

- *Qatar*
- *Kuwait*
- *Pacific Alliance Investment Chapter to add Australia, New Zealand, and Canada as Associated States*

2.1. Double Taxation Agreements

Double Taxation Agreements ("DTAs") are bilateral or multilateral international instruments aimed at establishing clear rules to avoid or mitigate double taxation on income or equity that, under normal circumstances, would be taxed by the same or similar taxes in two or more jurisdictions. These treaties are governed by principles of international public law and also serve to promote cooperation among States to combat tax evasion.

DTAs operate as a tool to attract foreign investment and promote outbound investment by Colombian investors, insofar as they provide, among others, the following benefits:

i. *Tax stability regarding the minimum operating conditions between tax residents of two States.*
ii. *Reduction of the effective consolidated tax burden through access to reduced withholding rates.*
iii. *The possibility of exempting a given income from taxation, generally in the source country, to the extent the foreign company does not have sufficient presence in that country.*

DTAs are usually limited to income tax and, in some cases, include equity tax. As a general rule, indirect taxes such as Value Added Tax ("VAT") are not covered by these instruments.[2] Nor do they include territorial taxes such as the Industry and Commerce Tax ("ICA").

When investors evaluate where to carry out their investment projects, expected return and risk are important, but tax impact also plays a leading role. For this reason, the tax regime, and DTAs in particular, become decisive elements when choosing where to invest.

In this regard, one indicator of the application of common principles among countries and of tax development is the number of ratified DTAs, as these agreements increase return levels for investors and promote legal certainty. Colombia has followed the global trend of adopting, as a basis for negotiations, a treaty model that generally resembles either the model developed by the Organization for Economic Co-operation and Development ("OECD") or that of the United Nations ("UN").

The DTAs currently in force in Colombia are those entered into with:

1. *the Andean Community,*
2. *Spain,*
3. *Chile,*
4. *Switzerland,*
5. *Canada,*
6. *Mexico,*
7. *South Korea,*
8. *Portugal,*
9. *India,*
10. *the Czech Republic,*

[2] However, within the framework of the Andean Community ("CAN"), Decisions 599 and 600, as amended by Decision 635, seek to harmonize substantive and procedural aspects of Value Added Tax and excise taxes among the different CAN Member States.

11. *the United Kingdom,*
12. *Italy,*
13. *France,*
14. *Japan,*
15. *and the Pacific Alliance (for pension funds).*

Colombia has also entered into specific treaties relating to exchange of tax information, including the OECD Convention on Mutual Administrative Assistance in Tax Matters, which currently covers approximately 108 jurisdictions. Colombia also has a tax information exchange agreement with the United States and has negotiated agreements of this type with other jurisdictions (e.g., Curaçao and Barbados); however, the latter have not yet completed their approval process. In June 2017, Colombia signed the multilateral instrument to prevent base erosion and profit shifting promoted by the OECD, which will modify most of the DTAs entered into by Colombia by establishing stricter requirements in order to access the benefits provided under those Agreements.

2.2. Foreign Investment in Colombia and Colombian Investment Abroad

2.2.1. General foreign exchange concepts applicable to the investment regime

The Colombian foreign exchange regime is a partially controlled regime, which means that some transactions must be reported to the competent authorities before, simultaneously with, or after they are carried out. Foreign exchange policy is regulated by the Colombian Central Bank.

KEY INSIGHT
Colombia does not have absolute exchange controls. This means that, depending on the type of transaction carried out, different options for moving your money into and out of the country will exist.

In this regard, the following concepts are key to understanding the foreign exchange regime applicable to investments:

- ***Foreign exchange resident:*** *(i) Colombian nationals residing in the national territory, or foreigners who remain in the country for more than 183 days within a 365 consecutive-day period; and (ii) companies, entities, and branches of foreign companies whose main domicile is in Colombia.*

KEY INSIGHT
The status as a foreign exchange resident or non-resident determines how a person may conduct transactions in Colombia. It is one of the first aspects that must be defined before investing in the country.

Please note: The 183-day rule includes the days of entry into and departure from the country, and the count is made from the date of the transaction, looking 183 days backwards regardless of whether the period crosses into a different calendar year. Make sure to keep careful track if you are close to this threshold.

- ***Foreign exchange market:*** *It is composed of those foreign currencies that*

must be mandatorily transferred through authorized foreign exchange market intermediaries or through the compensation mechanism, and those foreign currencies that are voluntarily transferred through that market even though they are exempt from that obligation.

- ***Foreign Exchange Market Intermediary ("IMC"):*** *These are the entities authorized to process foreign exchange transactions, such as banking establishments, financial corporations, and financing companies.*

- ***Compensation account:*** *It is a bank account opened abroad by a foreign exchange resident, in any foreign currency and in any country, which must be registered under the compensation mechanism before the Colombian Central Bank either because it has been used for mandatory transfer transactions or for payments between residents.*

- ***Transactions of mandatory registration:*** *These are the transactions that must mandatorily be conducted through the foreign exchange market:*

  - *Import and export of goods*
  - *International loans (both inbound and outbound) and their interest*
  - *Foreign investments in Colombia or Colombian investments abroad, including dividends and returns*
  - *Investments in securities and assets abroad*
  - *Financial derivative transactions*
  - *Guarantees and sureties in foreign currency*

WORTH NOTING!
If a transaction is listed as a transaction of mandatory registration an authorized bank or a registered compensation account must be used for the remittance of the money. There are no exceptions.

- ***Foreign Exchange Information System:*** *This is an online tool available through the Colombian Central Bank's website that guides users in complying with their foreign exchange obligations. The system contains several modules for transmitting foreign exchange information, and the Bank regularly updates it to facilitate reporting, access, and the different modules, ultimately seeking to ensure that most transactions can be processed through the System without additional intermediation. The currently available modules are: (i) international investments, (ii) compensation accounts, (iii) exchange declarations, and (iv) external indebtedness. The system requires the creation of an actor and a user account for access.*

2.2.2. Types of investment

2.2.2.1. Direct investment – foreign investment in Colombia

Foreign direct investment in Colombia (FDI) is one in which the foreign investor acquires an interest in a sector in Colombia. It includes:

- *Equity interests in the capital of a company resident in Colombia, represented in shares, quotas, capital contributions, or bonds mandatorily convertible into shares, not registered in the National Securities Registry or in a Foreign Securities Quotation System.*
- *Interests acquired in a company resident in Colombia that are registered in the National Securities Registry and acquired with an intention of permanence.*
- *Rights or interests in trust businesses.*
- *Real estate located in the country.*
- *Interests or economic rights arising from acts or agreements such as collaboration agreements, concessions, management services, licenses, consortiums, temporary unions, or agreements involving technology transfer, where these do not represent an equity interest in a company and the income or returns generated by the investment depend on the company's profits.*
- *Interests in the assigned capital and supplementary investment to the assigned capital of a branch of a foreign company.*
- *Interests in certain private equity funds.*
- *Intangible assets acquired for the purpose of being used to obtain an economic benefit in the country.*

2.2.2.1.1. Obligations

Registration

FDI must mandatorily be conducted through the foreign exchange market.

All FDI must be registered before the Colombian Central Bank. This registration may be carried out directly by the investor, its attorney-in-fact, or the legal representative of the company receiving the investment. There are two main modalities:

- ***Direct investment with foreign currency transfer:*** *When foreign currency is sent to Colombia, registration is completed automatically at the time of the transaction. The IMC or the holder of the compensation account transmits the information to the Foreign Exchange Information System of the Colombian Central Bank.*
- ***Direct investment without foreign currency transfer:*** *If the investment does not involve the transfer of foreign currency (for example, capitalization of a pre-existing obligation, in-kind contributions, or contributions of industry, among others), registration is completed directly in the Foreign Exchange Information System of the Colombian Central Bank.*

Registration does not "legalize" the origin of the funds. The information declared is deemed to have been submitted under oath, and the investor is responsible for its accuracy.

Returns

The dividends and profits generated by the investment must also be transferred through the foreign exchange market. In order to remit such returns, the investor must have a previously opened foreign exchange channel (i.e., a registered investment). The party responsible for the remittance must process the transaction by filing a minimum data statement for investment transactions (formally Form No. 4) or through a compensation account using the appropriate foreign exchange codes.

Please note: If there are changes to the investment, the registration must be updated before the Colombian Central Bank. Usually, and depending on the relevant transaction, this must be done within the six months following the transaction. Failure to

comply with this deadline may result in sanctions imposed by the Superintendency of Companies.

Cancellations, substitutions, and reorganizations

What is a cancellation? It is the total or partial reduction or liquidation of an FDI.

What is a substitution? It is a change or modification in the holder of the investment, the composition of the capital, or its destination. For example, when the investment is sold to another foreign investor.

Both transactions must be reported in the Foreign Exchange Information System of the Colombian Central Bank.

2.2.2.1.2. Other relevant investment transactions

Advances for future capitalizations

For foreign exchange purposes, advances for future capitalizations are treated as external indebtedness and must be registered before or simultaneously with the disbursement. They will only be considered investment once they are actually capitalized.

Capitalizations:

It is possible to capitalize obligations between the Colombian entity and its foreign shareholder. The nature of the relevant obligation must be analyzed in order to determine its foreign exchange treatment.

DID YOU KNOW?
Capitalizations of obligations between the Colombian entity and its foreign shareholder are deemed FDI "without foreign currency transfer," and, for foreign exchange purposes, they are perfected simply by completing the corresponding registration before the Colombian Central Bank.

2.2.2.1.3. Supporting documents

All documents supporting the FDI must be kept for at least five years. Control authorities may require them in the event of audits.

2.2.2.2. Portfolio investment

Portfolio investment is made in any of the following assets:

- *Securities registered in the National Securities Registry or listed in Foreign Securities Quotation Systems (except for interests acquired with an intention of permanence or interests in private equity funds).*
- *Interests in certain collective investment funds.*
- *Interests in programs involving negotiable deposit certificates representing securities.*

The main difference from direct investment is that portfolio investment does not involve an intention of permanence or participation in the management of the company.

2.2.2.2.1. Registration and transfer obligations

Registration of portfolio investment depends on how the funds are brought into Colombia:

- ***- With foreign currency transfer:*** *If money is sent from abroad, registration is automatic when the bank processes the transaction.*
- ***Without foreign currency transfer:*** *This applies when returns already in Colombia are reinvested, or in special transactions such as American Depositary Receipts ("ADRs") and Global Depositary Receipts ("GDRs"). In those cases, registration is completed by making the corresponding book entry at the centralized securities depository (Deceval).*

As with direct investment, registration does not "legalize" the funds. The information is submitted under oath, and the investor is responsible for its accuracy.

2.2.2.2.2. Actors and access channels

To invest in portfolio instruments in Colombia, a local administrator is mandatorily required. Such administrator acts as the investor's attorney-in-fact for all transactions and is responsible not only for executing transactions, but also for complying with information and registration obligations before the Colombian authorities.

2.2.2.2.3. Returns, repatriation, and cancellation

The administrator is responsible for sending abroad the gains (dividends, returns, or the capital of the investment). Changes in portfolio investment are reported by the administrator on a consolidated basis, without the need for individualized reports.

2.2.2.2.4. Operational and compliance aspects

The administrator assumes several responsibilities on behalf of the investor, including:

- *Compliance with foreign exchange obligations.*
- *Provision of information to the authorities.*
- *Tax obligations related to the investment.*

2.2.2.3. Colombian investment abroad

Colombian investment abroad is made by a foreign exchange resident in shares, rights, or other equity interests in the capital of companies, branches, or any type of enterprise located outside Colombia.

Even when investing abroad, the resident remains subject to the rules of the Colombian foreign exchange market. This means that the funds must be transferred through an IMC or a compensation account, and the investment must be registered before the Colombian Central Bank. Returns and repatriation of the investment must also be transferred through the foreign exchange market.

Before investing in a foreign company, make sure your transaction complies with registration and transfer requirements. This will help you avoid issues with foreign exchange control authorities.

2.2.4. Investor's foreign exchange rights

Once the investment has been registered (whether direct or portfolio), the following rights are guaranteed in Colombia:

- *Reinvest profits in Colombia*
- *Capitalize amounts that the investor is entitled to remit*
- *Send abroad the net profits generated by the investment*
- *Repatriate capital when the investment is sold, the company is liquidated, or capital is reduced*

KEY INSIGHT

Colombia offers stability to foreign investors. The conditions for returning the investment and remitting profits in place at the time the investment is registered may not be changed to the detriment of the investor, except for an exception linked to a drop in the country's international reserves below three months of imports.

2.2.5. Contingencies and mitigation

When can an investment registration be canceled ex officio?

Authorities may order the cancellation of an investment registration in serious situations such as:

- *Registering an investment that never actually materialized*
- *Investing in prohibited sectors or without the required authorizations*
- *Registering something as an investment when it was not actually an investment*
- *The business or transaction that gave rise to the investment is unlawful*

Please note! If the registration is canceled for these reasons, any remittance abroad must be made under the category of "Other concepts," which may have additional implications that should be assessed at the relevant time.

Changes in registration information

Investment registration information may be corrected. There are different procedures depending on the type of correction:

- *Some minor corrections can be transmitted directly in the system*
- *Others require a specific correction procedure for declarations*
- *More complex changes require a Special Request before the Colombian Central Bank*

2.2.6. Information to authorities

The Superintendency of Corporations is the authority in Colombia that may exercise investigative and sanctioning powers for non-compliance with the investment regime. Penalties may reach up to 200% of the value of the transaction, and the authority will always take into account criteria of gradation, proportionality, and recidivism when estimating the fine.

National Directorate of Taxes and Customs is not the competent authority in matters of investment in Colombia. However, it commonly requests information about when the relevant investment was or is associated with foreign trade transactions.

All investment information is available to these entities. For that reason, registrations must be accurate and complete.

3. GENERAL OVERVIEW OF REAL ESTATE INVESTMENT IN COLOMBIA

As of 2026, real estate in Colombia remains a solid and strategic investment alternative. The Colombian real estate market has historically demonstrated resilience in the face of economic cycles, preserving capital value even in inflationary contexts and generating recurring income streams for investors.

The 5 most relevant aspects that a foreign investor should be aware of regarding real estate investment in Colombia are the following:

a. *In Colombia, privately owned real estate assets generally constitute economically valuable assets over which individuals and legal entities may exercise in rem rights, and which may be traded in the market through various types of transactions.*
b. *Under the Colombian legal system, private property is constitutionally guaranteed pursuant to the Political Constitution of Colombia. However, this right is not absolute, as the Constitution assigns to property a social function that entails obligations, as well as an ecological function inherent to its exercise. Consequently, for reasons of public utility or social interest, the State may decree expropriation—either through judicial proceedings or by administrative action—provided that prior compensation is paid and due process is guaranteed.*
c. *Colombia has a public property registry system (Registro de Instrumentos Públicos), which constitutes a public service entrusted to the State. Through this system, real estate transactions involving the transfer of ownership rights (derecho de dominio) or the creation of other in-rem rights over immovable property must be duly recorded. This system operates through the real estate registry records known as folios de matrícula inmobiliaria, in Spanish, which contain the complete legal history of each property in Colombia. Its purpose is to provide public notice and confer evidentiary effect upon public deeds and other recordable instruments executed in respect of real estate.*
d. *The legal framework governing the acquisition of real estate in Colombia establishes the same legal regime for nationals and foreign investors. The only exception is that foreign nationals may not acquire real estate located in border areas when such property originates from vacant lands (baldíos, in Spanish).*

3.1. Due Diligence in the Context of Real Estate Transaction

Prior to making a real estate investment in Colombia, it is advisable to conduct a due diligence process in respect of the asset subject to the transaction. Real estate due diligence constitutes a diagnostic review of the property in which the investment is intended to be made, carried out by experts for the purpose of issuing a legal opinion on the relevant legal aspects of the transaction.

Properly conducted due diligence constitutes a fundamental input for the drafting of the transaction documents, as it allows the parties to: **(i) make an informed decision regarding the advisability of the investment; (ii) determine an appropriate purchase price reflecting the true value of the asset; (iii) clearly define the parties' obligations; (iv) structure the representations, warranties and indemnities regime; and (v) effectively allocate and mitigate the identified risks.**

In real estate matters, a due diligence process should include, at a minimum, the following components:

e. ***Title Search (Estudio de Títulos):*** *This review comprises the examination and analysis of the Certificate of Conveyance and Good Standing (certificado de libertad y tradición) of the property subject to the investment, as well as the acts and documents recorded in its corresponding real estate registration folio (folio de matrícula inmobiliaria). Its purpose is to verify current ownership and the acquisition title, confirm that the chain of titles is free from gaps or contingencies that could affect the ownership right (derecho de dominio), and identify the existence of liens, encumbrances, limitations, or other burdens that may affect or even prevent the contemplated transaction.*

f. ***Urban Planning Analysis (Análisis Urbanístico):*** *This review comprises the examination and analysis of the urban planning conditions applicable to the property, as well as the relevant zoning and land use regulations. Its purpose is to determine the feasibility of assigning to the property the intended use or developing it as projected. To that end, the applicable urban planning regulations must be analyzed, including land classification, zoning designation, permitted uses and use intensity, buildability coefficients, development rights, urban development obligations (cargas urbanísticas), and other requirements associated with the intended use. Within the scope of this review, the following should be examined, among others: (i) the municipal Master Plan (Plan de Ordenamiento Territorial – POT) in force in the municipality where the property is located; (ii) any urban planning and construction permits previously granted in respect of the property; and (iii) official land use certificates or zoning opinions issued by the competent authorities.*

Additionally, the real estate due diligence process must be structured and conducted in light of the specific characteristics of the asset in question. For example, in the case of rural properties, the analysis must be particularly rigorous and include, among other matters: (i) verification of the property's private or vacant lands (baldíos) origin; (ii) determination of its current legal nature; (iii) compliance with the requirements set forth in

Law 160 of 1994 to evidence private ownership; (iv) the existence or potential initiation of special agrarian proceedings, such as ownership clarification proceedings or the recovery of improperly occupied vacant lands (baldíos); (v) its location within micro- or macro-prioritized areas in the context of the internal armed conflict; (vi) its possible inclusion in the Registry of Dispossessed and Forcibly Abandoned Lands (Registro de Tierras Despojadas y Abandonadas Forzosamente); (vii) the existence of land restitution proceedings; and/or (viii) the potential initiation of asset forfeiture proceedings (extinción de dominio) within the framework of the Justice and Peace Law (Ley de Justicia y Paz), among other relevant considerations.

KEY INSIGHT

A good practice before considering a real estate investment in Colombia is to seek legal advice and conduct due diligence.

3.2. Preliminary Dealings in Real Estate Transactions

In real estate transactions, the preliminary dealings stage is the phase during which the parties engage in initial discussions, exchange the information necessary to evaluate and decide whether to enter into a future agreement, and establish the basis of the negotiation. The most common preliminary arrangements in the context of real estate negotiations are the following:

a. ***Letters of Intent:*** *These are unilateral instruments by which the sender communicates to the recipient its intention to engage in preliminary discussions in order to explore the possibility of entering into one or more contracts. Their form and minimum content are not specifically regulated by statute, and they may contain either revocable or irrevocable offers or invitations to negotiate. The binding effect of letters of intent must be assessed on a case-by-case basis, in order to determine whether the sender had the intention to create legally binding obligations.*

b. ***Non-Disclosure Agreements:*** *These are agreements pursuant to which one or all negotiating parties undertake to maintain secrecy or confidentiality with respect to confidential information received in connection with the contemplated transaction. Such documents typically define: the information deemed confidential, the permitted use thereof, the conditions of access, the duration of the confidentiality obligation, and the consequences of its breach. They may include obligations that survive the termination of negotiations, such as the return or destruction of the information received.*

c. ***Memorandums of Understanding:*** *These are pre-contractual documents containing preliminary agreements on one or more aspects of the negotiation process or*

the future contract. They may address the fundamental terms of the transaction, the rules governing the negotiation process, or other preparatory matters, such as a commitment to maintain a proposed price or to obtain the required permits. Whenever a memorandum of understanding sets forth binding commitments, it gives rise to a legal transaction (pre-contract) that is bilateral or multilateral, binding, autonomous, and atypical under Colombian law. Accordingly, the parties must comply with the agreed terms and continue negotiating in good faith the remaining outstanding matters until determining whether or not to execute the definitive agreement.

Pursuant to Article 863 of the Colombian Code of Commerce, negotiating parties are subject to the duty to act in good faith and without fault (buena fe exenta de culpa) during the pre-contractual stage, which requires them to act with loyalty and fairness throughout all phases of the contract formation process.

Under Colombian law, a breach of the foregoing gives rise to pre-contractual liability (culpa in contrahendo). Civil liability is deemed pre-contractual when, during the negotiations preceding the execution of a contract, one party causes damage to the other by terminating the negotiations in an abusive, unjustified, or abrupt manner, thereby frustrating the legitimate reliance interest created. Pre-contractual liability may also arise more generally from the breach of duties inherent to this stage, including: **(i) confidentiality; (ii) disclosure and information; (iii) the duty of care toward the negotiating parties; (iv) protection and preservation; and (v) seriousness of intent.**

PRACTICAL INSIGHT

In order to protect the transaction, it is important to enter into a prior agreement that allows access to information and, to some extent, commits both parties to rights and obligations.

3.3. Principal Contractual Structures in Real Estate Transactions

In Colombia, the rights that private parties hold over real estate may be traded in the market through various legal structures, whether to transfer ownership or to grant rights of use and enjoyment. The principal contractual arrangements through which real estate transactions are structured in Colombia are the following:

a. ***Promise Agreement:*** *This is a preparatory agreement by which two or more parties undertake to execute a subsequent or definitive contract upon the expiration of a term or the occurrence of a condition. It gives rise to an obligation to do, consisting of the execution of the promised contract. Its essential elements are: (i) it must be executed in writing; (ii) the promised contract must not be one declared ineffective by law; (iii) it must contain a term or condition establishing the time for execution of the*

definitive agreement; and (iv) the contract must be determined in such a manner that, for its formation, only the act of transfer (tradición) or the corresponding legal formalities remain pending.

b. ***Sale and Purchase Agreement:*** *This is the agreement by which the seller undertakes to transfer an asset and the purchaser undertakes to pay a price in money therefor. Although, as a general rule, a sale is deemed perfected once the parties have agreed on its essential elements—namely, the asset and the price—under Colombian law the sale of real estate is a solemn agreement and is perfected upon execution of the corresponding public deed.*
Furthermore, with respect to real estate, in order for the transfer of ownership (derecho de dominio) to be effective, the public deed of sale must be registered with the Public Registry Office (Oficina de Registro de Instrumentos Públicos) of the municipality in which the property is located. For such purposes, it should be noted that under the civil law regime, registration of the title is required for the transfer of ownership, whereas under the commercial law regime, in addition to registration, material delivery of the property is also required.

c. ***Commercial Trust Agreement:*** *This is an agreement whereby a person, referred to as the trustor (fideicomitente), transfers one or more specific assets to another, known as the trustee (fiduciario), who undertakes to manage or dispose of such assets in order to fulfill a specific purpose determined by the trustor, for the benefit of the trustor or of a third party known as the beneficiary. Through a commercial trust agreement, an autonomous trust (patrimonio autónomo) is created, which remains legally separate from the assets of the parties.*
The commercial trust has been the most widely used structure in recent decades for the development and acquisition of real estate in Colombia. The most common types of real estate commercial trusts are described below:

- ***Real Estate Administration and Payment Trust:*** *Under this structure, one or more properties are transferred to the autonomous trust—without prejudice to the possible transfer of additional properties or funds—so that the trustee manages the real estate project, makes payments associated with its development in accordance with the instructions set forth in the trust agreement, and transfers the resulting real estate units to the beneficiaries under the respective agreement.*
- ***Real Estate Treasury Trust:*** *Its principal purpose is to entrust the trustee company with the investment and management of cash resources allocated to the execution of a real estate project.*
- ***Pre-Sales Real Estate Trust:*** *Under this modality, the trustee's principal obligation is to collect funds derived from the marketing and enrollment of prospective purchasers of units within a real estate project. In this case, the trustee receives the funds as a mechanism for participation in a specific project and administers and invests such funds while the conditions established for their allocation to the project's development are fulfilled. This modality may alternatively be structured as a*

fiduciary mandate (encargo fiduciario), which does not entail the creation of an autonomous trust.

- ***Security Trust:*** *Under this structure, one or more properties are transferred to the autonomous estate in order to secure obligations in favor of creditors, either through sale in the event of default or as a source of payment from operating cash flows.*

d. *Lease:* *This is an agreement whereby one party, the lessor, undertakes to grant to another party, the lessee, the use and enjoyment of an asset for a specified term in exchange for a determined price as consideration. A lease agreement is consensual, meaning that it is perfected upon agreement between the parties regarding the asset and the price. In the case of real estate, it is particularly relevant to regulate matters such as: (i) the form of payment of rent and its adjustments; (ii) delivery date and conditions; (iii) term, extensions, and renewals; (iv) the regime applicable to repairs and improvements, among others.*
While lease agreements may be used for all types of real estate assets and adapted to different projects, it should be taken into account that Colombian law contains special provisions applicable to urban residential leases set forth in Law 820 of 2003 and to commercial premises leases regulated in Articles 518 et seq. of the Code of Commerce.

e. *Commercial Space Concession Agreement (Contrato de Concesión Mercantil de Espacio):* *This is an atypical agreement under which one party, the grantor, authorizes another, the concessionaire, to use and commercially exploit physical spaces within its commercial establishments, under the grantor's supervision or control, so that the concessionaire may benefit from the grantor's clientele and reputation.*
Unlike a lease agreement—where the location of the leased property is of primary importance to the lessor—in a commercial space concession agreement, the relevant factor is the commercial advantage derived by the concessionaire from marketing its own products within the grantor's establishment.

Depending on the business model, expected length of stay, volume of operations to be conducted in Colombia, and level of participation in the project, determine the agreement that best suits the transaction.

3.4. Cross-Cutting Clauses Applicable to Real Estate Transactions

In order to safeguard the interests of investors seeking to acquire real estate assets in Colombia, it is advisable to consider the following cross-cutting clauses, which are generally applicable to all agreements through which real estate transactions are structured:

a. *Representations and Warranties Clauses:* *Representations and warranties consist of statements made by the parties, on a reciprocal basis, regarding matters related to the agreement, to themselves, and particularly to the asset subject to the transaction. They incorporate factual assertions and legal statements into the contract and operate as a mechanism for risk allocation between the parties. In a real estate transaction, the most comprehensive representations and warranties are typically*

those granted by the property owner, who possesses the most complete information regarding the asset, as supplemented by the findings of the due diligence process.

b. ***Indemnity Clauses:*** Indemnity clauses are contractual provisions that give rise to an obligation to indemnify upon the occurrence of the conditional events set forth therein. Colombian commercial law does not prohibit the inclusion of such clauses pursuant to the principle of freedom of contract (autonomía de la voluntad privada); however, they are subject to the limits imposed by mandatory rules, public policy, good morals, and the prohibition of abuse of rights.

c. ***Penalty Clauses (Cláusula Penal):*** *A penalty clause is a provision whereby a party, in order to secure performance of an obligation, undertakes to pay a stipulated penalty in the event of non-performance or delay in the performance of the principal obligation. Article 1594 of the Civil Code provides that, prior to the debtor being declared in default, the creditor may only demand performance of the principal obligation; after default, the creditor may elect either the penalty or performance of the principal obligation. In order to claim both the penalty and additional damages simultaneously, an express agreement to that effect is required.*

d. ***Force Majeure Clauses:*** *Force majeure clauses establish that a party shall be released from liability if events beyond its control prevent it from performing its contractual obligations. Under Colombian law, case law has established that, for an event to qualify as force majeure, it must be: (i) unforeseeable; (ii) irresistible; and (iii) external to the obligor. Such qualification must be made on a case-by-case basis, taking into account the specific circumstances of time, manner, and place.*

3.5. Urban Planning Permits for the Development of Real Estate Projects

In Colombia, the development of real estate projects requires the obtaining of urban planning permits (licencias urbanísticas), which are administrative acts issued by the competent municipal urban planning authority. These permits specifically authorize activities such as urbanization and parceling of land, construction, expansion, modification, adaptation, structural reinforcement, restoration, reconstruction, enclosure, and demolition of buildings, as well as the intervention and occupation of public spaces, and the subdivision of land.

The issuance of urban planning permits entails the acquisition of development and construction rights under the terms and conditions set forth in the respective administrative acts and includes specific authorization regarding land use and exploitation.

The main types of urban planning permits that must be considered for the development of real estate projects in Colombia are as follows:

a. ***Urbanization Permit:*** *This authorization allows one or more plots of land to be prepared for urban development through the execution of infrastructure works, public dedications, and other measures necessary to make the land suitable for future construction. Urbanization permits establish the general regulatory framework regarding land use, buildability, volumetrics,*

accessibility, and other technical aspects on the basis of which construction permits will be issued for the resulting plots.

b. ***Parceling Permit:*** *This authorization allows rural or suburban plots to be divided, with the adaptation of roads and public or private spaces, in order to allocate the resulting lots for residential, recreational, or productive uses, while still requiring a construction permit to build.*

c. ***Subdivision Permit:*** *This is the prior authorization to divide plots located in rural, urban, or urban expansion areas, in accordance with the Planning Instrument of the Municipality (generally a Plan de Ordenamiento Territorial – POT) and the applicable regulations.*

d. ***Construction Permit:*** *This is the prior authorization to carry out building works, circulation areas, and communal zones on one or more parcels, specifically defining the permitted uses, buildability, volumetrics, accessibility, and other technical aspects of the works. Its main modalities include new construction, expansion, adaptation, modification, restoration, structural reinforcement, demolition, reconstruction, and enclosure, each corresponding to a different type of intervention on the property.*

e. ***Public Space Intervention and Occupation Permit:*** *This prior authorization allows the holder to occupy or intervene in public property within public spaces.*

3.6. Special Aspects of the Colombian Legal Framework

In Colombia, regulations implementing public policies aimed at (i) ensuring equitable access to rural property, (ii) providing redress to victims of the internal armed conflict, (iii) combating illicit activities, and (iv) protecting food security, among other objectives, can significantly affect the structuring and legal viability of investments in rural real estate. Consequently, prior to executing a real estate transaction involving a rural property, it is important to consider the following aspects:

a. ***Regulation of Vacant Lands (Baldíos):*** *In Colombia, vacant lands (baldíos) are rural properties that have not left the patrimony of the Nation and which the Constitutional Court has classified as fiscal assets subject to adjudication, intended to be transferred to those who meet the requirements to access agrarian reform. Due to their public nature, these lands are inalienable, imprescriptible, and not subject to attachment. Consequently, they may only be acquired through adjudication by the National Land Agency (Agencia Nacional de Tierras); only upon such adjudication do they become private property capable of being transferred between private parties, subject to legal restrictions regarding maximum appropriable area per person or entity, minimum lot size, and other obligations arising from the law and the respective adjudication act.*

In this context, within the due diligence process for rural properties, it is essential to verify whether the property originates as vacant land (baldío) and whether the

legal requirements to establish private ownership are met, namely: (i) the existence of a valid state adjudication; or (ii) registration of conveyance titles properly executed between private parties prior to 1974. Such verification mitigates the risk that the property may be subject to special agrarian proceedings—such as ownership clarification or recovery of improperly occupied vacant lands (baldíos)—and, more generally, contingencies arising under the vacant lands regime.

b. ***Land Restitution:*** *Within the context of Colombia's internal armed conflict, Colombian law recognizes the right of victims to seek redress for violations and acts that forced them to abandon or transfer their properties, as well as guarantees of non-repetition. One of the main mechanisms provided under this legal framework is the legal and material restitution of lands that were legitimately occupied prior to dispossession or forced abandonment. Initially, the law established a ten-year term for the submission of restitution claims; however, the Constitutional Court determined that, absent legislative extension, this mechanism would be applicable until 2030.*

Consequently, within the due diligence process for rural properties, it is essential to verify: (i) whether the property is located in micro- or macro-prioritized areas in the context of the armed conflict; (ii) whether the property is included in, or subject to requests for inclusion in, the Registry of Dispossessed and Forcibly Abandoned Lands (Registro de Tierras Despojadas y Abandonadas Forzosamente); and/or (iii) whether land restitution proceedings have been initiated with respect to the property. Such verification mitigates the risk that the property may be subject to restitution to victims of the internal armed conflict in the future, which could result in the loss of ownership by the current titleholder at the time of restitution.

c. ***Asset Forfeiture (Extinción de Dominio):*** *Under Colombian law, asset forfeiture is a patrimonial consequence arising from illicit activities or conduct that severely affects public morals, consisting of a judicial declaration of ownership of certain assets in favor of the State, without compensation for the affected party, when any of the causes established by law are present. Although this mechanism may apply to all types of assets, it is particularly relevant in the context of rural properties and the internal armed conflict, given the risk that such properties may be directly or indirectly linked to illicit activities or to organized armed groups operating outside the law.*

In this regard, Law 975 of 2005, known as the Justice and Peace Law (Ley de Justicia y Paz), introduced transitional justice mechanisms aimed at the demobilization of such groups and the redress of victims, establishing the obligation to transfer illicitly acquired assets to fund the Victims' Compensation Fund. Pursuant to this law, the Attorney General's Office is authorized to identify, locate, secure, and initiate asset forfeiture proceedings over assets of postulated individuals, third parties, or those identified in its investigations linked to crimes committed by organized armed groups operating outside the law. This constitutes a critical aspect to evaluate in the due diligence of rural real estate assets.

d. ***Food Production Protection Areas***

(APPA): *Food Production Protection Areas (Áreas de Protección para la Producción de Alimentos – APPA) are zones within the national agricultural frontier that must be preserved for food production and constitute a key element of land use planning with superior regulatory hierarchy. According to the National Development Plan, they are areas of special interest to safeguard the human right to food and enjoy enhanced protection by the State.*
Declared by the Ministry of Agriculture and Rural Development, APPAs represent a national government effort to guarantee food production, particularly in territories with fertile soils and an agricultural tradition. However, some argue that these declarations override municipal autonomy to define land use, by allocating hectares—sometimes with competing real estate or other interests that could degrade the soil—exclusively for agricultural purposes. Once an APPA is declared, all land uses inconsistent with the APPA's purpose and that could reduce productive land for food are prohibited, making their review a critical element in any due diligence process.

3.7. Procedures and Costs Associated with the Transfer of Real Estate in Colombia

Under Colombian law, the transfer of ownership (derecho de dominio) of a property occurs through: (i) the execution of a Public Deed (Escritura Pública) before a Notary; and (ii) the registration of such Public Deed with the Office of Public Instruments Registry (Oficina de Registro de Instrumentos Públicos) in the municipality where the property is located.

In Colombia, costs related to the transfer of real estate may vary depending on the type of transaction and the property's location. In the case of a sale and purchase (compraventa), the approximate costs are as follows:

a. ***Notarial Fees:*** *For the exercise of notarial functions, the parties to a sale and purchase transaction must pay a notarial fee equivalent to 3‰ (3 per thousand) of the transfer value. In practice, this fee is typically shared equally, with 50% paid by the buyer and 50% by the seller.*

b. ***Registration Fees:*** *For the exercise of registration functions, the parties must pay registration fees according to a scale based on the transaction value. For transfers with a value equal to or exceeding COP 471,999,702 (approximately USD 116,000), the applicable fee is 1.27% of the transfer value. In practice, this fee is generally paid entirely by the buyer.*

c. ***Registration Tax:*** *The registration tax is levied on the registration of acts or contracts subject to registration with the Offices of Public Instruments Registry. In the case of a real estate sale, the tax base may not be less than the cadastral appraisal or self-assessed value of the property, and the applicable rate ranges between 0.5% and 1%, as determined by the Departmental Assembly upon the Governor's initiative.*

d. ***Stamp Duty (Impuesto de timbre):*** *Stamp duty is triggered when a transfer of real estate—regardless of title—is formalized in a public deed and the property value exceeds COP 1,047,480,000 (approximately USD 258,000). The duty payable*

ranges from 1.5% to 3% of the property value. If the property value is below this threshold, the tax is levied at a 0% rate.

3.8. Taxes Related to Real Estate Ownership in Colombia

a. ***Property Tax (Impuesto Predial):*** *This tax arises from the mere existence of the property. It is collected by municipalities and districts, which are responsible for its administration, collection, and oversight. The tax is calculated based on the cadastral valuation (avaluó catastral) of the property and is levied annually.*

b. ***Urban Delineation Tax (Impuesto de Delineación Urbana):*** *This municipal or departmental tax is linked to the construction cost per square meter and is triggered by the construction of new buildings or the renovation of existing ones. Payment becomes due at the time construction permits are issued for the following types of works: new construction, expansion, modification, and adaptation.*

c. ***Surplus value tax (plusvalía):*** *It is a tax created because of the activities carried out by the authorities that are intended to increase the use of the land, and that allow the land use of the property to be more profitable. The surplus value tax becomes enforceable at the time urban licenses are issued or at the time additional construction rights are granted through other documents. This tax becomes enforceable when transferring ownership of properties. Although the surplus value tax should be registered on the ownership certificate of the property, the registry is not always made.*

d. ***Betterment levy (valorización):*** *The betterment levy is a tax that should be paid as a result of the benefit that the execution of public works by the government generates to a property. This is recorded in the Ownership Certificate of the property and must be paid before making any transfer of ownership. The entity that executes the work will oversee the collection of the tax, and such collection may be carried out in different payments.*

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

Corporate law



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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.

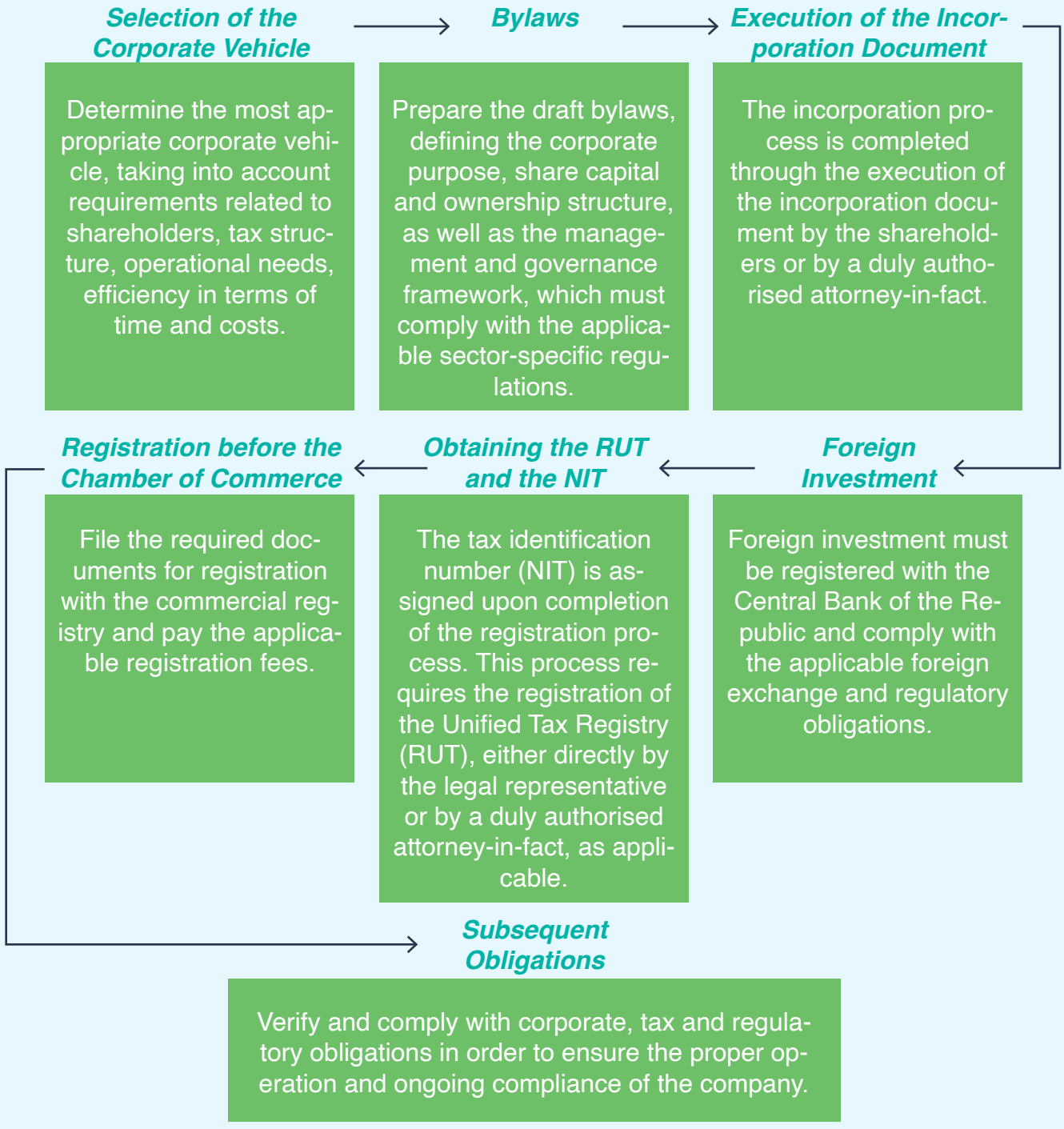
Furthermore, any commercial company may elect to obtain the status of a Collective Benefit and Interest Company (BIC) by incorporating voluntary sustainability commitments into its corporate purpose and governance framework.

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

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.

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-

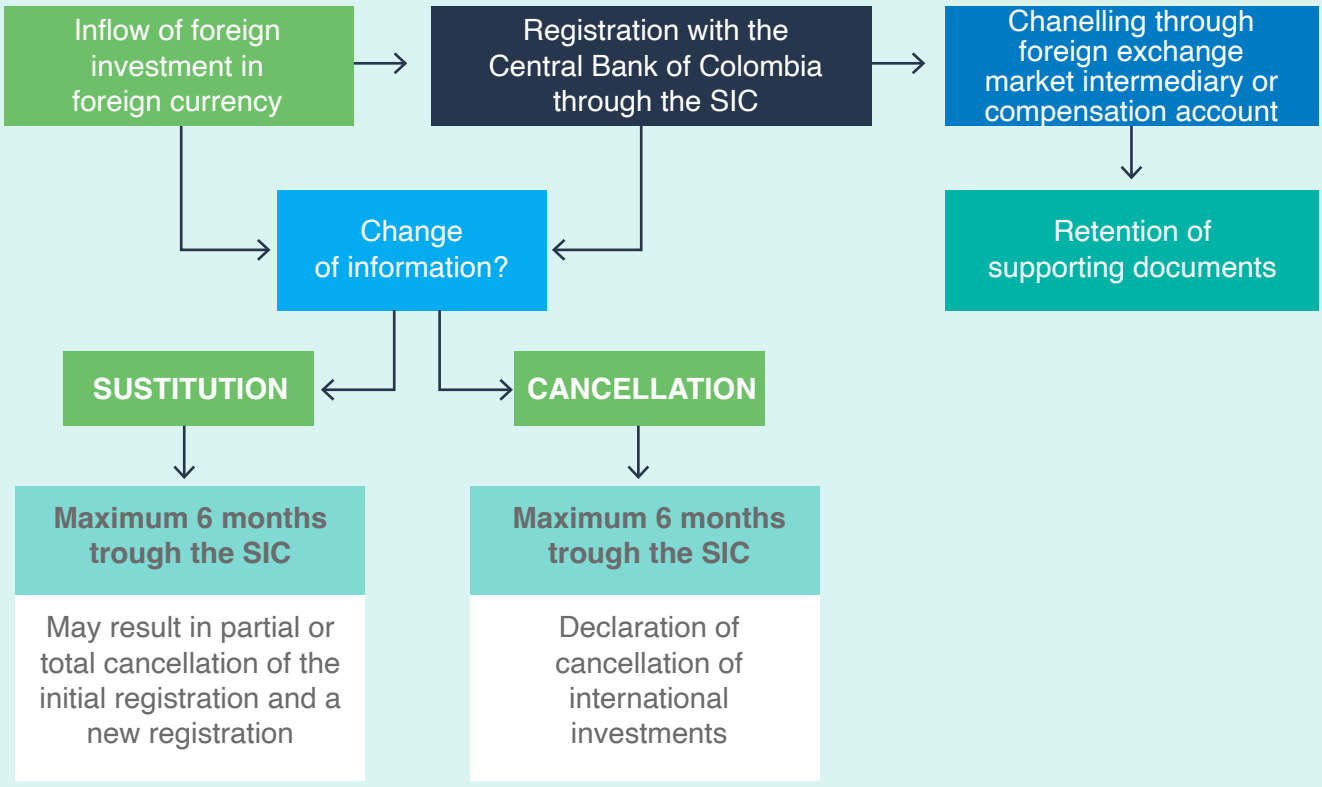
vestment until the registration with the Central Bank is duly regularized.

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

Compliance and Corporate Governance



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to doing business in Colombia



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

This chapter is structured as a guide designed specifically for the operations of foreign investors in Colombia. Far from being limited to a theoretical enumeration of local regulations, this section is developed under the principle of "International Regulatory Compatibility."



Through this approach, it explains how the rigorous and strategic implementation of Colombian risk management systems—encompassing personal data protection, anti-money laundering, and business ethics programs—not only ensures strict compliance with national authorities but also operates as a fundamental preventive shield against regulations with extraterritorial reach, such as the Foreign Corrupt Practices Act (FCPA) or the UK Bribery Act. In this way, structuring solid and transparent corporate governance in Colombia ceases to be an administrative burden and consolidates itself as a competitive advantage in the global market.

1. PERSONAL DATA PROTECTION AND TRANSFER

Upon entering the Colombian market, foreign investors must understand that the country has a robust and strictly enforced regulatory framework regarding data protection, rigorously monitored by the Superintendence of Industry and Commerce (SIC). Under an "International Regulatory Compatibility" approach, this subchapter is designed to translate regulatory density into clear business practices. It explores in depth the Personal Data Protection Regime and its direct implications for cross-border information flow, a vital aspect for multinationals centralizing their technological infrastructure.

1.1. Guiding Principles and Data Subject Rights (Habeas Data)

The fundamental right to Habeas Data in Colombia grants individuals the power to know, update, and rectify information collected about them in databases or files. For companies, this

translates into the obligation to act as diligent "Controllers"[1] and/or "Processors"[2] of said information.

Colombian regulations do not allow the passive or hidden collection of data. Information management must be governed by the following guiding principles, which must be materialized in the company's daily operations:

- ***Principle of Legality and Purpose:*** *All data processing must serve a legitimate purpose, which must be communicated to the data subject in advance. Collecting data "just in case" or for undetermined future uses is invalid.*

- ***Principle of Freedom (Consent):*** *This is the cornerstone of the system. Data processing can only occur with the prior, express, and informed consent of the data subject. Pre-ticked boxes or tacit consent are not accepted by Colombian authorities. The burden of proof for obtaining this authorization falls 100% on the company, which must keep evidence that such authorization was obtained.*

- ***Principle of Transparency and Access:*** *At any time, the data subject has the right to obtain from the company, without restrictions, information about the existence of data concerning them.*

- ***Principle of Security and Confidentiality:*** *The company is obliged to implement the necessary technical, human, and administrative measures to prevent adulteration, loss, consultation, use, or unauthorized access to the information.*

Data Subject Rights: Data subjects (employees, clients, suppliers) maintain control over their information. They have the right to access their data free of charge, request proof of the authorization granted, be informed about how their information has been used, and revoke authorization or request data deletion when there is no legal or contractual duty obliging its retention.

To comply with this, the company must implement an Internal Manual of Policies and Procedures for Personal Data Processing, establishing clear channels (emails, helplines) for data subjects to exercise their rights, with response times strictly regulated by law. These documents must be available to data subjects.

1.2. National Registry of Databases (RNBD)

The National Registry of Databases (RNBD) is the public directory of databases subject to processing operating in the country. It is administered by SIC and constitutes one of the most heavily audited compliance obligations.

Who is obliged to register?

It is crucial to clarify that not all companies must complete this registration. Many investors are unaware that certain compliance obligations are automatically triggered upon exceeding specific thresholds. Currently, companies and non-profit entities with total assets exceeding 100,000 Tax

[1] *"Individual or entity, public or private, who by themselves or in association with others, decides upon the database and/or the Processing of the data". Law 1581 of 2012.*
[2] *"Individual or entity, public or private, who by themselves or in association with others, performs the Processing of personal data on behalf of the Data Controller". Law 1581 of 2012.*

Value Units (UVT), approximately USD $1.3 million[3], are required to register their databases.

What information is registered?

The registration does not involve uploading the database per se (i.e., customer names or emails are not handed over to the authority); instead, the "anatomy" of these databases is declared. The following must be reported to SIC:

i. *The number of databases managed by the company (e.g., Payroll, Clients, Suppliers, Video Surveillance).*
ii. *The purpose of each and the types of data stored (specifying if there is sensitive data, such as biometrics or health data).*
iii. *The physical or digital location of the databases (whether on proprietary servers in Colombia or in the cloud abroad).*
iv. *The implemented information security measures.*
v. *The service channels for data subjects.*

This registry is not static; it requires mandatory annual updating and extraordinary updates when substantial changes occur in the registered information.

1.3. International Data Transfer and Transmission (Requirements for Multinationals)

For companies with global operations, this is the most critical aspect of the data protection regime. Special emphasis is placed on this topic, as it is crucial for multinationals that centralize their servers or cloud services outside Colombia.

The international flow of information is strictly regulated to prevent Colombian citizens' data from ending up in jurisdictions that do not offer minimum protection guarantees. Colombian law prohibits the transfer of personal data to countries that do not provide adequate levels of protection, unless certain exceptions are met or the correct legal vehicles are implemented.

To operate without contingencies, intragroup contracts and those with technology providers must clearly differentiate two legal concepts:

A. International Data Transfer: Occurs when the Controller in Colombia sends information to a third party abroad so that the latter also acts as a "Controller" (i.e., they will make their own decisions regarding the data).

- ***Example:*** *The Colombian subsidiary sends the customer database to the parent company in the US so the parent company can launch an independent marketing campaign.*
- ***Requirement:*** *It can only be carried out if the destination country has been declared by the SIC to have an "adequate level of protection" (European Economic Area, United States, Mexico and others listed in External Circular 05 of 2017), or if there is express and unequivocal authorization from the data subject specifically allowing the international transfer.*

B. International Data Transmission: Occurs when the Controller in Colombia sends informa-

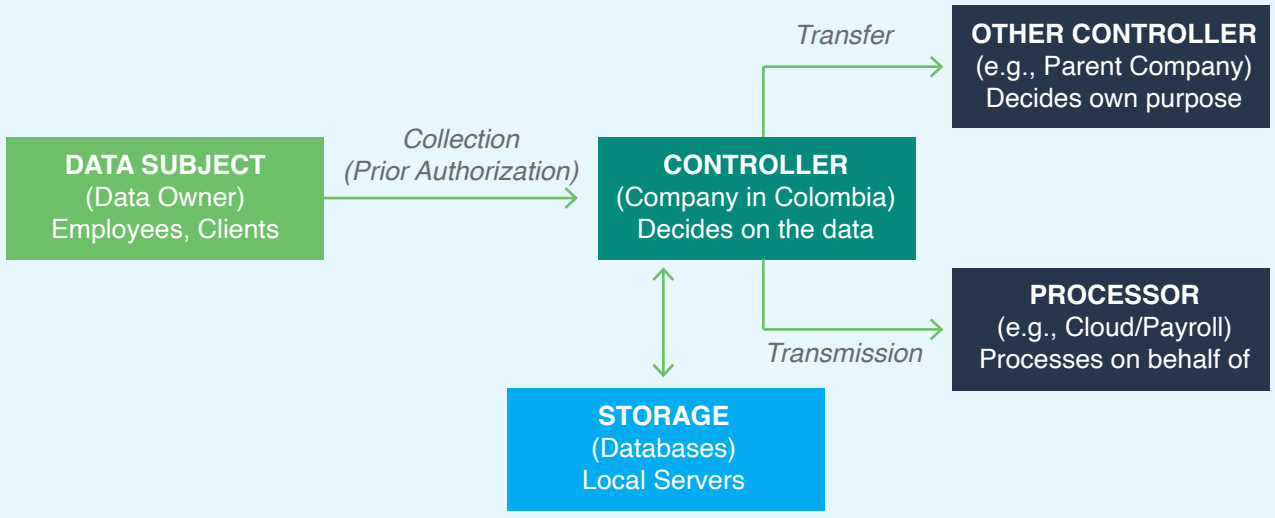
[3] For 2026, the UVT was set at COP $52,374. Calculations are estimated using an exchange rate of COP $4,052.89 per USD.

tion to a third party abroad to act as a "Processor," processing the data strictly on behalf of and under the instructions of the Colombian company.

- ***Example:*** *The Colombian company hires Amazon Web Services (US) to host its CRM or uses payroll software operated from Mexico.*
- ***Requirement:*** *It does not require new authorization from the data subject, provided there is a written Data Transmission Agreement between the parties. This contract must stipulate that the foreign Processor will only process the data according to the Colombian Controller's instructions and will delete or return them at the end of the service.*

The proper structuring of these data flows and the execution of the relevant Transmission Agreements guarantee that the company can operate with global technologies, centralize its administration, and use cloud services, while maintaining total corporate immunity against the severe sanctions imposed by the Superintendence of Industry and Commerce for Habeas Data violations.

Figure 1: ***Personal Data Flow***



2. RISK PREVENTION: MONEY LAUNDERING, TERRORISM FINANCING, AND FINANCING OF THE PROLIFERATION OF WEAPONS OF MASS DESTRUCTION (ML/TF/FPWMD)

The Colombian regulatory framework has transitioned from a punitive and reactive model to a strictly preventive one, based on risk self-management. For the foreign investor, the implementation of prevention systems should not be conceived solely as a local administrative burden, but as a pillar of "Corporate Immunity." Under an approach of international regulatory compatibility, strict compliance with the Superintendence of Companies' provisions regarding Money Laundering, Terrorism Financing, and Financing of the Proliferation of Weapons of Mass Destruction (ML/TF/FPWMD) operates as a fundamental line of defense against extraterritorial legislation and protects the company, its shareholders, and its administrators from criminal and reputational liabilities.

2.1. The Self-Control and Risk Management System (SAGRILAFT) and the Minimum Measures Regime

The Comprehensive Self-Control and Risk Management System for Money Laundering, Terrorism Financing, and Financing of the Proliferation of Weapons of Mass Destruction (SAGRILAFT) is the central regulatory mechanism required in Colombia for companies supervised by the Superintendence of Companies. Its main objective is to prevent companies from being used as instruments to give the appearance of legality to assets of illicit origin or to channel resources towards terrorist activities.

The structuring of SAGRILAFT requires moving beyond the simple drafting of theoretical manuals and advancing towards a real management model. This includes the appointment of a Compliance Officer, who will oversee promoting, developing, and ensuring compliance with the procedures for the prevention, updating, and mitigation of ML/TF/FPWMD Risk. The application of a risk-based methodology is required, which materializes in the following operational stages:

- ***Identification:*** *Recognize the risk factors (counterparties, products, distribution channels, and jurisdictions) that may expose the company to ML/TF.*
- ***Measurement or Evaluation:*** *Establish the probability of occurrence of the identified risks and their potential impact if they materialize, thus forming the company's risk matrix.*
- ***Control:*** *Implement policies and procedures to mitigate inherent risks, establishing early warnings and preventive detective controls. The most important tool at this stage is Due Diligence (standard and enhanced) for knowing counterparties (clients, suppliers, partners, and employees).*
- ***Monitoring:*** *Conduct continuous and periodic monitoring to ensure that controls are effective and that the risk matrix remains updated in the face of changes in operations or the market.*

In turn, the Minimum Measures Regime is a simplified preventive regulatory framework established by the Superintendence of Companies for companies that do not exceed the thresholds to implement SAGRILAFT. The purpose of this re-

gime is to mitigate the risk of money laundering and terrorism financing through operational and financial requirements proportional to the size of the organization.

Unlike the comprehensive system, minimum measures do not require the designation of a Compliance Officer or the structuring of an exhaustive risk matrix. The regulations concentrate responsibility directly on the legal representative, requiring them to document and implement basic and unavoidable procedures. These include executing due diligence to know counterparties, the mandatory identification of the final beneficiary of operations, instructing employees on applicable risks, and reporting suspicious operations (ROS) to the Financial Information and Analysis Unit (UIAF).

2.2. Obliged Entities and the Role of the Compliance Officer

In Colombia, the obligations to implement prevention systems arise automatically when companies exceed certain financial thresholds, according to the sector to which they belong. These are calculated based on the Current Legal Monthly Minimum Wage (SMMLV) as of December 31 of the immediately preceding year. Depending on the sector and the thresholds, a company may be obliged to implement the minimum measures regime or SAGRILAFT. To facilitate the understanding of these requirements, the following outline is presented:

Table 1: Mandatory Thresholds by Sector
(Includes USD estimates based on 2026 minimum wage[4])

SECTOR	THRESHOLD FOR COMPREHENSIVE SAGRILAFT	THRESHOLD FOR MINIMUM MEASURES REGIME
General Rule (Supervised or controlled companies)	Income or Assets >= USD $17,280,557 approx. Virtual Asset Contributions >= USD $43,201 approx.	N/A
Real Estate Agents	Real Estate Activity Income >= USD $43,201 approx. Total Income >= USD $12,960,418 approx.	Income >= USD $1,296,041 approx. or Assets >= USD $2,160,069 approx.
Commercialization of Precious Metals and Stones	Income >= USD $12,960,418 approx.	Income >= USD $1,296,041 approx. or Assets >= USD $2,160,069 approx.
Legal Services	Income >= USD $12,960,418 approx.	Income >= USD $1,296,041 approx. or Assets >= USD $2,160,069 approx.
Accounting Services	Income >= USD $12,960,418 approx.	Income >= USD $1,296,041 approx. or Assets >= USD $2,160,069 approx.
Construction and Civil Engineering Works	Income >= USD $12,960,418 approx.	N/A
Virtual Asset Services	Virtual Asset Operations >= USD $43,201 Income >= approx. USD $1,296,041 or Assets >= USD $2,160,069 approx.	N/A

[4] The amounts are set out in the regulation in current legal monthly minimum wages and are presented in U.S. dollars using an exchange rate of COP 4,052.89 per USD.

Once the mandatory nature of SAGRILAFT is determined, the company must appoint a Compliance Officer, a central figure for the articulation of the system. This position cannot be held by just any collaborator, as the regulations require independence and decision-making capacity.

Table 2: Requirements, Incompatibilities, and Functions of the Compliance Officer

CATEGORY	REGULATORY SPECIFICATIONS
Minimum Requirements	• Have decision-making capacity to manage ML/TF/FPWMD risk. • Have direct communication and dependence on the Board of Directors or the highest corporate body. • Have sufficient knowledge in ML/TF/FPWMD risk management, demonstrable through certifications, diplomas, or specific courses. • Be domiciled in Colombia.
Incompatibilities and Disqualifications	• Not belong to the company's administration (cannot be a Legal Representative or member of the Board of Directors). • Not belong to control or audit bodies (Statutory Auditor, Internal Audit). • Not act as a Compliance Officer (principal or alternate) in more than 10 obliged companies simultaneously.
Main Functions	• Design, articulate, and ensure effective compliance with SAGRILAFT. • Present periodic reports (at least annually) to the Board of Directors or highest corporate body on risk management. • Manage and submit mandatory reports to the UIAF (Suspicious Activity Reports - ROS and Absence of Suspicious Activity Reports - AROS). • Promote and coordinate internal risk prevention training programs for employees.

2.3. Reports to the UIAF: Types and Periodicity

The effectiveness of SAGRILAFT and the Minimum Measures Regime depends on structured communication with the authorities. The Compliance Officer (if implementing SAGRILAFT) or the Legal Representative (for the Minimum Measures Regime) has a legal obligation to interact with the Financial Information and Analysis Unit (UIAF) through the Online Reporting System (SIREL). Two main types of reports must be managed, the omission of which leads to administrative investigations by the Superintendence of Companies:

1. Suspicious Activity Report (ROS - Reporte de Operaciones Sospechosas):

- ***Nature:*** *It is an immediate and confidential report.*
- ***When is it issued?*** *It must be sent as soon as the company, through its monitoring controls or red flags, identifies an operation that due to its number, quantity, or characteristics does not fall within normal business practices, and which cannot be reasonably justified by the counterparty.*
- ***Confidentiality:*** *The law strictly prohibits informing the counterparty that they have been the subject of a ROS (legal privilege).*

2. Absence of Suspicious Activity Report (AROS - Reporte de Ausencia de Operaciones Sospechosas):

- ***Nature:*** *It is a periodic compliance report.*
- ***Periodicity:*** *It must be submitted quarterly.*
- ***Purpose:*** *It serves to certify to the authority that, during the immediately preceding quarter, the company's monitoring system functioned correctly, and no red flags were detected that warranted the issuance of a ROS.*

3. Business Ethics and Other Customary Obligations

The global business environment demands that corporate ethics transcend formal declarations of principles and materialize into auditable and strictly documented risk management systems. In Colombia, the prevention of corruption and bribery has been institutionalized through a mandatory regulatory framework, rigorously monitored by the Superintendence of Companies.

Under an approach of international regulatory compatibility, the adoption of these schemes is not solely driven by compliance with local legislation (such as Law 1778 of 2016 on Transnational Bribery and Law 2195 of 2022 on Transparency and Anti-Corruption). It constitutes, in fact, the principal mechanism of "Corporate Immunity" and legal defense against legislation with extraterritorial reach, such as the United States' Foreign Corrupt Practices Act (FCPA) or the United Kingdom's UK Bribery Act. The structuring of ethical corporate governance prevents the imposition of exorbitant fines, disqualification from contracting with the State, the cancellation of corporate registrations, and irreversible reputational damage among investors and the market.

3.1. Transparency and Business Ethics Programs (PTEE) and Transnational Corruption

The Transparency and Business Ethics Program (PTEE) is the self-regulation and management mechanism designed specifically to identify, measure, control, and monitor the risks of Corruption (C) and Transnational Bribery (ST). Unlike SAGRILAFT, which focuses on the flow of illicit capital, the PTEE centers on the integrity of transactions, interactions with public officials, and commercial practices between private parties.

Mandatory Nature and Regulated Entities: The requirement to implement a comprehensive PTEE is determined by a combination of financial, sectoral, and operational variables. As with other management systems, obligations arise automatically upon reaching certain thresholds. Companies required to adopt a PTEE include, among others, those that meet the following concurrent criteria as of December 31 of the immediately preceding year:

1. *Be subject to the supervision or control of the Superintendence of Companies.*
2. *Have conducted international business or transactions of any nature (imports, exports, investments) exceeding 100 SMMLV (approx. USD $43,201).*
3. *Have total income or total assets equal to or greater than 30,000 SMMLV (approx. USD $12,960,418).*

Likewise, the regulations establish substantially lower thresholds (from 3,000 SMMLV, approx. USD $1,296,042) for sectors considered at high risk of contractual corruption, such as pharmaceuticals, infrastructure and construction, manufacturing, mining and energy, and information technology.

Transnational Corruption vs. Local Corruption: The design of the PTEE requires distinguishing between two main criminal phenomena, whose risk matrices must be evaluated independently:

- ***Transnational Bribery (ST):*** *This occurs when a legal entity, through its employees, administrators, directors, associates, or contractors, gives, offers, or promises a foreign public servant sums of money, objects of value, or any benefit or utility, in exchange for the public servant performing, omitting, or delaying an act related to the exercise of their functions and in connection with an international business or transaction.*
- ***Local and Private Corruption:*** *This encompasses irregular practices both in the domestic public sphere (offers to officials of Colombian government entities) and in the private corporate sphere (acts of commercial bribery to favor suppliers or alter private bidding processes).*

Structure and the Role of the PTEE Compliance Officer: The operation of the PTEE falls upon the Compliance Officer. The Superintendence of Companies allows the same person designated as the SAGRILAFT Compliance Officer to also assume the role for the PTEE, provided the company documents and justifies that they have the operational, technical, and human capacity to exercise both functions without compromising their effectiveness. The system requires the approval of the manual by the Board of Directors, the execution of a specific risk matrix, periodic compliance audits, and continuous training programs at all levels of the organization.

3.2. Key Internal Policies: Contracting Manual, Conflicts of Interest, and Whistleblowing Channels

The true efficiency of the PTEE and the real protection of the company are not achieved solely with the issuance of a general manual. The mainstreaming of corporate ethics is required through three internal policies for daily execution, which must be mandatorily incorporated into the internal work regulations, employment contracts, and commercial agreements with third parties.

1. Contracting and Third-Party Management Manual: International investigations under the Foreign Corrupt Practices Act show that approximately 90% of corruption sanctions involve the use of third parties (consultants, intermediaries, customs agents, or lobbyists)[5]. The Contracting Manual must shield the company by establishing unavoidable procedures prior to establishing a commercial relationship.

- ***Due Diligence):*** *Every supplier or contractor must undergo scrutiny to verify their suitability, reputation, and background. "Red flags" must be identified, such as unusually high commissions, requests for cash payments or offshore accounts, or the lack of physical infrastructure proportional to the service provided.*
- ***Anti-Corruption Clauses:*** *It is peremptory to include legal compliance clauses in every representative contract that expressly prohibit the payment of bribes. Additionally, the company must reserve the right to immediate, unilateral termination of the contract with just cause upon reasonable suspicion of corrupt practices, without the right to compensation.*

2. Conflict of Interest Management: A conflict of interest arises when the personal, family, or financial spheres of an administrator, director, or employee interfere, or have the potential to interfere, with the duty of loyalty and the objective interests of the company. Colombian commercial regulations (Law 222 of 1995) are strict regarding the responsibility of administrators in this area.

- ***Prevention and Registration:*** *The policy must mandate proactive declaration. It is advisable to institute a centralized conflict of interest registry, which must be completed by all personnel upon hiring and updated at least annually, or immediately when a supervening event arises (e.g., a family member assumes a relevant public office).*
- ***Recusal Procedure:*** *Once a conflict (potential or real) is declared, the protocol must require the immediate separation of the employee or administrator from the decision-making, bidding, or contracting process that generates the collision of interests, delegating the determination to an independent committee or the Shareholders' Assembly.*

3. Whistleblowing Channels and Internal Investigations: The early detection of acts of corporate corruption or bribery depends almost exclusively on reports coming from the collaborators or suppliers themselves. Companies are obliged to institute technical, secure, and accessible whistleblowing channels.

- ***• Protection Guarantees:*** *The whistleblowing channel policy must normatively enshrine the right to anonymity, strict confidentiality of information, and a zero-tolerance policy against any type of labor, economic, or personal retaliation against a good-faith whistleblower.*
- ***• Investigation Protocols:*** *Receiving a complaint is only the initial step. The system requires a documented protocol detailing the classification of the complaint, the maximum deadlines for initiating an*

[5] *"Beyond Borders: Navigating Global Business Compliance with the FCPA", Adams & Reese. https://www.adamsandreese.com/insights/navigating-global-business-compliance-with-the-fcpa#:~:text=The%20FCPA%20also%20prohibits%20corrupt,and%20others%20representing%20the%20company.*

investigation, the establishment of an evidentiary chain of custody, and the appointment of an impartial investigating committee. This committee must issue binding recommendations leading to disciplinary sanctions, remediation plans, or, when required by law, the filing of criminal complaints with the Attorney General's Office (Fiscalía General de la Nación). It is recommended that the administration of this channel be outsourced to ensure maximum transparency and impartiality before international auditors.

4. CORPORATE SOCIAL RESPONSIBILITY (CSR) AND SUSTAINABILITY

Contemporary regulatory compliance has transcended mere legal risk mitigation to consolidate itself as a pillar of value creation. In the context of foreign investment, Corporate Social Responsibility (CSR) and sustainability should not be understood as accessory or purely philanthropic concepts. On the contrary, the integration of these practices demonstrates how regulatory compliance becomes a competitive advantage. Under an approach of international regulatory compatibility, alignment with global sustainability standards is frequently an unavoidable requirement for accessing foreign capital, participating in global supply chains, and mitigating reputational risks.

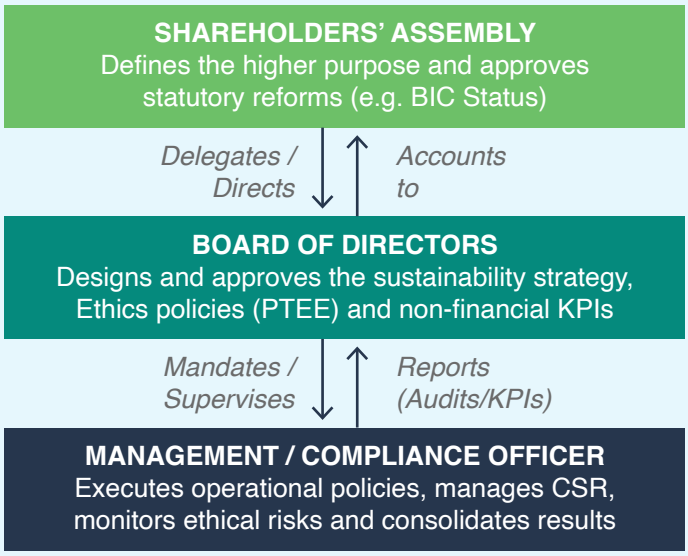
4.1. Voluntary CSR Standards and Obligations

Historically, the structuring of CSR initiatives in the Colombian jurisdiction has been based on the principle of voluntariness, operating outside strict legal obligations. However, the evolution of corporate law and the pressure from financial markets have generated a phenomenon of the legal materialization of ESG (Environmental, Social, and Governance) criteria.

A transition is evident where voluntary standards acquire binding force. When a foreign company or its Colombian subsidiary decides to adopt international reference frameworks (such as the United Nations Global Compact or GRI standards) and formally incorporates them into its good governance codes, corporate bylaws, or operational manuals, these cease to be mere statements of intent. Upon being approved by the governing bodies, their compliance becomes mandatory for the company's administrators. The omission or negligence in the execution of these self-imposed policies can lead to liability towards shareholders for violation of the fiduciary duties of care and loyalty.
Additionally, CSR obligations are frequently stipulated contractually in supply chains. Corporations impose on their local suppliers compliance with codes of conduct that include strict audits on labor practices, human rights, and environmental impact management. In this scenario, CSR operates as a barrier to entry; the inability to accredit these practices excludes the company from high-value commercial relationships.

To guarantee effective implementation and avoid the risk of greenwashing (laundering corporate image without real actions), a clear institutional architecture is required within the company, as illustrated below:

***Figure 2:** Corporate Governance Ecosystem (Approval of CSR and Ethics Policies)*



In this ecosystem, the Shareholders' Assembly defines the higher purpose of the company; the Board of Directors designs and approves the sustainability strategy, establishing non-financial key performance indicators (KPIs); and Management executes the policies and reports the results, ensuring that ethics and CSR permeate all business operations.

4.2. Benefit and Collective Interest Companies (BIC)

The most significant advance in Colombian corporate legislation to formalize sustainability is the figure of Benefit and Collective Interest Companies (BIC). Introduced through Law 1901 of 2018 and subsequently regulated, BICs represent the legal materialization of new trends in CSR, formally evidencing how regulatory compliance becomes a competitive advantage.

It is imperative to specify that the BIC condition does not constitute a new or independent corporate type. A Simplified Joint Stock Company (S.A.S.) or a Corporation (S.A.) maintains its commercial nature and general rules but voluntarily adopts this designation as a corporate "label" endorsed by the State. This decision transforms the traditional fiduciary duty: the company

expands its purpose, statutorily obliging itself to generate a verifiable positive impact on society and the environment, alongside the pursuit of economic profitability.

Adoption and Maintenance Requirements: For a company to hold and maintain the "BIC" designation, it must comply with rigorous formal requirements:

1. ***Bylaw Amendment:*** *Requires the approval of the highest corporate body (Shareholders' or Partners' Assembly) to modify the company's purpose, expressly and detailed, including the benefit and collective interest activities it commits to undertake.*
2. ***Impact Dimensions:*** *Statutory activities must be framed within five mandatory dimensions: Business Model, Corporate Governance, Labor Practices, Environmental Practices, and Community Practices.*
3. ***Independent Management Report:*** *The administration is obliged to present annually, along with the year-end financial statements, an impact management report prepared under a globally recognized independent methodological standard. This report must be publicly available, and its omission leads to the loss of BIC status by the Superintendence of Companies.*

Competitive Advantages of BIC Status: By adopting this legally binding framework, the company accesses tangible benefits provided by the National Government that justify the strategic decision:

- ***Tax Benefits:*** *Preferential treatment in the taxation of profits distributed to workers in the form of shares, fostering the alignment of interests and talent retention.*
- ***Access to Financing:*** *Preferential conditions for requesting loans from Bancoldex (Colombia's business development bank).*
- ***Public Procurement:*** *Assignment of additional points and tie-breaking criteria in favor of BIC companies in public bidding and State contracting processes.*
- ***Legal Protection for Administrators:*** *Because the social and environmental purpose is formally enshrined in the bylaws, directors are legally protected against potential claims from minority shareholders for making decisions that benefit other stakeholders at the expense of purely short-term financial profit maximization.*

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The Colombian labor regime is characterized by a comprehensive regulatory framework aimed at ensuring minimum conditions of decent work and stability in employment relationships. Labor regulations are, as a rule, mandatory and non-waivable, meaning that the parties may not agree upon conditions less favorable than those established by law.

1. GENERAL FRAMEWORK OF THE LABOR REGIME IN COLOMBIA.

This aspect is particularly relevant for domestic and foreign investors, who must consider that any employment relationship performed in Colombia, regardless of the nationality of the parties, is governed by Colombian labor law.

1.1. Introduction to the Colombian Labor Market

According to information published by the National Administrative Department of Statistics (Departamento Administrativo Nacional de Estadística – DANE), Colombia has an economically significant and diverse population, with relevant employment participation in sectors such as services, commerce, manufacturing, and extractive activities. The main urban areas concentrate the largest proportion of formal employment, facilitating access to skilled and semi-skilled labor for the development of business activities.

The Colombian labor market combines workers with different levels of education — professionals, technicians, and operators — enabling com-



panies to structure hiring schemes aligned with their operational needs. However, DANE has also identified levels of informality in certain sectors and regions of the country, a circumstance that must be considered when designing expansion and human talent management strategies.

Regarding income, the current statutory monthly minimum wage (S.M.L.M.V. for the acronym in Spanish for Salario Mínimo Legal Mensual Vigente) constitutes a fundamental pillar of the labor system. This wage is set annually through a concertation process between the National Government, labor unions, and business associations. If no agreement is reached, the Government is empowered to establish it unilaterally, considering economic and social criteria.

1.2. Individual Dimension: Rights and Obligations of the Worker and the Employer

From the individual perspective, Colombian labor law regulates the relationships arising between the employer and the worker as a result of the personal provision of services, under subordination and in exchange for remuneration.

The legislation recognizes a set of minimum rights in favor of the worker, among which the following stand out: the right to receive remuneration not less than the S.M.L.M.V., access to social benefits, compliance with the maximum legal working hours, paid rest, and enrollment in the Comprehensive Social Security System (Sistema General de Seguridad Social Integral).

For their part, employers have the power to organize, direct, and control work activities, within the limits established by law. Among their main obligations are the timely payment of wages and social benefits, the enrollment of workers in the social security system (health, pension, and occupational risks), and compliance with occupational health and safety regulations.

1.3. Collective Dimension: Unions, Collective Bargaining, and Right of Association

The collective dimension of Colombian labor law regulates the relationships between employers and organized workers, as well as the mechanisms for representation and collective bargaining.

The Political Constitution of Colombia recognizes and protects the right of union association, allowing workers to form unions, join them, or freely withdraw, without the need for prior authorization. Union organizations may exercise functions of representation and defense of the collective interests of workers. Through unions, the right to collective bargaining is exercised, the outcome of which is materialized in collective bargaining agreements (convenciones colectivas de trabajo) that regulate working conditions and which, as a general rule, exceed the statutory minimums. These agreements are binding upon the parties during their validity.

In the absence of union organizations, the legislation permits the execution of collective agreements (pactos colectivos) with non-unionized workers, which also regulate working conditions, provided they are not used as mechanisms to adversely affect freedom of association.

2. MODALITIES OF PERSONNEL ENGAGEMENT

Colombian labor legislation provides various modalities for the engagement of personnel, which allow employers to structure their operations in accordance with the needs of the business, while remaining within the current legal framework. The correct selection of the type of engagement is essential to mitigate labor risks, sanctions, and financial contingencies.

In general terms, engagement modalities may be grouped into two broad categories:

i. direct employment engagement, through the employment contract; and
ii. outsourcing or indirect hiring schemes, which are subject to specific legal limitations.

2.1. Employment Contract

The employment contract is the primary form of employment engagement in Colombia and is established when the following essential elements concur:

i. the personal provision of services,
ii. subordination or dependence with respect to the employer, and
iii. the payment of remuneration as consideration for the work performed.

The existence of an employment contract does not depend on its designation or the form adopted by the parties, but rather on the actual development of the relationship. Consequently, even when the parties attempt to conceal an employment relationship under another contractual arrangement, the law presumes the existence of an employment contract if its essential elements are established.

The employment contract may be entered into verbally or in writing; however, in the specific cases of fixed-term contracts, contracts for the duration of a specific task or project, or apprenticeship contracts, it must be executed in writing.

2.1.1. Contracts According to Their Duration

Employment contracts may be classified according to their duration, as follows:

CONTRACTS ACCORDING TO THEIR DURATION			
Indefinite Term	**Fixed Term**	**Duration of a Specific Task or Project**	**Occasional, Incidental, or Transitory**
* Indefinite duration. * If an employment contract is verbal, it shall be deemed indefinite, even if nothing has been agreed upon by the parties in this regard.	*Determined duration in time and not exceeding 4 years (including all renewals). * Must be executed in writing. * Types of renewal: (a) Agreed: agreed upon in writing between the parties, without exceeding the total limit of four years, with the obligation that, after the fourth renewal in contracts of less than one year, the term shall not be less than 1 year. (b) Automatic: applies automatically if neither party expresses its intention to terminate the contract with at least 30 days' prior notice, without exceeding the maximum limit of 4 years.	* Duration defined by the time required to complete a specific task or project. * The contracted task or project must be duly described in the contract. * Must be executed in writing.	* Entered into for the performance of tasks other than the normal activities of the company. *Its duration is less than 1 month. No prior notice is required for its termination.

2.1.2. Trial Period

Its purpose is for the employer to assess the employee's aptitudes for the position for which he or she was hired, and for the employee to evaluate the suitability of the working conditions. During this period, which must be agreed upon in writing, either party may terminate the employment contract without prior notice and without payment of statutory severance, stating the reasons for which the probationary period was not satisfactorily completed.

In the case of indefinite-term contracts, the probationary period may not exceed 2 months. In fixed-term contracts, the probationary period may not exceed one-fifth of the agreed term, and in no event may it exceed 2 months.

2.2. Outsourcing and Back Office

In addition to direct employment, the Colombian legal system allows companies to resort to outsourcing and third-party engagement schemes for the development of certain activities. However, these modalities are subject to strict legal limitations, especially when they involve core or permanent activities.

An inadequate structuring of outsourcing schemes may result in the declaration of the existence of direct employment relationships, as well as administrative sanctions by the Ministry of Labor.

2.2.1. Service Agreement (Contrato de Prestación de Servicios)

The service agreement is an arrangement of a civil or commercial nature, used for the engagement of individuals or legal entities that work with technical and administrative autonomy, without employment subordination. Under this type of contract, the contractor assumes the payment of his or her social security contributions.

However, in practice, this arrangement represents one of the main sources of legal risk, given that the presence of subordination, schedules, permanent instructions, or exclusivity may lead to the reclassification of the contract as an employment contract. For this reason, it is recommended that the use of service agreements be limited to specialized, temporary, or clearly independent activities from the main business operation.

2.2.2. Temporary Service Companies (Empresas de Servicios Temporales)

Temporary service companies (EST, for their Spanish acronym) are entities legally authorized to supply workers on assignment to user companies, in the cases expressly permitted by law, such as temporary replacements, transitory increases in production, or the performance of occasional tasks.

Under this scheme, the employment relationship exists between the worker and the temporary service company, while the user company exercises functional supervision. The use of workers on assignment outside the permitted cases or for periods exceeding those authorized may generate joint and several liability for the user company.

From a compliance perspective, engagement through EST constitutes a valid and flexible alternative, provided that the temporal and material limits established by labor regulations are observed.

3. PAYMENTS ARISING FROM THE EMPLOYMENT RELATIONSHIP

3.1. Wages

Wages constitute the direct compensation that the employee receives in exchange for the personal provision of his or her subordinated services in favor of the employer.

(a) Wage Modalities

MODALITY	DESCRIPTION	MINIMUM AMOUNT
Ordinary	An ordinary salary remunerates the regular work. When applicable, regular pay must be supplemented to accommodate for (i) overtime pay or night work; (ii) pay for work on mandatory rest days; (iii) percentage of sales and commissions; (iv) salary-nature bonus such as the ones determined by the employee's individual performance; (v) permanent travel expenses for employee's meals and lodging, and (vi) any payment given as direct compensation of the services provided by the employee in general. The employees that earn one ordinary salary have the right to earn the social payments provided by the law, as explained below.	2026 COP $1.750.905 (approx. USD $432,01)[1].
Integral/ All Inclusive	Compensation that, in addition to remunerating ordinary work, compensates in advance the value of social benefits, surcharges, and all types of claims ordered by law, with the exception of vacation. The comprehensive wage agreement must be in writing to be valid. This modality may only be agreed upon with employees earning a salary greater than 10 S.M.L.M.V. This type of salary is composed of a fixed sum of not less than 10 S.M.L.M.V. plus the employer's benefit factor, which in no event may be less than 30% of said amount.	2026 COP $22.761.765 (approx. USD 5.616,18)

[1] *For the calculation of the amounts in USD, an exchange rate of COP 4,052.89 per USD was used.*

3.2. Non-Statutory Benefits

In Colombia, employers may grant non-statutory benefits or non-mandatory payments as part of their compensation strategy. These benefits are divided according to their nature into salary-based and non-salary-based, depending on whether or not they remunerate the direct provision of services.

On the one hand, payments that remunerate the service constitute wages for all legal purposes. Consequently, they are included in the calculation base for social benefits, vacation, severance payments, social security contributions, and parafiscal charges, regardless of the designation given to them by the parties. This category includes, for example, individual performance bonuses, commissions, among others.

On the other hand, non-salary benefits, as they do not constitute wages, are excluded from the calculation base for social benefits and social security contributions, provided that such exclusion is expressly stated in writing, whether in the employment contract or in a separate document (for example, an addendum or corporate policy).

It is important to pay special attention to the nature and treatment of these payments since, as emphasized, any payment that constitutes direct remuneration for services must be considered wages without exception, so that any agreement to the contrary shall be ineffective. From the investor's perspective, adequate documentary structuring of these benefits is essential to optimize labor costs, ensure regulatory compliance, and mitigate contingencies in labor and social security matters.

3.3. Fringe Benefits

Every employer is obligated to pay the following fringe benefits to employees receiving ordinary wages, regardless of the contract term:



CONCEPT	PAYMENT PERIOD	DESCRIPTION
Severance Aid	**Annual**	Employers must make an annual deposit in a severance aid fund with which the employee is affiliated. The value of severance aid is equivalent to 1 month's salary for each year of services and proportional to the fraction of the year. This appropriation must be made before February 15 of each year in the individual account of the employee, or must the aid be paid to the employee upon termination of the employment contract. A lack of timely provision and deposit in the correspondent unemployment aid fund generates a penalty of one day of salary per each day of delay until effective payment is verified during the term of the employment relationship, or until the date when the employment contract ends, whichever occurs first.
Interest on Severance Aid	**Annual**	Interest on Unemployment Aid is equivalent to 12% per annum on the balance of each year's severance aid owed to the employee as of December 31 of the preceding year, which must be paid no later than January 31 of the next year of the severance aid assessment.
Service Bonus	**Semi-annual**	Equivalent to 15 days of salary for each semester of service or proportionally for fractions thereof, and must be paid no later than June 30 and December 20 of each year.
Work Clothing and Footwear	**Every 4 months**	Consists of a pair of shoes and a set of work clothing (trousers and shirt) appropriate for the task to be performed by the worker. This benefit must be delivered three times per year (no later than April 30, August 31, and December 20 of each year). Employees earning up to the equivalent of 2 times the S.M.L.M.V. – COP 3,501,810 for 2026 (approx. USD $864) – and who have been rendering their services for at least 3 months are entitled to this benefit.

3.4. Transportation / Connectivity Allowance

The employer must pay all workers earning up to the equivalent of 2 times the S.M.L.M.V. (COP 3,501,810 – approx. USD $864) a fixed sum annually established by the National Government to subsidize transportation expenses, provided that the workers reside at a distance greater than 1 kilometer from their workplace. It shall not be recognized if the company provides transportation to the workplace.

The transportation allowance for the year 2026 is the sum of COP $249,095 (approx. USD $61.46). In cases of disability leave, vacation, or other leaves, there is no obligation to pay this allowance. This allowance is included in the base for the calculation of social benefits, by express legal provision.

Similarly, under telework arrangements, the employer must recognize a connectivity allowance, intended to cover the worker's internet and telecommunications expenses. This allowance corresponds to the same amount as the transportation allowance and applies under the same conditions. However, the worker may only receive one of the two allowances, depending on whether his or her work modality is in-person or remote.

3.5. Contributions to the Integral Social Security System

The Social Security System is composed of the pension subsystem (Pensions), the health subsystem (Health), and the occupational risk subsystem (Occupational Risks).

All employers are obligated to enroll their workers in the Integral Social Security System and to make monthly, complete, and timely contributions on their behalf.

The contribution percentages to the Social Security System are described below:

Subsystem	Contributions (% of salary)*	
	Employee	Employer
Pensions	4%	12%
Health	4%	8.5%**
Labor Risks* **	-	Between 0.348% and 8.7%
Pension Solidarity Fund** **	Between 1% and 2%	-

**The non-salary benefits or payments shall be exempt from contributions to the Integral Social Security System in a portion that does not exceed 40% of the employee's total remuneration. A portion that exceeds such limits must be included in the base for contributions to the Integral Social Security System (Law 1393 of 2010).*

*** The following employers are exempted from paying the 8.5% of contributions to the health system: 1) Income taxpayers for employees that earn less than 10 S.M.L.MV. 2) physical employers for the employees that earn less than 10 S.M.L.M.V. , 3) Temporary Unions, Consortiums and autonomous patrimonies, which are employers for those employees who earn less than 10 S.M.L.M.V. 4) Free Trade Zones users. This exemption does not apply to employers regarding their employees who earn 10 Monthly Legal Minimum Wages or more or to entities which belong to the Special Tax Regime. It also does not apply to physical employers who hire less than two (2) employees.*

****The percentage of the contributions for Labor Risks varies in accordance with the insured risk. This risk is defined by the kind of activity to be carried out.*

***** The contribution percentage to the Pension Solidarity Fund varies according to the worker's salary. If the worker's monthly salary exceeds the equivalent of 4 S.M.L.M.V. (COP $7,003,620 – approx. USD $1,728), an additional contribution of 1% is required. If the worker's monthly salary equals or exceeds the equivalent of 16 S.M.L.M.V. (COP $28,014,480 – USD $6,912 approx.), an additional contribution shall be made, according to the salary amount, which may range between 0.2% and 1% additional.*

In case the employee receives an all-inclusive salary, contributions to the Integral Social Security System shall be calculated on 70% of his or her salary, and not on the 100% applicable to workers receiving ordinary wages. The maximum contribution base for the General Social Security System shall be 25 S.M.L.M.V. (COP $43,772,625 – USD $10,800 approx.).

Colombia has entered into bilateral social security agreements with Argentina, Chile, Ecuador, Spain, Peru, and Uruguay. Through these treaties, the aim is to ensure that nationals of the contracting countries validate the time contributed to the Pension System of any of the countries (as applicable under the treaty) in order to recognize old-age, disability, or survivor pensions, under the conditions and with the characteristics of the legislation of the country of residence of the worker at the time of requesting the pension.

Additionally, in 2024, a reform to the pension system in Colombia was approved, establishing a comprehensive social protection system for old age, disability, and death, through the recognition of individuals' rights through a pillar-based system, grounded in the principles of universality, solidarity, and efficiency. In any event, this reform is currently under review by the Constitutional Court, and therefore its implementation remains uncertain. The adjustments do not change the monthly payments owed by the employer and worker for contributions to the system.

3.6. Payroll taxes

Employers who have more than one permanent employee are required to make additional payments directly to the Colombian Institute of Family Welfare (ICBF in Spanish), to the National Apprenticeship Service (SENA in Spanish) and to the Family Compensation Funds (CCF in Spanish). The following table shows the payroll percentages to be paid to each of these entities:

ENTITY	% OF PAYROLL	
	< 10 S.M.L.M.V.*	> 10 S.M.L.M.V.
CCF**	4%	4%
SENA	0%	2%
ICBF	0%	3%

** The following are exempt from SENA and ICBF contributions: (1) companies and legal entities and similar entities that are declarant taxpayers of income tax and supplementary taxes, with respect to workers who individually earn less than 10 statutory monthly minimum wages; (2) individual employers, with respect to employees who earn less than 10 statutory monthly minimum wages; (3) consortiums, temporary unions, and autonomous trusts employing workers who individually earn less than 10 statutory monthly minimum wages; (4) Free Trade Zone users. The exemption does not apply to employers of workers earning 10 or more statutory monthly minimum wages, entities classified under the Special Tax Regime, and individuals employing fewer than two workers.*

The CCFs grant employees whose remuneration does not exceed 4 S.M.L.M.V. (COP $7,003,620 – approx. USD $1,728) a family subsidy consisting of a sum of money in in-kind payments and services. Its fundamental purpose is to alleviate the economic burdens associated with supporting the family, as the basic nucleus of society.

3.7. Apprentices

Every employer with more than 20 employees must hire one apprentice for every 20 workers and one additional apprentice for every 10 workers or additional fraction not exceeding 20. Companies with between 15 and 20 workers shall have one apprentice. This engagement is carried out through a special fixed-term employment contract, which entails the comprehensive application of labor rules.

If the employer does not hire the apprentices required by law, it may opt to monetize the quota, which entails paying SENA a monetization fee equivalent to 1.5 S.M.L.M.V. (USD $648 approx.).

4. WORKING HOURS

In Colombia, the regulation of working hours directly impacts the operation, costs, and regulatory compliance of companies. The law provides for different working hour modalities to balance productivity and labor rights.

While there are multiple schemes for the distribution of working time — including ordinary, special, flexible, and exceptional working hours — this document shall address only those that, from a practical and business perspective, are most relevant: the maximum legal working hours and flexible working hours.

4.1. Maximum Legal Working Hours

The ordinary working day is the time during which the worker is rendering services and shall correspond to what is agreed upon by the parties, without exceeding the legal limit. The maximum legal working day is 44 hours and, as of July 16, 2026, shall be 42 hours per week.

By agreement between the parties, the maximum legal working day may be distributed from Monday to Friday for the sole purpose of not working on Saturdays. Working hours during each day must be distributed in at least 2 sections, with a break that is rationally adapted to the nature of the work and the needs of the workers (which is not counted within the working day). The maximum legal working day may be extended by up to 2 hours per day and 12 hours per week. These hours are referred to as overtime or supplementary work.

Night work is performed between 7:00 p.m. and 6:00 a.m. Night work, because of the sole fact of being nocturnal, is remunerated with a surcharge of 35% over the value of daytime work. Workers holding positions of management, trust, and oversight are excluded from the regulation on maximum legal working hours.

4.2. Flexible Working Hours

The parties to the employment contract may agree to organize successive work shifts every day of the week, without exceeding 6 hours per day or 36 hours per week. In this case, no night surcharge or surcharge for work on Sundays or public holidays shall apply, but the worker shall earn the salary corresponding to the ordinary working day.

Likewise, they may agree on a flexible working day of 42 hours per week, distributed over a maximum of 6 days. Under this modality, the number of daily working hours may not be less than 4 or greater than 9, and overtime surcharges shall not apply, provided that the worker does not exceed the maximum legal working day.

4.3. Mandatory Rest Periods

(a) Paid Rest on Sundays and Public Holidays

The employer is obligated to grant paid Sunday rest to all its workers and paid rest on civil and religious public holidays. This remuneration is included within the monthly salary.

If the worker works on Sundays on an occasional basis (up to 2 Sundays during the calendar month), the worker must be paid a surcharge of 80%* on the ordinary wage in proportion to the hours worked, or be granted a compensatory rest day to be enjoyed on another working day of the following week, at the worker's election.

If the worker works on Sundays on a habitual basis (three or more Sundays during the calendar month), the worker must be paid both the 80% surcharge on the ordinary wage in proportion to the hours worked and additionally granted 1 compensatory paid rest day to be enjoyed on another working day of the following week.

Additionally, the parties may agree that any day of the week shall be the mandatory rest day instead of Sunday and, therefore, for all legal purposes, the chosen day shall be considered as if it were Sunday (in the absence of an agreement, Sunday shall be deemed the rest day).

(b) Annual Paid Vacation

All workers are entitled to enjoy 15 business days of paid vacation for each year of service and proportionally for fractions of a year.

Every worker must enjoy at least 6 continuous business days of vacation per year, and the remaining vacation days may only be accumulated for up to 2 periods and, in some cases, for up to 4 years. Vacation may be compensated in cash by mutual agreement of the parties for up to half of the accrued vacation, and the worker must enjoy the other half as time off. Monetary recognition may also be made when the employment contract terminates, and the worker has not taken his or her vacation.

4.4. Surcharges for Night Work, Sunday, Public Holiday, and Supplementary Work

The following table shows the applicable surcharges in the performance of the employment relationship:

Night surcharge	Daytime hour × 35%
Sunday or public holiday work (daytime)	Daytime hour × 180%
Sunday or public holiday work (nighttime)	Daytime hour × 215%
Daytime overtime	Daytime hour × 125%
Nighttime overtime	Daytime hour × 175%
Daytime overtime on Sunday or public holiday	Daytime hour × 205%
Nighttime overtime on Sunday or public holiday	Daytime hour × 255%

** The surcharge for work on Sundays shall increase progressively until reaching 100%, as follows: as of July 1, 2026, it shall be 90%, and as of July 1, 2027, it shall be 100%.*

4.5. Leaves

Type of Leave	Duration	General Description	Key Aspects for the Company
Maternity Leave	**18 weeks** (20 in the case of multiple births). Begins one week prior to delivery.	Applies to pregnant employees and adoptive mothers.	Prohibition of dismissal due to pregnancy or breastfeeding except for just cause authorized by the Ministry of Labor. Companies with capital >1,500 S.M.L.M.V. (USD $648,021 approx.) or >50 female employees are required to have a breastfeeding space. A breastfeeding break of 1 hour per day during the first 6 months must be granted; 30 minutes up to 2 years if continuous breastfeeding is certified.
Paternity Leave	**2 weeks** (possible extension up to a maximum of 5 weeks depending on the structural unemployment rate).	Applies to the spouse, permanent partner, or adoptive father.	Requires Civil Birth Registry (submitted to the EPS within 30 days). Payment shall be subject to the weeks effectively contributed to the Health System.
Shared Parental Leave	**Up to 6 transferable weeks from the mother to the father** (the first 12 weeks are mandatory for the mother).	Allows parents to distribute the last 6 weeks of maternity leave.	May not be fragmented or taken simultaneously, except in the case of certified postpartum medical disability. Requires prior formal approval from the employer.
Flexible Part-Time Parental Leave	Conversion of the leave period into part-time work for double the time chosen.	Allows the exchange of leave time for part-time work.	Mother may access from week 13; father before week 2 of his leave. Compatible with shared parental leave. Requires formal approval.

Type of Leave	Duration	General Description	Key Aspects for the Company
Bereavement Leave	**5 business days.**	Applies upon the death of a spouse, permanent partner, or relatives up to the 2nd degree of consanguinity, 1st degree of affinity, and 2nd degree of civil kinship.	Requires proof of death.
Leave for Care of a Child with Terminal Illness or Serious Accident	**10 business days per year.**	For parents or custodians of a minor with a terminal illness or serious clinical condition resulting from a serious accident.	Requires medical certification indicating the need for accompaniment. There must be an agreement on dates.
Leave for Attendance at Specialist Medical Appointments	Time necessary according to the appointment.	Allows attendance at specialized medical appointments with justification.	Medical certification is required. It is recommended to incorporate an internal validation and registration procedure for absence and payroll control.
Leave for Judicial or Administrative Summons	Time required by the proceeding.	Applies when the worker is summoned by a judicial, administrative, or legal authority.	Requires formal summons.
Leave for School Commitments	Time necessary for the activity.	For attending meetings, evaluations, or mandatory school activities of children or dependents.	The mandatory nature of attendance must be evidenced. The creation of a clear internal policy is advised to prevent abuse.

5. TERMINATION OF THE EMPLOYMENT AGREEMENT

In general terms and except for legal and constitutional exceptions, employment contracts may be terminated at any time, without prior notice. However, the effects of termination vary depending on the type of contract and whether the contract is terminated with or without just cause.

5.1. Termination with Just Cause

Termination with just cause proceeds when the worker engages in any of the conducts expressly provided in Article 62 of the Substantive Labor Code (Código Sustantivo del Trabajo). These include, among others, serious breach of contractual obligations, acts of violence, indiscipline, persistent poor performance, disclosure of trade secrets, or serious offenses against morality or discipline.

For just cause to be valid, it is not sufficient for the conduct to be contemplated in the regulation; it is essential that the employer observe due process. Case law has consolidated the obligation to afford the worker the opportunity to be heard before the decision is made, allowing the worker to exercise his or her right of defense.

From a risk management perspective, it is recommended that companies adequately document breaches, preserve objective evidence, and maintain internal work regulations that clearly define disciplinary offenses and applicable procedures. If the commission of the offense, or its severity, is not proven, the employer may be ordered to pay the statutory severance.

5.2. Termination without Just Cause

The employer may terminate the employment contract without alleging a specific cause. However, this faculty entails the obligation to pay the worker statutory severance, the amount of which depends on the type of contract and the salary earned.

5.2.1. Indemnification

(a) Indemnification for the termination of the employment agreement without just cause .

TYPE OF EMPLOYMENT CONTRACT	INDEMNIFICATION
Fixed Term	The indemnification is equivalent to the salaries which correspond to the remaining period of the contract.
For the Duration of the Work	The indemnification is equivalent to the salaries which correspond to the remaining period of the duration of the work, but in no event less than 15 days of salary.
Indefinite Term	*As a general rule, for employees earning a salary of less than 10 times the S.M.L.M.V (USD $4,320 approx.):* *30 days of salary for the first year of employment plus 20 additional days of salary for each subsequent year and pro rata for fractions of a year;* *For employees that earn a salary equal, or above, 10 S.M.L.M.V (USD $4,320 approx.): 20 days of salary for the first year of their services and 15 days of salary for each following year and proportional to each fraction of a year.*

(b) Severance for Failure to Pay or Incomplete Payment of Wages and Social Benefits upon Termination of the Employment Contract

When, upon termination of the employment contract, the employer fails to pay the worker the amounts owed for wages or additional benefits in the proper amount and at the proper time, the worker shall be entitled to receive as severance for such delay one day of salary for each day of delay in payment for up to the first 24 months or until payment is made, if it occurred within a shorter period. As of the twenty-fifth month, if payment has not been made, default interest shall accrue at the maximum legal rate until payment is verified.

This default severance operates only by judicial ruling and when the employer's bad faith is demonstrated.

(c) Severance for Failure to Deposit or Incomplete Deposit of the Severance Pay Allowance in the Corresponding Fund

With respect to workers receiving ordinary wages, employers who fail to deposit or deposit an incomplete amount of the severance pay allowance in the fund to which they are enrolled shall be penalized with a severance equivalent to one day of salary for each day of delay in the deposit until: (i) full payment is made; or (ii) the employment relationship terminates, whichever occurs first. This severance also does not operate automatically; it may only be obtained through judicial proceedings in which the employer's bad faith is proven.

5.3. Risks and Best Practices

Termination of the employment contract in Colombia represents one of the main sources of labor contingencies, particularly in those cases where the worker enjoys reinforced employment stability. Under constitutional and legal provisions, certain workers may not be dismissed unilaterally and without just cause, such as:

(i) women who are pregnant or during the breastfeeding period; (ii) workers whose spouse, permanent partner, or significant other is pregnant or breastfeeding; (iii) employees with union protection (fuero sindical); (iv) workers who are in a condition of manifest weakness due to their health status (which prevents them from performing their duties); (v) workers who are 3 years or less from meeting the requirements to obtain the right to an old-age pension; (vi) workers who have filed complaints of workplace harassment, under the applicable legal requirements.

Disregard for these guarantees may result in the ineffectiveness of the dismissal, the obligation of reinstatement, payment of wages and benefits not received, as well as additional severance payments and administrative sanctions. In practice, cases related to manifest weakness due to health status constitute the primary source of conflict, given their broad interpretation by constitutional case law.

Recommended best practices to mitigate risks include: (i) pre-termination audits to identify potential protections or conditions of reinforced stability; (ii) rigorous structuring of disciplinary files with documentary support; (iii) occupational medical validation when there are relevant disability leaves or diagnoses; and (iv) adoption of internal termination protocols aligned with labor compliance policies.

From an investment perspective, the implementation of these mechanisms reduces exposure to judicial contingencies, improves financial predictability, and strengthens the labor governance of operations in Colombia.

6. VIRTUAL WORK

Telework, Work from Home, and Remote Work

In Colombia, there are three virtual work modalities — telework, work from home, and remote work —, each subject to specific requirements and conditions that regulate the location, working hours, and labor supervision. These modalities offer benefits such as flexibility, work-life balance, and access to subsidies such as the connectivity allowance, but they also entail risks and limitations, including responsibilities regarding equipment, safety, occupational health, and the need to establish clear policies to ensure regulatory compliance and operational efficiency.

The following is a summary of the modalities:

MODALITY	REQUIREMENTS / CONDITIONS	BENEFITS	RISKS / LIMITATIONS
Telework	• The following modalities may be chosen depending on the degree of in-person presence required and the needs of the Company: *1. Autonomous.* *2. Mobile.* *3. Hybrid.* *4. Temporary.* • Voluntary agreement between employer and worker. • Use of technology to render services without permanent physical presence at a specific location. • Depending on the modality, the worker chooses his or her workplace (home or other). • Requires notification to the Ministry of Labor and the Occupational Risk Administrator (ARL). • Requires adoption of an internal policy.	● Geographic flexibility. ● Possible infrastructure savings for the company. ● Facilitates labor inclusion (persons with reduced mobility, etc.).	● May require greater discipline and remote management. ● Risk of disconnection or difficulty in operational supervision. ● Responsibility for health, occupational risks, and ergonomics is maintained.

MODALITY	REQUIREMENTS / CONDITIONS	BENEFITS	RISKS / LIMITATIONS
Transnational Telework	• The contract is entered into in Colombia, but the worker performs his or her duties from another country. • The employer must ensure occupational risk and health coverage in the country of residence and ensure contributions to the Colombian system.	● Allows hiring talent with global mobility. ● Beneficial for roles where physical presence is not required.	● Complexity in international social security compliance. ● Additional costs in insurance and immigration compliance.
Remote Work	• Agreement between the parties for 100% remote performance through technology. • Does not require physical presence or a fixed location. • Approval from the ARL and compliance with technical conditions.	● Allows full performance of tasks without an office. ● Useful for technology or digital profiles.	● The employer must provide technological tools and adequate conditions. ● May hinder control of working hours and goal compliance.
Work from Home	• Authorized for sporadic and exceptional situations that prevent attendance at the usual workplace.	● Rapid response to contingencies (such as pandemics). ● Preserves temporary labor continuity.	● Not a permanent structural modality. ● Its application depends on specific declared circumstances.

7. HIRING OF PEOPLE WITH DISABILITIES

Starting in June 2026, companies with up to 500 employees must hire or maintain, as applicable, at least 2 employees with disabilities for every 100 employees. From 501 employees onward, they must hire or maintain, as applicable, at least one additional employee with disabilities for each group of 100 employees. For reference, the proportions are understood as follows:

Company Workforce Range	Minimum number of employees with disabilities
0- 99 workers	0
100 - 199 workers	2
200 - 299 workers	4
300 – 399 workers	6
400 – 499 workers	8
500 – 599 workers	10
600 - 699 workers	11

8. COLLECTIVE LAW

Collective labor law regulates relationships between employers and employees' organizations during collective bargaining. It also regulates the defense of employers' and employees' common interests, during collective labor dispute.

8.1. Right of Union Association

Employees are entitled to unionize as part of their enjoyment of labor rights. This constitutional right aims to protect the creation and development of unions, as well as to guarantee enjoyment on the part of the employees to defend their labor and union interests.

8.2. Trade Unions

Unions are employees' organizations legally constituted with the purpose of obtaining and improving defense of individual and collective interests as well as consolidating common rights vis-à-vis their employers. All trade unions need at least 25 members to be incorporated or to survive. Trade unions are classified as a company, as industry or as miscellaneous:

Labor unions are classified as enterprise unions, industry unions, trade unions, or miscellaneous trade unions:

- ***Company union:*** *Constituted by employees of various professions who render services to the same company.*
- ***Industry union or union by economic activity:*** *Constituted by individuals who render services to different companies of the same trade or economic activity.*
- ***Trade union:*** *Constituted by individuals who belong to the same trade.*
- ***Miscellaneous activities union:*** *made up by employees of different professions.*



8.3. Collective Bargaining Agreements and Collective Work Agreements

A Collective Bargaining Agreement is entered into by one or several employers and one or several unions to set the conditions that shall govern the employment agreements during their validity.

The Collective Work Agreement regulates the conditions that will govern the employment agreements of nonunion employees.

8.4. Strike

A strike is the temporary collective and peaceful work stoppage of the employees of a company. It is only legitimate and possible within the process of collective bargaining as an option for employees who work for an employer in the private sector that does not carry out activities which are considered an essential public service under the law.

MIGRATION REGIME

The Colombian migration regime is based on a policy aimed at promoting the entry of foreigners who contribute to the country's comprehensive development. In this regard, Colombia recognizes the foreign investor as a strategic actor and encourages the arrival of individuals who drive job creation and national progress.

It is relevant for investors to understand the obligations, requirements, and conditions established by the current migration regulations:

1. Official entities in charge of migration affairs:

- ***Ministry of Foreign Affairs and consular offices of the Republic of Colombia abroad:*** *This entity is responsible for formulating, planning, coordinating, executing, and evaluating Colombia's foreign policy, as well as directing its international relations and managing the country's foreign service.*

- ***Unidad Administrativa Especial Migración Colombia:*** *This body is attached to the Ministry of Foreign Affairs and is responsible for exercising the functions of surveillance and migration control on behalf of the Colombian State. The processes that can be carried out before Migración Colombia and their costs can be consulted in the following chart.*

2. Immigration Matters:

The following table outlines the matters pertaining to immigration in Colombia:

IMMIGRATION MATTERS

Unrestricted nationalities

These are those that allow the entry of foreign citizens, who may enter and remain in Colombia exempt from visa requirements for short-stay activities.

Albania, Germany, Andorra, Antigua and Barbuda, Argentina, Australia, Austria, Azerbaijan, Bahamas, Barbados, Belgium, Belize, Bolivia, Bosnia and Herzegovina, Brazil, Brunei Darussalam, Bulgaria, Bhutan, Canada, Czech Republic, Chile, Cyprus, Republic of Korea, Costa Rica, Croatia, Denmark, Dominica, Ecuador, El Salvador, United Arab Emirates, Slovakia, Slovenia, Spain, United States of America, Estonia, Fiji, Philippines, Finland, France, Georgia, Grenada, Greece, Guatemala, Guyana, Honduras, Hungary, Indonesia, Ireland, Iceland, Marshall Islands, Solomon Islands, Italy, Jamaica, Japan, Kazakhstan, Latvia, Liechtenstein, Lithuania, Luxembourg, North Macedonia, Malta, Morocco, Mexico, Micronesia, Moldova, Monaco, Montenegro, Norway, New Zealand, Netherlands, Oman, Palau, Panama, Papua New Guinea, Paraguay, Peru, Poland, Portugal, Qatar, United Kingdom of Great Britain and Northern Ireland, Dominican Republic, Romania, Russian Federation, Saint Kitts and Nevis, Samoa, San Marino, Saint Lucia, Holy See, Saint Vincent and the Grenadines, Serbia, Singapore, Sweden, Switzerland, Suriname, Trinidad and Tobago, Turkey, Ukraine, Uruguay, Venezuela.

Restricted nationalities

These are those for which the Colombian State necessarily requires a visa to enter, remain, and even to carry out airport transit within Colombian territory.

Exception:

There are some restricted nationalities that present a conditional exception, insofar as foreigners may be authorized to enter without a visa and remain temporarily in Colombian territory, provided that:

- *The foreign national holds a valid residence permit in a Member State of the Schengen Area or in the United States.*
- *They hold a Schengen visa or a visa of the United States of America with a minimum validity of 180 days at the time of entry into Colombia.*

Cambodia, India, Nicaragua, Myanmar, People's Republic of China, Thailand, Taiwan, and Vietnam.

The costs corresponding to the procedures before the Unidad Administrativa Especial Migración Colombia for the year 2026 are as follows:

Procedure	Value	
	USD (approx.)	COP
Foreigner ID card (Cédula de extranjería)	$72.54	$294,000
Duplicate of the Foreigner ID card	$72.29	$293,000
Entry and Stay Permit – PIP (PT, PID, POA)	Free	Free
Extension of stay	$37.01	$150,000
Safe-conduct for stay or departure	$21.71	$88,000
Certificate of migratory movements	$21.96	$89,000
Automatic migration	$103.88	$421,000
Entry for Nicaraguan nationals	$9.03	$36,597
Entry for Canadian nationals	$66.62	$270,000
Duplicate of the Temporary Protection Permit – PPT	$4.93	$20,000

**The above amounts are adjusted in accordance with Resolution 0599 of 2026. Please note that these values are generally updated every year.*

3. Entry and Stay Permits:

Every foreigner entering Colombia must present themselves before the migration authority with their passport or travel document[2], along with the corresponding Colombian visa, in cases where it is required.

In cases where a visa is not required to enter Colombia, the migration authority may grant entry and stay permits to foreign visitors who do not intend to settle within the national territory.

Entry and stay permits are classified according to the provisions established in Resolution 3167 of 2019 and they will have special characteristics, which can be found in the table below:

Tourism Permit (PT)	Granted for up to 90 calendar days, extendable for an additional 90 days.	For activities related to leisure, recreation, culture, events, health, conventions, or business.
Integration and Development Permit (PID)	Granted for up to 90 calendar days, except in cases of special urgency where the permit will only be issued for 15 calendar days.	For short-stay activities such as i). execution of cooperation agreements; ii). Carrying out personal matters, including participating in interviews and/or selection processes; iii). Being a person of importance to the government; iv). Attending as a student in non-formal academic programs; v). Participation as a lecturer, teacher, or researcher; vi). Journalistic work; vii). Attending urgent cases such as natural disasters, among others; and viii). Representing a State in an official commission or service.
Permit to Carry Out Other Activities (POA)	Granted for a period between 10 and up to 30 calendar days	For short-stay activities not included under the Integration and Development Permit, such as technical assistance activities, concerts, events, and/or artistic activities.

[2] Nationals of the Andean Community of Nations (CAN) and the Mercosur Agreement may also be allowed to use their valid national identity documents for entry into Colombia.

* *Cancellation of Permits*

The Unidad Administrativa Especial Migración Colombia may cancel the entry and stay permit, in any of its modalities (PT, PID, and POA), at any time. A written record of the cancellation shall be made, and no appeal may be lodged against it.

Likewise, permits shall be cancelled in cases of deportation, expulsion, or when evidence exists of fraudulent or deceitful acts by the applicant intended to evade compliance with legal requirements, thereby inducing error in the granting of the permit. The competent authorities shall be informed of such acts. Once the cancellation of the permit has been notified, the foreign national must leave the country within 5 calendar days. Failure to do so may result in deportation.

4. Visas:

A visa is the authorization granted by the Ministry of Foreign Affairs to a foreign national to enter and remain in Colombia. Each visa category is granted depending on the nature of the visit and whether or not there is an intention to settle in the country.

We hereby list below some of the visa categories frequently requested and their respective government fees.

Type V Visas – Visitor		
Category	**Visa Application Study Fee.**	**Visa Issuance Fee**
Business	USD $54	USD $252
Digital Nomad	USD $54	USD $177
Technical Assistance	USD $54	USD $177
Service Provider under a Work or Task Contract	USD $54	USD $177

Type M Visas - Migrant		
Category	**Visa Application Study Fee**	**Visa Issuance Fee**
Spouse of a Colombian national	USD $54	USD$ 270
Parent or child of a Colombian national by birth and/or adoption	USD $54	USD$ 270
Mercosur Migrant	USD $54	USD$ 270
Andean Migrant	USD $54	USD$ 270
Worker	USD $54	USD$ 270
Partner/Owner	USD $54	USD$ 270
Pensioner	USD $54	USD$ 270
Investor	USD $54	USD$ 270

Type R Visas - Resident		
Category	**Visa Application Study Fee**	**Visa Issuance Fee**
Based on accumulated time of stay in Colombia	USD $54	USD $400
Resident Visa Transfer.[3]	USD $54	USD $54

Currently, there are 3 categories of visas, namely:

- *Visitor Visa (Type V)*
- *Migrant Visa (Type M)*
- *Resident Visa (Type R)*

Its application and processing are generally carried out virtually, through the Ministry of Foreign Affairs website. The review and approval are handled by the Visa and Immigration Coordination Office located in Bogotá, or by more than 130 Colombian consulates abroad.

The visa application may be submitted directly by the interested foreign national or through a legal representative.

It is important to highlight that, in accordance with Article 13 of Resolution 5477 of 2022, the authorities have up to 30 calendar days, once the application has been filed, to issue, make observations, or deny the granting of a visa.

[3] Please note that if the resident visa was granted before October 21, 2022, the holder has until October 31, 2026, to carry out the transfer to a Permanent Resident Visa, in accordance with the provisions of Resolution 9316 of 2024.

5. Beneficiaries:

Family members and economic dependents of the principal holder of a Type M or R visa, or of the principal holder of a Type V visa only when granted for specific activities[4], may be eligible to hold a visa as beneficiaries.

Family members of the principal visa holder are understood to include their spouse, permanent partner, and children under 25 years of age. If a child over 25 years has a disability and is unable to support themselves, they may apply for a visa as a beneficiary.

The validity of a visa granted to a beneficiary may not exceed that of the principal holder's visa and will expire at the same time, without the need for an express ruling by the competent authority.

If the beneficiary ceases to be economically dependent on the principal holder, loses their status as spouse or permanent partner, or changes their activity, they must apply for the corresponding visa as a principal holder, subject to compliance with the requirements established for that purpose. When the principal visa holder acquires Colombian nationality by naturalization or passes away, their beneficiary may apply for the corresponding visa within the national territory.

In all cases, the occupation of the beneficiary shall correspond to household or student activities since this visa category does not allow employment.

6. General Requirements for All Types of Visas:

To apply for a visa, the foreign national must submit the documents required according to the category they wish to apply for. When necessary, these documents must be translated into Spanish by an official translator authorized by the Ministry of Foreign Affairs of Colombia. Public documents must be apostilled or legalized by the Colombian Consulate or by the competent authority of the issuing country. Any document submitted for a visa application must not be older than 3 months.

In all cases, the following documents must be submitted or complied with:

1. *Online visa application form.*
2. *Copy of a valid passport in good condition, with a validity of no more than 6 months.*
3. *Recently, front-facing, colour photograph, with a white background, not exceeding 300 kb in size.*
4. *Copy of the most recent Colombian visa, if applicable.*
5. *Copy of the most recent entry or exit stamp from Colombia.*

The migration authority may, in any case, request a certificate of judicial or criminal records from the place where the applicant has resided during the last three years.

[4] Postgraduate Student, Religious Worker, Volunteer or Aid Worker, Digital Nomads, Permanent Correspondent, Free Trade Agreement Entrepreneurs, Accredited Officials, Temporary Service Providers, Internationalization Promotion, Rentier, Courtesy for Visiting Diplomats, Courtesy as a Complementary Measure to Refugees.

7. Specific Requirements According to the Type of Visa:

Depending on the type of visa being requested, the foreign national must comply with certain particular requirements. To learn about the specific requirements for each visa, it is recommended to consult the nearest Consulate. The following figure provides a general list of the requirements for the most common visa categories to be applied for.

Type V Visa ***Business***	• *Motivated document specifying the activities to be carried out in Colombia and certifying the financial solvency of the person responsible for the applicant's stay and departure from the country.* • *Certificate of existence and legal representation of the Colombian company.* • *Bank statements of the company from the last three to six months, showing a minimum average of 100 SMMLV (Statutory Monthly Minimum Legal Wages).*
Type V Visa ***Service Provider (Work – Task Contract)***	• *Supporting document specifying the activities to be carried out in Colombia and certifying the financial solvency of the person responsible for the applicant's stay and departure from the country.* • *Company bank statements from the last three to six months, showing a minimum average of 100 SMMLV (Statutory Monthly Minimum Legal Wages).* • *Summary format or original contract, signed by the foreign applicant.* • *Copy of apostilled professional degree or employment certificates supporting the applicant's suitability. In the event that the profession is regulated in Colombia, the corresponding professional license or permit must be provided.* • *Health insurance with coverage in Colombia during the applicant's stay.*

Type V Visa ***Digital Nomad***	• *Be the holder of a passport issued by a country exempt from short-stay visa requirements.* • *Motivational letter specifying the activities to be carried out in Colombia and the remuneration to be received by the applicant.* • *For entrepreneurs: motivational letter explaining the entrepreneurial project and the resources available.* • *Applicant's bank statements from the last three months, demonstrating minimum income of 3 SMMLV (Statutory Monthly Minimum Legal Wages).* • *Health insurance policy with coverage in Colombian territory during the applicant's stay.*
Type M Visa ***Worker***	• *Summary format or original contract, signed by the foreign applicant, specifying the contracted position. Motivational letter from the employer stating the applicant's suitability, the functions to be performed, and the reasons why a Colombian national is not being hired.* • *Certificate of existence and legal representation of the Colombian company.* • *Company bank statements from the last 4 months, showing a minimum average of 100 SMMLV.* • *Apostilled professional degree or employment certificates demonstrating experience; and in the case of regulated professions, the corresponding license or permit issued by the relevant professional council.*
Type M Visa ***Partner or Owner***	• *Supporting document specifying the corporate name, registered address, and Tax Identification Number (NIT) of the incorporated commercial company or the company in which the investment is made. Proof of incorporation, participation, or acquisition in the paid-in capital of a commercial company, or registration of foreign investment, for an amount not less than 100 SMMLV (Statutory Monthly Legal Minimum Wages).* • *Submission of the company's bank statements from the last three months, income tax return, social security contributions, lease contract and/or receipts of industry and commerce tax payments.* • *Shareholding composition certificate, accrediting solvency and the amount of the investment.*

Type M Visa ***Investor***	• *Communication issued by the Bank of the Republic certifying the registration of direct foreign investment in the name of the visa applicant, for an amount exceeding 650 SMMLV (Statutory Monthly Legal Minimum Wages).* • *In the case of real estate investment: certificate of title and freedom of the property in the name of the foreign applicant, with a minimum value of 350 SMMLV, and communication issued by the Bank of the Republic certifying the registration of the investment.* • *Health insurance policy with coverage in Colombian territory.* • *Documents proving sufficient economic capacity to remain in the country.*
Type R Visa ***Resident by Accumulated Time of Stay***	• *Supporting document explaining the source of income for self-sustenance and describing the circumstances that maintain the conditions under which the visa was issued.* • *Copy of the foreigner identification card (cédula de extranjería).* • *Documents proving sufficient economic capacity to remain in the country.* • *Copy of temporary visas demonstrating uninterrupted years of continuity in the territory.* • *Certificate of Migratory Movements issued by the Special Administrative Unit – Migración Colombia.* • *When applying for a resident visa after previously holding a spouse or permanent partner visa, a letter from the spouse must be provided stating that the bond and cohabitation persist.*



8. Visa Expiration:

Once the validity of the visa has ended, either ordinarily or prematurely, the foreign national will have 30 calendar days to leave the national territory or to apply for a new visa.

During this period, the foreign national is in regular migratory status.

It is important to emphasize that Colombia does not have a visa renewal mechanism; therefore, once a visa expires, it is necessary to apply for a new document.

9. Early Termination of the Visa:

Early termination of a visa occurs when its validity ends before the initially granted expiration date. Early termination may occur at:

- *The request of the applicant or of the natural or legal person who requested the issuance of the visa for the foreign national.*
- *Automatically upon the issuance of a new visa;*
- *When the circumstances under which it was granted change.*
- *By discretionary authority of the Visa and Immigration Office, in which case the substantive reasons will be recorded in the electronic file, subject to confidentiality.*

10. Visa Cancellation:

The Ministry of Foreign Affairs or the Unidad Administrativa Especial Migración Colombia may cancel a visa at any time, leaving a written record through an official act. This decision is taken under discretionary authority and is not subject to appeal. Once the cancellation of the visa has been notified, the foreign national must leave the country within the following 30 calendar days; failure to do so may result in deportation. A foreign national whose visa has been cancelled may only submit a new application in accordance with the resolution established by the Ministry of Foreign Affairs.

11. Registration and Migration Control:

Once a foreign national's visa has been issued, the visa registration process and application for a foreigner's ID card (cédula de extranjería)[5] must be completed within 15 calendar days following the granting of the visa or the foreign national's entry into Colombia with the granted visa. This procedure must be carried out each time the foreign national obtains a new visa.

According to Resolución 5477 de 2022, the foreigner's ID card is the "Identification Document issued by Special Administrative Unit Migration Colombia, granted to foreign nationals or beneficiaries holding a visa valid for more than 3 months.

12. Irregular Stay:

Irregular stay occurs when a foreign national remains in Colombia without any type of visa or permit authorizing them to do so. This situation may

[5] Article 2 of Resolution 9316 of 2024 amends Article 118 of Resolution 5477 of 2022 and establishes exceptions to the registration of foreign nationals and the processing of the foreigner ID card with respect to holders of Visitor (V) visas for Tourism, Business, Crew Member, and Events, as well as holders of Visitor (V) Courtesy visas for Visiting Diplomats and International Agreements. Regardless of the validity of the visa granted, holders of the aforementioned visa categories will be exempt from registration in the Foreigners Registry of the Unidad Administrativa Especial Migración Colombia and from the processing of the foreigner ID card.

arise due to the expiration of the visa's validity or the expiration of the permit that authorized the foreign national to remain in the country.

13. Administrative Sanctioning Procedures:

Migración Colombia has the authority to initiate an administrative sanctioning procedure against those who commit any of the infractions established in Article 15 of Resolution 2357 of 2020, in accordance with Chapter 13 of Decree 1067 of 2015. Sanctions may include:

- *Economic fines (ranging between 26.31UVT (approx. USD $340) and 2,631.30 UVT (approx. USD $34,003)).*
- *Deportation and/or*
- *Expulsion from Colombian territory.*

14. Temporary Protection Statute for Venezuelan Migrants:

This is a complementary mechanism to the international refugee protection regime, aimed at allowing Venezuelan migrants who adopt the measure to have regular stay in Colombia.

Venezuelan citizens may validly remain in the country with a Temporary Protection Permit (PPT), which grants them an open work permit in Colombia for up to 10 years.

15. Validation of Degrees and Professional Activity:

In Colombia, certain professions require special regulation by the State to ensure quality and safety in the provision of essential services.

Therefore, the State has established the obligation for foreign nationals holding a degree in any regulated profession to obtain temporary licenses to practice such professions in Colombia.

However, some professions such as medicine or law, due to their level of specialization, do not allow temporary licenses. In such cases, the foreign national must request in advance the validation of their professional degree before the Ministry of National Education of Colombia and subsequently apply for indefinite professional registration or license.

16. Reports to the SIRE Platform of Migration Colombia:

Natural or legal persons who engage, hire, employ, or admit a foreign national under any modality that generates a benefit are required to report it to Migración Colombia through Sistema de Información para el Reporte de Extranjeros (SIRE), within the deadlines established by law.

When a foreign national enters Colombia with a Tourism Permit or holds a visa that allows them to work in Colombia, such registration must be completed within 15 calendar days following the start or termination of the activity.

17. Reports to the RUTEC Platform of the Labor Ministry:

All public and private companies that engage or hire foreign nationals (employment contracts or independent contractors) within the national territory are also required to report it in the Registro Único de Extranjeros en Colombia (RUTEC)

within no more than 120 calendar days following the signing of the contract or the engagement of the foreign national. Likewise, employers and contractors must update the registration in RUTEC in the following cases, within 30 calendar days of their occurrence:

- *Termination of the engagement or contract of the foreign worker.*
- *Any event that modifies the economic activity.*
- *Permanent change of residence of the foreign worker or contractor.*

Regulatory Framework

Regulation	Subject Matter
Article 37, Substantive Labor Code (CST)	Verbal contract
Article 39, CST	Written contract
Article 46, CST; Article 1, Decree 1127 of 1991	Fixed-term contract
Article 45, CST	Contract for a specific task or project
Article 47, CST	Indefinite-term contract
Article 6, CST	Incidental or transitory contract
Articles 76–80, CST	Probationary period
Article 127, CST	Wages
Article 128, CST	Payments not constituting salary
Article 249, CST	Unemployment aid
Article 1, Law 52 of 1975	Interest on unemployment aid
Articles 306–308, CST	Service bonus
Article 2, Law 15 of 1959; Article 4, Decree 1258 of 1959	Transportation allowance
Articles 230–235, CST	Worker uniform and footwear
Law 21 of 1982; Law 100 of 1993; Law 797 of 2003; Law 1393 of 2010; Law 1438 of 2011; Law 1607 of 2012; Law 1819 of 2016	Contributions to the Social Security System and Payroll Taxes
Articles 172–178, CST	Paid rest periods
Article 186, CST	Annual paid vacation
Articles 32–42, Law 789 of 2002	Apprentices
Article 236, CST; Law 1822 of 2017; Law 1823 of 2017	Maternity leave
Article 236, CST; Law 2114 of 2021	Paternity leave
Paragraph 10, Article 57, CST, added by Law 1280 of 2009	Bereavement leave

Regulation	Subject Matter
Law 2174 of 2021	Leave for care of children with terminal illness or serious clinical condition resulting from a serious accident
Article 104, CST	Internal work regulations
Articles 249, 250, CST	Hygiene and industrial safety regulations
Articles 61–66, CST	Termination of employment contract – indemnifications
Law 1010 of 2006; Resolution 3461 of 2025	Workplace harassment prevention mechanisms
Law 1562 of 2012; Decree 1072 of 2015	Occupational Health and Safety Management System
Article 39, Political Constitution; Articles 353, 354, CST	Right of union association
Article 356, CST	Classification of labor unions
Article 432 et seq., CST; Article 467 et seq., CST; Law 1453 of 2011	Collective bargaining and collective agreements
Article 444 et seq., CST	Right to strike
Article 34, CST	Independent contractors
Articles 71–94, Law 50 of 1990; Decree 4369 of 2006; Article 34, CST	Temporary service companies
Law 79 of 1988; Decree 4588 of 2006; Law 1233 of 2008; Law 1429 of 2010; Decree 2025 of 2011	Associated work cooperatives
Decree 583 of 2016	Inspection, surveillance, and control over labor outsourcing
Resolution 312 of 2019	Implementation of the Occupational Health and Safety Management System (SG-SST)
Law 1955 of 2019; Decree 1174 of 2020	Social protection floor
Law 1221 of 2008; Decree 884 of 2012; Decree 1227 of 2022	Telework
Law 2088 of 2021; Decree 649 of 2022	Work from Home
Law 2121 of 2021; Decree 555 of 2022	Remote Work
Law 2191 of 2022	Digital Disconnection
Law 2365 of 2024	Measures for the prevention of sexual harassment
Law 2381 of 2024	Comprehensive social protection system for old age, disability, and death of common origin.
Resolution 1843 of 2025	Regulation of occupational medical evaluations
Law 2466 of 2025	Partial modification of labor regulations and adoption of a labor reform for decent and dignified work in Colombia

Gobierno de Colombia

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Government Relations



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This section aims to provide an overview of the main interactions that foreign investors may have with the Colombian public administration in its expansion process in Colombia. The content revolves especially around the environmental regime, the energy market, state procurement, and sanitary regulation:



1. COLOMBIAN ENVIRONMENTAL REGIME

1.1. Colombia's participation in international environmental instruments

Colombian regulations have a strong influence and alignment with international instruments that are guiding global decisions on the environment and climate change. The main examples of this are listed below:

1.1.1. Escazú Agreement:

Adopted through Law 2273 of 2022, this agreement aims to guarantee transparency through access to information, public participation, and access to justice in environmental matters. Its objectives include the principles of non-regression, intergenerational equity, and precaution, as well as the dissemination of updated information that promotes informed public participation in environmental decision-making.

In relation to the right of access to information, the aim is for the different actors to comply with the obligations of accessibility, generation and dissemination, so that the response can be received within a maximum period of 30 days unless there is a shorter period stipulated in national legislation.

By virtue of the above, it is evident that companies must implement efficient internal systems to manage and disclose environmental information proactively. Likewise, both companies and environmental authorities must periodically generate, compile and disseminate relevant information on the matter.

The right to public participation consists of ensuring the possibility of submitting comments through appropriate means, as well as ensuring

that such comments are taken into account before the adoption of the corresponding decision. It also requires that the public be informed in a timely manner about the decision taken, its reasons and grounds, and the manner in which its observations were considered. As for the communities, it seeks to guarantee their participation in activities that can generate significant impacts on the environment, including those that may affect health. Under this understanding, participation in decision-making on projects with environmental impact must be open, inclusive, effective, informed, and timely, also incorporating a differential approach in favor of groups and individuals in vulnerable conditions.

Finally, with regard to access to justice, the aim is to guarantee this right in both judicial and administrative instances, in order to safeguard due process. Article 8 of the Agreement establishes that such access must be granted under the guarantees of due process and highlights the importance of having specialized bodies in environmental matters.

1.1.2. On the scope of the Escazú agreement:

it seeks to implement principle number 10 of the 1992 Rio Declaration on Environment and Development, which enshrines the rights of access to information, public participation and access to justice in environmental matters.

Its objective is to guarantee the existence of minimum standards of environmental democracy. Although in Colombia there was no specific environmental regulation that comprehensively regulated the matters addressed by the Agreement, there is Law 1755 of 2015, applicable in environmental matters, which regulates in detail what is related to the request for information and the cases in which the authority is not obliged to deliver it for reasons of confidentiality. This is based on Article 74 of the Political Constitution of 1991, which establishes that all persons have the right to access public documents, except in cases of confidentiality determined by law.

Colombia is the country with the highest number of regulations on information, participation and environmental justice in the region. For this reason, it has multiple information systems and a robust amount of public data on biodiversity and environmental management stands out. In this regard, the existence of the Environmental Information System through Decree 1600 of 1994 is highlighted, which establishes the obligation to publish relevant information on the subject, such as environmental quality reports.

With regard to the right to public participation, it should be borne in mind that there has been significant regulatory and jurisprudential development in Colombia, especially through laws and rulings of the Constitutional Court. Participation mechanisms in the country include prior consultation with ethnic communities, regulated by Law 21 of 1991; the popular consultation, provided for in Law 134 of 1994; environmental public hearings, enshrined in Law 99 of 1993 and Decree 1076 of 2015; as well as the figure of environmental third parties.

In addition, at the constitutional level, there are provisions that enshrine the right to participation, as established in Article 2 of the Political Constitution, which indicates that among the essential purposes of the State is to facilitate the participation of all in the decisions that affect them.

Similarly, Colombian legislation regulates administrative and judicial procedures that allow citizens to protect their rights in environmental

matters. Although there is no specialized jurisdiction in this area, there are constitutional actions, actions before the contentious-administrative jurisdiction and criminal actions that allow the defense of environmental rights, according to their nature. In this sense, Law 2111 of 2021 typifies environmental crimes, while Law 472 of 1998 regulates popular and group actions, aimed at the protection of collective rights and interests, including the environment.

Likewise, the tutela action constitutes an ideal mechanism for the protection of fundamental rights related to the environment, as well as the enforcement action, regulated by Law 393 of 1997.

1.1.3. Regarding the impacts of the Escazú agreement:

it is evident that, by virtue of what is enshrined in the agreement, administrative acts that seek to modify environmental control and management instruments imply greater obligations in terms of participation and environmental information for citizens. Companies must therefore strengthen their mechanisms for participation and disclosure of information.

In short, there is evidence of an increasing trend in requests for information, which requires a structured process to respond, which takes into account the necessary compliance with response times and the information subject to confidentiality, as well as the legal source that substantiates it.

Likewise, Law 2273 of 2022 establishes that the refusal or abstention in the delivery of information gives rise to the imposition of sanctions in accordance with the Colombian regulatory framework. The Code of Administrative Procedure and Administrative Litigation provides for disciplinary sanctions and fines for failure to comply with the duty to provide information and to receive requests made.

As a result, legal actions in environmental matters have been stepped up to guarantee access to environmental information as a fundamental right under Article 23 of the Political Constitution. This includes figures such as the tutela action, the contempt incident, the appeal of insistence and the complaint for non-compliance before the Attorney General's Office.

1.2. Paris Agreement:

Adopted under the United Nations Framework Convention on Climate Change, it is the main instrument to face this contingency. It is consolidated in 2022 with the finalization of two main operational mechanisms: the transparency framework and the rules on carbon markets and international cooperation.

Colombia has shown great leadership in climate commitment by presenting ambitious projects to reduce greenhouse gas emissions and promote carbon neutrality. In fact, in 2025 it submitted a nationally determined contribution to the United Nations, in which it commits to emit a maximum of 155 to 151 million tonnes of carbon dioxide equivalent by 2035, in addition to the commitment to reduce between 6,130 and 8,873 tonnes of black carbon emissions by that year. compared to the emissions recorded in 2014.

For companies, it is denoted that the credit of those dedicated to fossil fuels has decreased after the brakes imposed on their activity in different areas of the country. There are also new and more stringent obligations to report emissions and implement carbon reduction strategies.

On the other hand, it is clear that the early adoption of technologies that promote the energy transition facilitates access to green financing, reduces costs and strengthens its reputation with investors. In this regard, in the mining-energy sector, there is a roadmap for the just energy transition, which seeks to promote the incorporation of renewable energies, large-scale storage solutions, digitalization and regulatory modernization. In view of the above, hourly rates, energy demand response programs and diversification of sources will be promoted.

1.3. Belém Declaration:

was signed by the member countries of the Amazon Cooperation Treaty Organization (hereinafter "ACTO") with the aim of reaffirming the regional commitment to the protection of the Amazon, so that the instrument seeks to strengthen environmental governance, promote regional integration and guarantee development policies that respect the principle of sustainability and the rights of local communities.

This instrument is strategic for coordinating concrete regional actions within ACTO, as it contains 113 commitments ranging from environmental governance to police and judicial cooperation to confront environmental crimes and illegal economies that affect the Amazon biome. Its implementation, through the Amazon Network for Integrated Fire Management and the Commission on Public Security and Cross-Border Crimes, has materialized through joint mechanisms and specialized work.

Colombia has a leading role in the implementation of the Declaration by reaffirming its commitment to reduce deforestation, improve environmental monitoring, and reduce certain projects in the Amazon, while also promoting sustainable projects in the region. In addition, it has reinforced its leadership by participating in the aforementioned mechanisms and in the preparation of the summit of presidents of the Amazon, which reaffirmed the urgency of protecting the Amazon, the need for energy transition and to confront the phenomena of deforestation, loss of biodiversity and expansion of illegal economies.

It is essential to take into account the regulations and decisions that Colombia has issued and is formulating as initiatives based on this Declaration. Historically, a total of 7 times the prohibition of the exploration and production of hydrocarbons in the Amazon has been proposed to the Congress of the Republic. Currently, Bill 4 of 2025 and a draft resolution of the Ministry of Environment and Sustainable Development are the two regulatory proposals that seek to prohibit both hydrocarbon exploitation and large-scale mining in the Amazon.

1.4. Colombian Environmental Authorities and their Competencies

To identify the most important environmental authorities in Colombia, it is necessary to address the National Environmental System. This system is composed of the set of guidelines, norms, activities, resources, programs and institutions that allow the implementation of Law 99 of 1993; that is, the General Environmental Law of Colombia. The actors involved in this are the state entities responsible for environmental policy and action, non-governmental organizations related to environmental problems and public, private or mixed entities responsible for the production of information, scientific research and technological development in the field. Its hierarchy includes the Ministry of Environment and Sustainable Development, regional autonomous corporations, departments, and districts or municipalities.

The main environmental authorities in Colombia are the following:

1.4.1. Ministry of Environment and Sustainable Development:

Ambiente

It is the governing body for the management of the environment and renewable natural resources. Its function is to formulate national environmental policy to guarantee the right to a healthy environment and the protection of the national heritage in this area. Mainly, it establishes the rules for environmental protection and integrates environmental proposals into national development programs.

Expert opinion:

The environmental sector is extremely dynamic and as it is a cross-cutting issue with potential impact on many productive sectors, it is essential to have strategic and updated information on this regulatory framework and the projects that the authorities propose to make adjustments to current regulations. To this end, it is advisable to carry out permanent monitoring of the process of issuance of decrees and resolutions of the Ministry in which the opportunity for citizen participation is guaranteed through the submission of comments prior to the final issuance of the new regulations. This monitoring makes it possible to anticipate the effects of regulatory changes and to formulate timely recommendations for informed decision-making.

Having allies such as the firms that prepare this guide can facilitate this proactive and preventive approach, in mitigating regulatory risks, identifying opportunities and ensuring regulatory compliance in a dynamic and constantly evolving regulatory environment.



1.4.2. The National Environmental Licensing Authority:

Autoridad Nacional de Licencias Ambientales

is the entity in Colombia in charge of evaluating, granting and monitoring the environmental instruments under which projects, works or activities are developed. It has a sub-directorate for the evaluation of environmental licenses, aimed at verifying compliance with legal terms in environmental procedures, and a sub-directorate for monitoring these instruments, in charge of issuing technical concepts to recommend the adoption of preventive measures, promote the initiation of sanctioning processes and support the judicial defense of the entity.

1.4.3. Regional Autonomous Corporations:

are collegiate entities made up of the territorial entities that constitute an ecosystem or a geopolitical, biogeographic or hydrogeographic unit. Its role is to manage the environment and natural resources within its jurisdiction.

By virtue of this, they guarantee that environmental risk is integrated into territorial planning and management. There are 33 entities throughout the national territory.



Source: Asocars

1.4.4. Indigenous authorities:

their main functions, when exercising autonomous government in their territories, consist of establishing their own taxes, designing and implementing economic, social, cultural and environmental development policies, and managing investments. They seek to preserve natural resources in accordance with their ancestral knowledge and represent their communities before the State.

1.4.4.1. Decree 1275 of 2024, which establishes the environmental competencies of indigenous authorities, among which are the following:

1

TERRITORIAL ENVIRONMENTAL PLANNING:
Indigenous environmental management plans and ecosystem plans and ecosystem protection projects

2

REGULATIONS AND SANCTIONING:
regulations to administer territories and sanction infractions under Indigenous justice

3

INTER-INSTITUTIONAL COORDINATION:
shared sanctions with state authorities for external infractions

4

FUNDING:
resources granted by the Ministry of Environment for Indigenous management

The purpose of the decree is to place indigenous authorities on a hierarchical level similar to environmental authorities, in order to enable them to formulate and develop regulations, as well as to exercise the management of environmental instruments. The main effects of the decree are the recognition of the autonomy of indigenous authorities, even though their integration into the existing legal system remains uncertain. In this regard, it is necessary for the Government to develop complementary instruments that allow for a practical and consistent application of what is enshrined in the decree, in order to reinforce certainty in this area to continue promoting foreign investment in Colombian territory with guarantees.

1.5. Environmental planning of the Colombian territory.

1.5.1. Indigenous territories

Decree 488 of 2025 regulates the conditions for the recognition of the legal functions of indigenous territories, as well as the aspects related to their financing through resources from the General System of Participations and the General System of Royalties. In order for the internal governance structure of indigenous peoples to be recognized, the following requirements are established:

1. *Coordination with other entities.*
2. *The administrative structure of their territory and life plan.*
3. *The confirmation act and operating rules of the Indigenous Council.*
4. *The specification of responsibilities they will assume.*
5. *Self-census and the proposal for the delimitation of their territory.*

The particularities of the application of the functions established in Decree 1275 of 2024 for indigenous communities, as well as the means that allow inter-institutional work between communities and the State, are still to be determined.

1.5.2. Protected Areas and the National System of Protected Areas (SINAP)

A protected area is a geographically defined area that has been designated, regulated, and managed in order to achieve specific conservation objectives. These areas contribute to the conservation of spaces that have or may have a significant ecological and landscape wealth, which provides environmental benefits and services to society as a whole.

National System of Protected Areas-SINAP: is the set of protected areas, social actors and management strategies and instruments that articulate them, to contribute as a whole to the fulfillment of the country's conservation objectives. It includes all protected areas of public, private or community governance, and of the national, regional or local management scope.

1.5.3. Temporary Nature Reserve Areas

Decree 044 of January 30, 2024, establishes the criteria under which the environmental authority may declare nature reserve areas temporarily. This figure arises from the need expressed in the Decree to temporarily reserve some areas so that the environmental authority, within a year, delimits its areas excludable from mining as zones for the protection and development of renewable natural resources and the environment, so that they contribute to environmental mining management.

Expert opinion:

It is advisable to follow up on the declaration and creation of temporary reserve zones, with the aim of reducing situations of legal uncertainty that may affect the continuity of investments or local economies.

1.5.4. Forest Reserves, Moorlands (Páramos), Wetlands, Water Roundabouts and Strategic Ecosystems

WHAT IS A FOREST RESERVE AREA?	It is an area of public or private property reserved for the establishment or maintenance and rational use of producing, protective or producing-protective forest areas (Decree Law 2811 of 1974).
WHAT IS A MOORLAND OR PÁRAMO STRATEGIC ECOSYSTEM?	The páramos have special protection because they are areas of special ecosystem importance, and they have regulations that restrict the development of activities in the mining-energy sector in them. • **Law 99 of 1993:** moorland areas, sub-moors, water sources and aquifer recharge areas will be subject to special protection. • **Law 1930 of 2018:** the páramos were recognized as strategic ecosystems, establishing guidelines for their integral conservation, restoration, sustainable use and generation of knowledge. • On July 21, 2025, the Administrative Court of Santander ruled in the first instance on processes 680012333000-2018-00196-00 and 680012333000-2020-00138-00, declaring the Páramo de Santurbán subject to rights.
STRATEGIC WETLAND ECOSYSTEM	Wetlands are strategic ecosystems, and from a strictly regulatory point of view, they are Areas of Special Ecological Importance. The Constitutional Court and the Council of State have recognized the special importance of wetlands.

1.5.5. Determinants of territorial planning- Law 2294 of May 19, 2023

They are superior regulations that guide land use plans (POT) and determine where mining can or cannot be developed, according to environmental protection and risk criteria. They are used to define land use and its limitations, protect strategic ecosystems and natural resources, and prevent natural and social risks.

The determinants of territorial planning require that all projects in the mining-energy sector conform to territorial and environmental plans. By virtue of this, they are a tool aimed at preventing socio-environmental conflicts between communities, companies and the State.

Figure:* *Classification of the determinants Law 2294 of May 19, 2023

Level 1

Environmental conservation, ecosystem protection, water cycle, natural resources, risk prevention, climate change and food sovereignty.

Level 2

Areas to guarantee the right to food within the agricultural frontier (Areas for Food Production Protection).

Level 3

Policies and regulations on the conservation and use of cultural heritage (historic, artistic, archaeological and architectural).

Level 4

Location of basic infrastructure and land-use planning guidelines within their areas of influence.

Level 5

These are the territorial planning components of the Integrated Metropolitan Development Plans.

Level 6

Special Tourism Projects and their associated infrastructure, as defined by the Ministry of Trade, Industry and Tourism.

EXAMPLES OF LEVEL 1 DETERMINANTS

Watershed Planning and Management Plans (POMCA): This is the instrument through which the planning of the coordinated use of watershed management is carried out, in which the population that lives in the territory of the basin participates, leading to the good use and management of such resources.

Effects of the declaration of a POMCA on the viability and development of Mining-Energy projects: the declaration of a POMCA generates direct implications for projects in the mining-energy industry, which must conform to the established guidelines, prioritizing the protection of the basin.

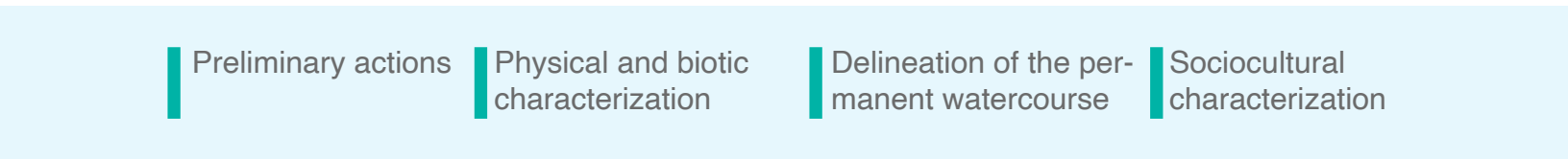
- *Imposition of additional charges that force the environmental instrument to be restructured. Environmental impact studies will have to comply with stricter criteria.*
- *Additional costs for reconfiguring infrastructure routes (roads, power lines, pipelines) to comply with restriction zones.*
- *Land use restrictions in environmental protection zones, which may restrict new projects.*
- *Overlapping of the operation with the declared area within the POMCA.*

Water rings: these are areas or strips of land adjacent to bodies of water that are intended to allow the normal functioning of the hydrological, geomorphological and ecosystem dynamics of these bodies of water.

The delimitation of the water rounds by the Environmental Authorities is oriented from the perspective of their functionality, which provides support for the establishment of environmental management measures. The main objective of the water rounds is to protect the riparian vegetation because it is the main source of food for aquatic and terrestrial fauna, key to ecological balance.

The water rounds are developed in Decree 1076 of May 26, 2015, particularly in *Article 2.2.3.2.3.1. Purpose and scope of application. "The water ring is constituted as a norm of superior hierarchy and environmental determinant.", Article 2.2.3.2.3.2. "Definitions- Water Round: Includes the strip parallel to the line of maximum tides or to that of the permanent course of rivers and lakes, up to thirty meters wide." And Article 2.2.1.1.18.2. "Protection and conservation of forests. In relation to the protection and conservation of forests, landowners are obliged to (...) A strip not less than 30 meters wide, parallel to the maximum tide lines, on each side of the riverbeds, streams and streams, whether permanent or not, and around lakes or water reservoirs."*

Figure:* *Phases for the Delimitation of a Water Ring Road



EXAMPLES OF LEVEL 2 DETERMINANTS

ZPPA: The Protection Zones for Food Production are prior declarations that allow areas to be territorially specialized, so that after a technical process and analysis of particular aspects of the territory, the APPAs can be identified in them.

APPA: are the Protection Areas for Food Production created as a determinant of territorial planning, mandatory for municipal authorities at the time of adopting the Territorial Planning Plans.

Municipalities with a single declared APPA

- *Concordia*
- *Fredonia*
- *Venecia*
- *Jericó*
- *Nemocón*
- *Sopó*
- *San Juan del Cesar*
- *Fonseca*
- *Distracción*
- *El Molino*
- *La Jagua del Pilar*
- *Villanueva*
- *Urumita*
- *Barrancas*

The illustration above lists the areas of Protection for Food Production (APPA) declared in Colombia, which add up to 14 municipalities grouped into three departments: Antioquia (4 municipalities), Cundinamarca (2 municipalities) and La Guajira – southern region (8 municipalities). This progress reflects the implementation of Resolution 377 of 2024 and Article 32 of Law 2294 of 2023, aimed at guaranteeing the human right to food and protecting strategic agricultural soils.

In total, these declarations cover approximately 118,300 hectares, consolidating themselves as determinants of territorial planning.

The declaration of an APPA can restrict or prohibit mining and energy activities within the delimited area, affecting both new initiatives and ongoing projects. The foregoing applies to all projects in the aforementioned sectors, since the declaration takes precedence by requiring the modifications that are necessary in order for its purpose to take effect.

Finally, current titles and contracts may require adjustments in environmental plans or even face partial suspension, respecting only acquired rights.

The determinants of territorial planning, especially those related to environmental protection and food production, can limit or condition the development of mining projects, forcing owners to adapt their plans and operations to new regulatory realities.

1.6. Permits, Authorizations and Concessions Regime

1.6.1. About the Environmental License:

In Colombia, the environmental license, in accordance with the provisions of Law 99 of 1993 and Decree 1076 of 2015, is defined as the authorization granted by the environmental authority for a project, work or activity that may cause serious deterioration to renewable natural resources or the environment, or introducing considerable or noticeable modifications to the landscape.

In mining, the environmental license must be global, which means that it implies all the permits, authorizations or concessions for the use,

exploitation or affectation of renewable natural resources that are necessary during the useful life of the project, work or activity.

Projects subject to environmental license: Section 2 of Decree 1076 of 2015 indicates the projects, works and activities subject to environmental license, among others:

a. *Exploratory drilling for hydrocarbons.*
b. *Exploitation and transport of hydrocarbons by pipelines.*
c. *The exploitation of minerals.*
d. *The construction and operation of power generation plants, hydroelectric plants and renewable energy generation projects.*
e. *The installation of transmission and distribution lines of electrical energy.*
f. *The construction of sea and river ports, and road and rail infrastructure projects.*
g. *The manufacturing industry for the production of certain chemical products.*
h. *The treatment and use of hazardous waste.*

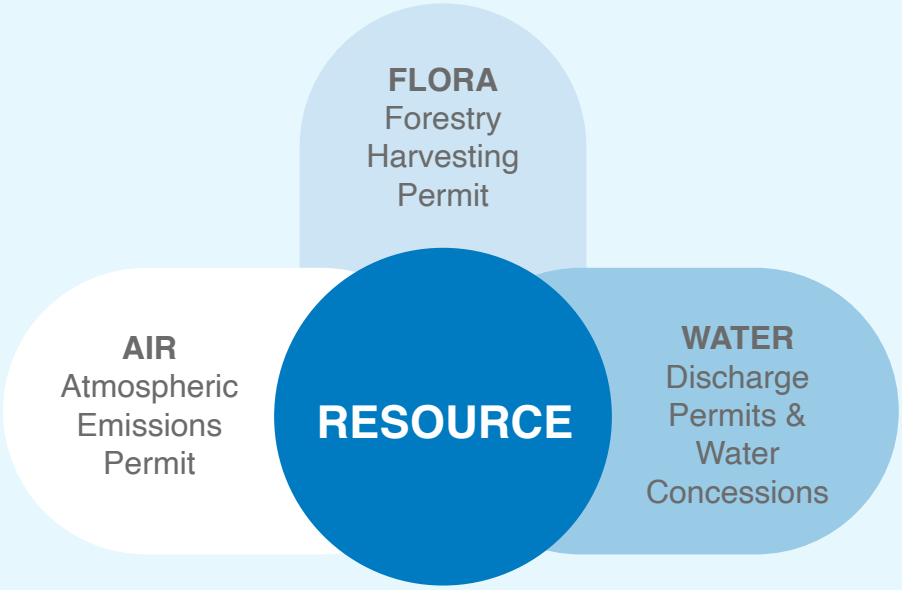
Environmental Impact Study: it is prepared in accordance with the general methodology for the presentation of environmental studies, provided for in Decree 1076 of 2015, and with the corresponding terms of reference. In the case of hydrocarbon exploratory activities, an environmental impact study must be carried out on the area of specific geological interest that is declared.

This study must contain the necessary elements to describe and characterize the physical, social and economic environment, as well as the measures for mitigation, correction and compensation of the identified impacts. This study is required whenever an environmental license is required for the execution of a project and the presentation of an environmental diagnosis of alternatives is not required.

Environmental Diagnosis of Alternatives - Decree 1076 of 2015 (Art. 2.2.2.3.4.1.) this contains the following:

a. *It provides information to evaluate and compare options under which it is possible to execute a project, work or activity.*
b. *Applies only in cases established by law.*
c. *It must take into account geographical environment, biotic, abiotic and socio-economic characteristics.*
d. *Comparative analysis of the effects and risks inherent to the work or activity.*
e. *Possible solutions and control and mitigation measures for each of the alternatives.*

1.6.2. Environmental permits and concessions



1.6.2.1. Dumping permit

A discharge is a final release into a body of water, a sewer or the ground, of elements, substances or compounds contained in a liquid medium (Art. 2.2.3.3.1.3, Decree 1076 of 2015) and according to Article 2.2.3.3.5.1. "Any person or legal entity whose activity or service generates discharges into surface waters, marine waters, or soil, must request and process the respective dumping permit before the competent environmental authority."

This permit is only required for wastewater discharges to surface, marine or ground water bodies and not for discharges to the public sewer. This was provided through Law 1955 of 2019 and the Council of State.

The dumping permit will be granted for a term not exceeding 10 years (Art. 2.2.3.3.5.7, Decree 1076, 2015) and its purpose is:

- *Prevention and control of water pollution.*
- *To regulate the uses of water and the destination of water resources.*
- *Guarantee the quality of water resources for different uses.*
- *Regulate the quality criteria of the discharges (discharge standard) generated into the water resource, the soil and the sewers to ensure the above purposes.*

In the event of dumping without first obtaining a permit, the regulation establishes the imposition by administrative act of the preventive measures and sanctions enshrined in Law 1333 of 2009 amended by Law 2387 of 2024, such as written warnings, fines of up to one hundred legal monthly minimum wages in force, closures of establishments, among others.

1.6.2.2. Water concession

It is the authorization granted by the environmental authority for the use and exploitation of water resources, whether from surface sources (rivers, streams, lakes) or underground sources (aquifers, wells). This permit grants the right to capture water for purposes such as domestic, agricultural, industrial, recreational, energy generation, mining, among others.

The surface water concession is the authorization granted by the environmental authority for the use and exploitation of water from sources visible on the earth's surface, such as rivers, streams, lakes and reservoirs, under specific conditions of flow, purpose and term.

The objective of this permit is the right to use the aforementioned water resource in various activities that require it, including supply in cases of diversion, irrigation, forestry and watering troughs, as well as industrial uses, power generation, mining and oil exploitation, transportation of wood, minerals and toxic substances. In addition to the above, agricultural, fishing, medicinal and other related uses are also used.

On the other hand, the groundwater concession is the permit to extract and use water stored in aquifers through wells or cisterns, regulating its exploitation to avoid overuse and guarantee the natural recharge of the resource, in accordance with the provisions of Law 99 of 1993 and Decree 1076 of 2015.

A process must be initiated through the single national form with all the documents that determine the identity of the subject, the right to the property or authorization of the owner of the property and the respective authorizations of the activity to be carried out.

Subsequently, the particularities for which the permit is requested must be described, being the type of water, its purpose, location, quantity, the method by which it will be extracted and how long the process is expected to take.

With regard to groundwater, the hydrogeological characteristics of the area, the relationship with other groundwater uses that exist in the area and a plan indicating the exploration area must also be indicated.

At the end of the groundwater concession permit, the subject has the obligation to submit within the following 60 working days the location of the well that has been drilled, the description of its drilling, its depth and the method used, the elevation of the site and the water quality through a physicochemical and bacteriological analysis, among other aspects.

1.6.2.3. Atmospheric Emissions Permit

It is the one granted by the competent environmental authority, by means of an administrative act, so that a natural or legal person, public or private, within the permissible limits established in the respective environmental standards, can make emissions into the air.

Article 2.2.5.1.7.2 of Decree 1076 of 2015 lists the following activities as those in which it is required to obtain an atmospheric emissions permit:

i. Controlled open burns in rural areas.
ii. Discharges of smoke, gases, vapours, dusts or particles through ducts or chimneys of industrial, commercial or service establishments.
iii. Fugitive or dispersed emissions of pollutants from open-pit mining activities.
iv. Incineration of solid, liquid and gaseous waste.

v. *Storage, transport, loading and unloading operations in ports likely to generate air emissions.*
vi. *Operation of boilers or incinerators by an industrial or commercial establishment.*
vii. *Burning of fuels, in ordinary operation, from oil and gas exploitation fields.*
viii. *Processes or activities likely to produce emissions of toxic substances.*
ix. *Production of lubricants and fuels.*
x. *Refining and storage of oil and its derivatives; and petrochemical manufacturing processes.*
xi. *Operation of thermoelectric plants.*
xii. *Operation of Nuclear Reactors.*
xiii. *Activities that generate offensive odors.*
xiv. *Any other duties established by the Ministry of Environment and Sustainable Development, based on technical studies that indicate the need to control other emissions.*

Expert opinion:

It is essential to identify the difference that the regulations make between fixed and mobile emission sources in order to process this permit. First, the fixed source is the source of emission located in a specific and immovable space, even if the discharge of pollutants occurs in a dispersed manner. The fixed point source is one that emits pollutants into the air through ducts or chimneys. On the other hand, the mobile source is the emission source that, by virtue of its use, is susceptible to displacement.

This permit is valid for a maximum of 5 years, being renewable indefinitely for equal periods of time.

1.6.2.4. Forest Harvesting

This is the authorization to extract products from the forest; from the moment they are obtained until they are transformed. It is also defined as the use, by humans, of timber and non-timber resources from wild flora and forest plantations. There are types of forest use, differentiated according to the criteria with which it is requested before the authority:

- ***Unique:*** *it is carried out only once in an area where studies demonstrate a better suitability of the use of the land, being different from forestry, or when there are reasons of public utility and social interest.*
- ***Persistent:*** *they are carried out with sustainability criteria and there is an obligation to conserve the normal yield of the forest through silvicultural techniques, i.e. forest management methods.*
- ***Domestic:*** *they are advanced only to satisfy the vital domestic needs without it being possible to market them in products.*

Carrying out forest harvesting without having processed the permit gives rise to the following preventive measures that may be imposed by the competent environmental authority depending on the specific case:

- *Preventive confiscation of products used to commit the offense.*
- *Preventive seizure of flora and fauna products.*

- *Suspension of the project when environmental damage may be caused by virtue of its actions.*
- *Behavioral studies to determine the nature of the damage.*

Additionally, the agent is exposed to the sanctions listed in Article 40 of Law 2387 of 2024, the most common being pecuniary sanctions, although the revocation or expiration of environmental instruments can also occur.

1.6.2.5. Channel occupation permit:

Article 2.2.3.2.12.1. of Decree 1076 of 2015 indicates that the construction of works that occupy the course of a stream or water reservoir requires authorization, which will be granted under the conditions established by the competent Environmental Authority. Permission will also be required when it comes to the permanent or transitory occupation of beaches.

Decree 2811 of 1974 indicates in Article 102 that anyone who intends to build works that occupy the course of a stream or water tank must apply for this permit. It is also required in case of permanent or transitory occupation of beaches. Even so, two scenarios are established in which the channel occupation permit is not required:

The first of these occurs when the Ministry of Transport must carry out dredging operations or build works that use water sources to maintain its mobility conditions.

The second scenario occurs in the face of subsistence fishing. In this scenario, the transit and occupation of beaches and riverbanks must be governed by the provisions on the use and exploitation of water, but the channel occupation permit is not necessary.

To apply for the permit, it is necessary to access the platform of the Single Window for Environmental Procedures -VITAL- and select the competent entity. Afterwards, the applicant must then appear before that entity with their identification document.

In the case of a legal entity, the certificate of existence and legal representation and, in the case of a public entity, a copy of the appointment resolution. Payment of the procedure must be made at the Integral Window for Environmental Procedures. With both the receipt and a copy of the applicant's original signature attached.

As additional attached documents to those listed above, there must be the certificate of freedom and tradition issued within the previous month and a document in which the description of the project, its location and other details of the work and the environment, the general location plans, the floor plan, the profile of civil works and details are reported. The information provided must be signed by a professional who certifies its suitability. It is essential to have the hydraulic and hydrological study.

Subsequently, the technical evaluation visit is conducted, in which the authority carries out an inspection to hide the physical conditions of the surface water source to be intervened and other factors by virtue of the information provided.

Subsequently, the authority issues a technical concept in which it evaluates the information presented in the light of the findings obtained during the visit and pronounces in the sense of granting, denying or requesting additional information. The authority may only request additional information once, by order, granting a period of 1 month for the applicant to make a decision.

Finally, the resolution granting or denying the authorization is subject to an appeal for reconsideration.

1.6.3. Prior Consultation

In Colombia, any project, work or activity that is intended to operate and that is likely to directly affect ethnic communities (indigenous, Afro-Colombian, Raizales, Palenqueras or ROM) must respect the fundamental and collective right to prior consultation, in accordance with the Political Constitution, ILO Convention 169 and national regulations.

This right is materialized through an administrative procedure in which the State, through the Directorate of the National Authority for Prior Consultation (hereinafter "DANCP"), guarantees:

Effective participation of ethnic communities (Indigenous, Afro-Colombian, Raizal, Palenqueras and ROM) through their representative authorities

Access to information about the projects, works or activities that are intended for their territories

Protection of their collective rights, ensuring that decisions are made based on dialogue and concertation

Practical aspects of prior consultation: prior consultation is a mandatory requirement for projects, works or activities that directly affect ethnic communities.

As it is a fundamental right, the legal action by nature filed for its protection is the tutela action.

Historically, the tendency of constitutional judges to protect the right to prior consultation has been to guarantee. In some cases, the absence of prior consultation has implied the suspension of the execution of projects, works or activities until the corresponding consultative process is carried out. Strategically, the suspension order corresponds to a precautionary measure that the judge adopts, acting in compliance with the standards of due diligence that will be set out below.

The exercise of the right to prior consultation does not give the consulted ethnic community the power to veto the execution of the project, work or activity. The foregoing, without prejudice to cases in which prior, free and informed consent is required, namely, when the intervention involves the transfer of ethnic communities, when the intervention is related to the exploitation of natural resources in the territories of ethnic communities, when the intervention represents a high social impact, when the intervention directly affects the subsistence of the community or its existence and/or, when it is a matter of large-scale development plans that have a greater impact within the territory of the ethnic communities.

Although the objective of prior consultation, in accordance with Convention 169 of the International Labor Organization (ILO) and the jurisprudence of the Constitutional Court, is to achieve the prior, free and informed consent of ethnic communities; such consent is not mandatory, except in the cases mentioned above.

There is an incorrect belief related to the fact that only direct impact that generates a negative

impact on the ethnic community is susceptible to prior consultation. The jurisprudence of the Constitutional Court has established that the obligation to carry out prior consultation is appropriate when it directly affects a community, either because it imposes restrictions or burdens on it, or, on the contrary, it confers benefits.

Standards of due diligence in matters of prior consultation: although to date there are no regulations issued by the National Government or by the Congress of the Republic that define the duties of diligence in matters of prior consultation, the jurisprudence of the Constitutional Court has ruled in several judgments (SU 123 of 2018 and SU 121 of 2021) on the conducts that the proper development must observe. This suggests that, in the absence of regulation, companies should carry out a periodic review of the jurisprudence in this area.

The Constitutional Court, in reiterated jurisprudence, has indicated what conduct must be observed in the context of the development of prior consultation processes. These behaviors can be summarized in duties that must be fulfilled before, during and after the consultative process. These duties are aimed at avoiding effects that may arise from the execution of activities or projects without due prior consultation, as well as ensuring that ethnic communities receive complete and sufficient information on the impacts arising from the execution of projects in their territories. The observance of these duties is essential for the proper management of legal and reputational risks, as well as the suspension of projects in the pipeline.

1.7. On the Colombian environmental sanctioning regime

The environmental sanctioning regime is found in Law 1333 of 2009 that regulates the environmental sanctioning procedure. With Law 2387 of 2024, which modified some aspects of Law 1333, substantial and procedural elements are added that strengthen the procedure.

Among these modifications, fundamental definitions such as environmental damage, corrective measures and compensation are added. Additionally, the figure of early termination was created, which allows the process to be suspended for up to two years so that the offender implements corrective measures and, in this way, the sanctioning procedure is suspended.

Finally, the maximum value of the fines was modified from 5,000 minimum monthly wages -SMLMV- (USD $2,160,070 approx.) to 100,000 SMLMV (approximately USD $43,201,394), which generates a greater deterrent effect. Procedurally, Law 2387 adds the concept of early confession, another substantial aspect contained in Law 2387, includes a reduction of the fine by up to 30% if it occurs before the beginning of the procedure or 15% before the statement of charges.

By way of description of the procedure, Law 1333 of 2009 indicates that there will be a term for the preliminary inquiry and, after that, the procedure is formalized with the issuance of an order of initiation. Once the authority formulates the charges against the investigated, it is given a term for the presentation of the defense arguments; that is, the disclaimers. Subsequently, in the evidentiary stage, technical, environmental and documentary evidence is carried out.

Law 2387 added the closing arguments to the sanctioning procedure, a moment in the process in which the investigated has the opportunity to pronounce on the elements and facts proven in the process. Finally, the environmental authority will determine the responsibility and the pertinent sanction when issuing a reasoned administrative act.

In this area, Colombia has a variety of procedural rules, which simultaneously guide different actions depending mainly on the time at which they began and the stage in which the process is located. This is mainly due to the modifications and changes introduced by regulations such as Law 2387 of 2024 and Law 1333 of 2009. There are no special rules for the completion of environmental sanctioning processes initiated under the previous legal regime, so it is especially important to have adequate expert advice in case of having to attend to any sanctioning process initiated by the environmental authorities, as well as when estimating the risks in the due diligence for the acquisition of companies that are linked to processes of this nature.

Expert opinion:

Proper management of environmental issues is decisive to guarantee the normal operation and growth of companies that decide to develop activities in Colombia. Holland & Knight has identified fines of up to COP $7,042M during the year 2025, in this case it was a fine to a legal entity for forest exploitation without authorization or prior obtaining the modification of the environmental management and control instrument. With the growing environmental protection and interest in the fulfillment of the country's environmental commitments, inquiries and processes that seek to maintain environmental order are increasingly common, so clear internal policies, alarm systems and environmental compliance are increasingly essential for the normal development of business.

2. STATE CONTRACTING IN COLOMBIA

Within the framework of relations between the business sector and the State, public procurement is one of the most relevant mechanisms for materializing collaboration between the two. Understanding the regulatory structure, selection modalities, and institutional dynamics that govern government contracting is critical for any investor seeking to effectively engage with the public sector and take advantage of the opportunities that this market represents. Based on the above, it is essential to address the legal notion of state contracting, detailing its scope, its public nature and the regulatory parameters that condition its application.

2.1. Scope of application of the General Procurement Statute.

Contracts entered into by Colombian state entities are governed, as a general rule, by the relevant commercial and civil provisions (private law), unless there are special applicable provisions, contained, mainly, in the General Statute of Public Administration Contracting (hereinafter, the General Contracting Statute), Law 80 of 1993.

This regulatory scheme seeks to balance the autonomy of the contractual will with the protection of the public interest that characterizes state contracting. Article 13 of Law 80 of 1993 establishes that state contracts are based on the agreement of wills between the parties, from which the main obligations and legal effects emanate.

Not all state entities identified in Article 2 of Law 80 of 1993[1] are subject to the General Contracting Statute. Some have special contractual regimes established by law, and subsequent regulations have determined the inapplicability of the general regime for certain agencies. This is the case, for example, of public service companies (ESP), State Social Enterprises (ESEs), which correspond to public hospitals, universities and other entities with particular regulation. Before participating in a selection process carried out by a public entity, it is advisable to verify what is the specific contracting regime that applies to the contracting entity.

In general terms, every public procurement process has three fundamental stages:

- ***Planning:*** *The entity identifies its need, prepares preliminary studies, makes an analysis of the sector, defines technical specifications, prepares an official budget and proposes a risk matrix.*
- ***Selection:*** *Includes the publication of the call for proposals, presentation and evaluation of bids, and the award of the contract. The entrepreneur must submit his proposal complying with qualifying requirements (legal, technical, financial capacity) and offering elements that give him a score in the evaluation, under the terms set in the selection process.*
- ***Execution and settlement:*** *Once the contract has been awarded, its execution begins under the supervision of the entity. At the end, the contract is liquidated, verifying its total compliance.*

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[1] Law 80 of 1993. Article 2. Definition of Public Entities, Servants and Services. For the sole purposes of this Law:
1°. The following are called state entities:
(a) The Nation, the regions, departments, provinces, the Capital District and special districts, metropolitan areas, associations of municipalities, indigenous territories and municipalities; public establishments, industrial and commercial enterprises of the State, mixed economy companies in which the State has a stake of more than fifty percent (50%), as well as indirect decentralized entities and other legal entities in which there is such majority public participation, whatever name they adopt, in all orders and levels.
(b) The Senate of the Republic, the House of Representatives, the Superior Council of the Judiciary, the Office of the Attorney-General of the Nation, the Office of the Comptroller General of the Republic, the departmental, district and municipal comptroller's offices, the Office of the Attorney-General of the Nation, the Office of the National Civil Registry, the ministries, the administrative departments, the superintendencies, the special administrative units and, in general, the agencies or dependencies of the State to which the law grants capacity to enter into contracts.
(…)

Diagram of interactions of state entities

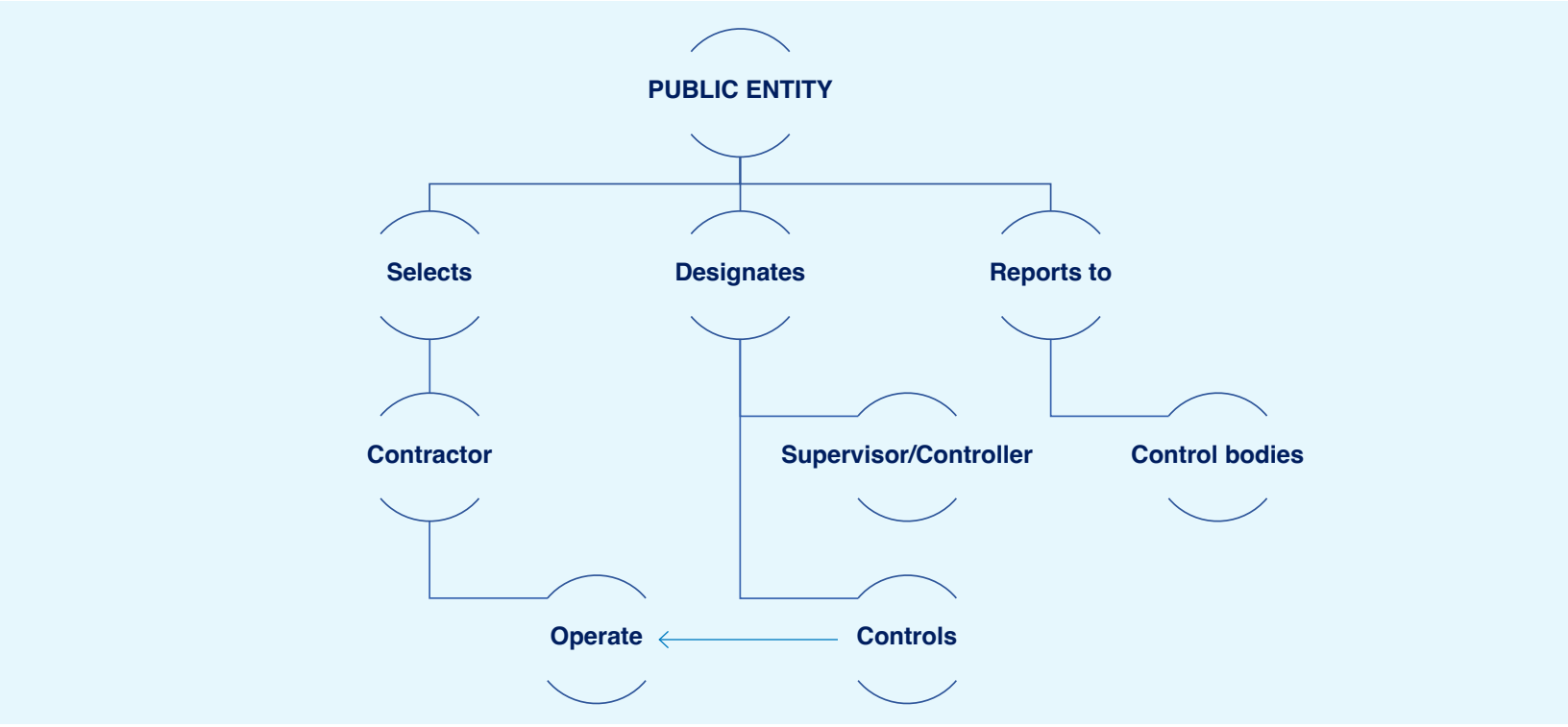
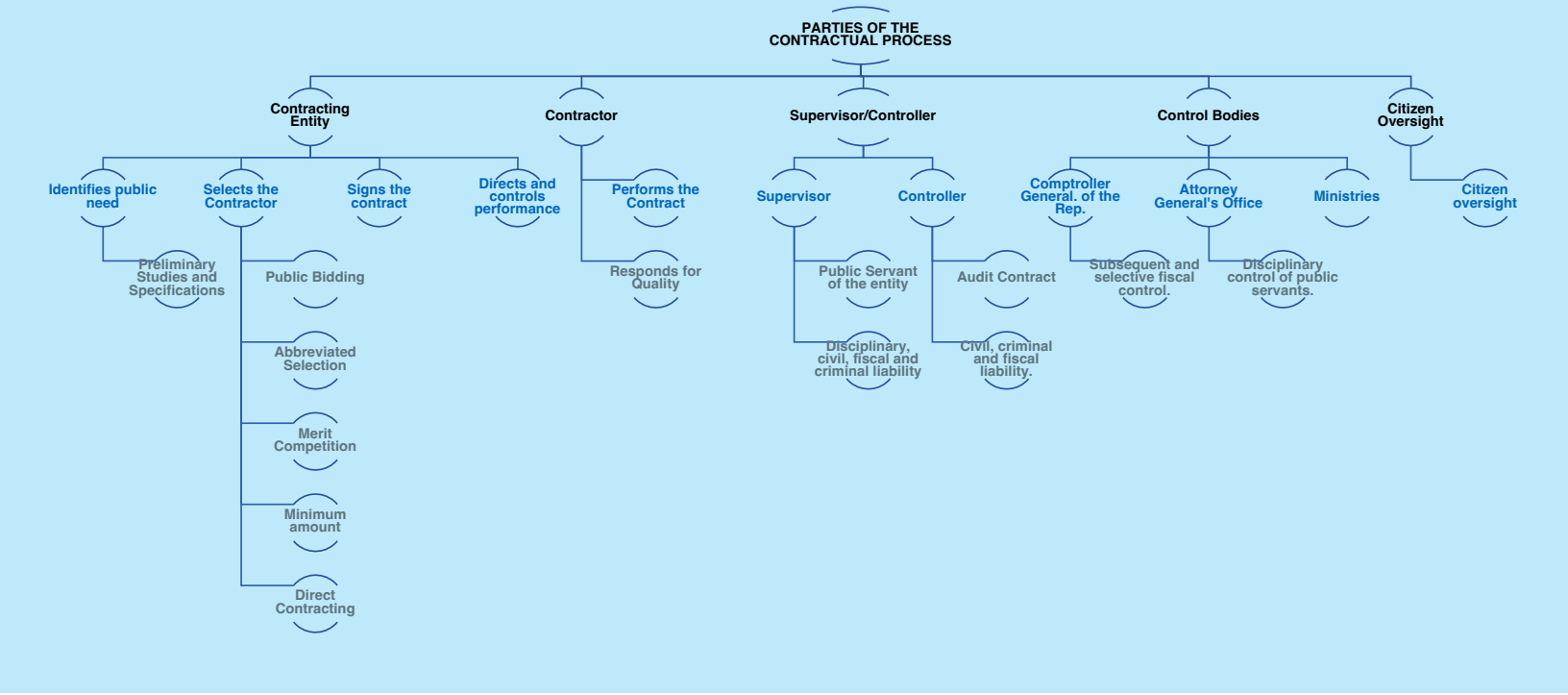


Diagram subjects of the contractual process



2.2. Principles of State Procurement

The "principles" are binding legal norms, contained in Law 80, which establish enforceable behaviors throughout the contractual process.

- ***Transparency:*** *Ensures that all processes are visible and accessible to the public. The entity must publish all the information in the Electronic Public Procurement System (SECOP), ensure equal treatment between bidders and that the reasons for its decisions are expressly stated.*
- ***Economy:*** *It requires the administration to use appropriate procedures according to its contracting regime and to optimize the use of public resources. For the contractor, this implies that the entity will seek the best cost-benefit ratio, prioritizing quality and technical compliance over the simple lowest price.*
- ***Responsibility:*** *It imposes on the entity the obligation to monitor the selection process during the pre-contractual stage and its due execution during the contractual stage. For its part, the contractor, during the pre-contractual stage, is obliged to warn about the inconsistencies that may be observed in previous studies or technical specifications.*
- ***Objective selection:*** *The entity must choose the contractor by applying previously established objective factors, ensuring that the evaluation is based exclusively on the published technical and economic criteria.*
- ***Planning:*** *Hiring must be scheduled, with complete preliminary studies, analysis of the sector and risk assessment before starting the process.*
- ***Good faith:*** *Both the entity and the bidders must act with loyalty, honesty and rectitude.*

2.3. Who can contract with the State?

Article 6 of Law 80 of 1993 establishes that contracts with state entities may be entered into by "persons considered legally capable in the provisions in force." This legal capacity is determined in accordance with Article 1502 of the Colombian Civil Code, which empowers the person to act without the intervention of another.

2.3.1. Natural Individuals

Individuals who wish to contract with the State must meet the following requirements:

- *To be of legal age (over 18 years old).*
- *Have full legal capacity.*
- *Present a citizenship card. If the interested party is a foreigner, they must present their foreign ID card when they are a resident in Colombia; if the interested party is not a resident, they must submit their passport.*

2.3.2. Legal Entities

Both, national and foreign entities, may enter into contracts with the state, unless the participation of foreigners in a specific selection proceeding is restricted for reasons of national security.

In this regard, the following requirements apply:

- *Legal entities shall be legally incorporated in accordance with Colombian laws or with applicable laws of their country of origin.*
- *Legal entities shall have the legal capacity to perform the scope of the contract.*
- *Legal entities shall comply with the qualification requirements established in the specifications or terms of reference of the public bid proceedings.*

2.3.3. Consortia

The consortium is a form of temporary association regulated by Law 80 of 1993, which allows two or more natural or legal persons to join together to participate in a selection process and execute a contract with the State, without creating a new legal entity. The main characteristics of the consortium are:

- *It does not constitute a legal person.*
- *Legal independence of its members.*
- *Joint and several liability in the full fulfilment of contractual obligations.*
- *Temporality associated with the duration of the selection process and the respective contract.*
- *Joint action of the members.*

A consortium allows the experience and capacity of several natural or legal persons to be added to execute a state contract, after joint participation in the respective bidding or bankruptcy process.

2.3.4. Temporary Unions

The temporary union shares the generic characteristics of the consortium but differs in key aspects related to the distribution of responsibilities. Thus, the companies that make it up can define the scope and participation of each one in the execution of the contract. Although they are all jointly and severally liable for the proposal and the contract, possible fines or sanctions fall solely on the company that incurs in the fault or non-compliance.

EXPERT OPINION:

When constituting a temporary union, it is essential to define precisely and clearly the percentages of participation of each member and the specific activities in charge of each one. This distribution must be documented in the conformation document and be consistent with the structure of the technical and economic proposal.

2.3.5. State contracting by foreign companies

Colombia adopted the OECD Convention on Combating Bribery of Foreign Public Servants, enacting Law 1778 of 2016 (Anti-Bribery Law) that establishes administrative sanctions for legal entities involved in transnational bribery conduct.

For the foreign company who contracts with the Colombian State, this means concrete obligations:

- *Implement transparency and business ethics programs that prevent corrupt conduct.*
- *Establish internal reporting and control mechanisms to detect and sanction irregular behaviour.*
- *Train employees on the prohibition of offering undue benefits to Colombian public servants.*
- *Maintain accurate accounting records with traceability of payments related to state contracts.*

Companies that do not implement anti-corruption compliance programs face economic sanctions, disqualification from contracting with the State, and even dissolution of the legal entity. The principle of good faith requires the contractor to report any irregularities detected during the process.

Colombia Compra Eficiente, the National Public Procurement Agency, requires contractors to declare that they have not engaged in corrupt practices and to commit to ethical conduct throughout the contractual relationship. For multinational companies, it is advisable to align these commitments with their corporate codes of ethics and global compliance systems, properly documenting the measures adopted.

Foreign companies may contract with the Colombian State on equal terms with national companies, in accordance with the principles of transparency and free competition established in Law 80 of 1993. The foregoing, except for express legal exception.

If the foreign company has a branch in Colombia, it must:

- *Register the branch in the Mercantile Registry of the corresponding Chamber of Commerce.*
- *Obtain NIT (Tax Identification Number) from the DIAN.*
- *Comply with tax and labor obligations like any company domiciled in Colombia.*
- *The branch will have the same legal capacity as a Colombian company for all contractual purposes.*

In the event that the foreign company does not have a branch in Colombia, it must:

- *Prove their existence and legal representation in accordance with the laws of their country of origin.*
- *Submit the documents duly apostilled (if the country is a party to the Hague Convention) or legalized at the Colombian consulate.*
- *Officially translate documents that are not in Spanish.*
- *Appoint a legal representative domiciled in Colombia or attorney-in-fact for notification purposes.*
- *Commit to paying taxes in Colombia on the income generated by the contract.*

Foreign legal entities domiciled abroad that establish businesses or wish to develop their corporate purpose in Colombia must constitute proxies with the capacity to represent them in court. To this end, they must register in a notary's office of the respective circuit the suitable proof of their existence, of the legal representation and of the corresponding power of attorney.

EXPERT OPINION:

The difference between a foreign company that operates with a branch and one that does so without a branch in Colombia is not limited to formal aspects. Choosing one or the other modality is a strategic decision that depends on various factors.

In many cases, once a government contract has been awarded, it may be necessary to set up a branch of the foreign company in order to enforce the contract in the country. In this scenario, the responsibility for enforcement falls directly on the parent company, since the branches do not have their own legal capacity.

Likewise, the branch does not have independent experience; this always corresponds to the parent company. Therefore, deciding on whether or not to participate in a selection process, or to enter into a contract with a Colombian state entity through a branch, or without a branch, or through the creation of a new company in Colombia does not have a single answer. The best alternative depends on a comprehensive analysis of the project, the structure and capabilities of the company, and the requirements of the state entity, among others.

EXPERT'S RECOMMENDATION:

Foreign companies may form consortiums or temporary unions with Colombian companies or with other foreign companies. This modality is frequent when: (i) The foreign company provides specific technology or experience; (ii) Local knowledge of the Colombian market is required; (iii) It seeks to meet the requirements of previous experience in Colombia; and (iv) It is intended to distribute risks between local and international partners.

For foreign companies that plan to participate in multiple selection processes in Colombia, it may be convenient to establish a branch. This simplifies administrative procedures, facilitates tax management and generates greater confidence in the contracting entities. For one-off participations or specific contracts, filing without a branch may be more efficient. In any case, it should be taken into account that the general rule is that, in order to carry out permanent activities in Colombia, and that may be the case with the execution of certain state contracts, foreign companies are obliged to incorporate a branch in the country.

2.4. Disqualifications and incompatibilities. ("Inhabilidades e Incompatibilidades")

Disqualifications are legal restrictions that prevent a person or a legal entity from entering into contracts with the State. These are objective situations established by law, which are intended to protect the public interest and guarantee transparency in procurement.

Disqualifications have several essential characteristics. They are of legal origin, which means

that they can only exist when the law expressly establishes them. They work objectively, since they are automatically configured when the corresponding cause is presented. These disqualifications may occur before the conclusion of the contract, in which case they prevent the participation of the interested party in the selection processes. However, this does not mean that all of them must exist in advance, since they can also be configured as supervening incapacities.

On the other hand, incompatibilities are restrictions that prohibit certain people from entering into contracts with state entities when there are specific links or relationships that may generate conflicts of interest. Incompatibilities arise from the special relationship or bond that may exist between the contractor and the public entity or its officials. Its main purpose is to prevent conflicts of interest and ensure impartiality in procurement processes. These restrictions can be temporary or permanent, depending on the cause that originates them.

The grounds for disqualification and incompatibility are expressly established in the law. An extensive or analogical interpretation of these grounds is not appropriate. Only the situations expressly provided for by the legislator constitute disqualifications or incompatibilities. When a contractor enters into a contract while disqualified from doing so, or in a situation of incompatibility, it is exposed to possible serious consequences.

Table of main incompatibilities and disqualifications

GROUNDS FOR INCOMPATIBILITY	REGULATORY REFERENCE
Former members of the board of directors or governing council, or former public servants of the contracting entity (executive, advisory, or managerial levels). Term: 1 year from the date of departure.	**Art. 8.2.a Law 80/1993**
Relatives up to the 2nd degree of consanguinity, 2nd degree of affinity, or 1st degree of civil kinship of public servants at executive/advisory/managerial levels, board members, or whoever exercises internal or fiscal control of the entity.	**Art. 8.2.b Law 80/1993**
Spouse or permanent partner of a public servant at executive/advisory/managerial levels, of a board member, or of whoever exercises internal or fiscal control.	**Art. 8.2.c Law 80/1993**
Corporations, associations, foundations, (NGO´s in general) non-publicly traded stock companies, limited liability companies, and partnerships in which said public servants or their relatives hold equity interests or management or executive positions.	**Art. 8.2.d Law 80/1993**

GROUNDS FOR DISQUALIFICATION	REGULATORY REFERENCE
Members of the boards of directors or governing councils, with respect to the entity and its administrative sector.	**Art. 8.2.e Law 80/1993**
"Revolving door": persons who held executive-level positions in State entities, and the companies in which they participate, during the 2 years following their departure, when the subject matter relates to the sector. This extends to relatives within the 1st degree of consanguinity / 1st degree of affinity / 1st degree of civil kinship.	**Art. 8.2.f Law 80/1993, as added by Art. 4 Law 1474/2011**
Persons who are disqualified from contracting under the Constitution and the laws.	**Art. 8.1.a Law 80/1993**
Those who participated in bids or competitive processes or entered into the contracts referred to in the preceding subsection while disqualified.	**Art. 8.1.b Law 80/1993**
Those who gave rise to a declaration of forfeiture (caducidad).	**Art. 8.1.c Law 80/1993**
Those who have been disciplinarily sanctioned with removal from office.	**Art. 8.1.d Law 80/1993**
Those who, without just cause, fail to execute the awarded state contract.	**Art. 8.1.e Law 80/1993**
Public servants.	**Art. 8.1.f Law 80/1993**
Spouses or permanent partners and relatives within the 2nd degree of consanguinity or 2nd degree of affinity of another person who has submitted a proposal in the same bidding process.	**Art. 8.1.g Law 80/1993**
Companies other than publicly traded stock companies in which the legal representative or any of their partners has kinship within the second degree of consanguinity or second degree of affinity with the legal representative or any of the partners of a company that has formally submitted a proposal for the same bidding process or competitive process.	**Art. 8.1.h Law 80/1993**

GROUNDS FOR DISQUALIFICATION	REGULATORY REFERENCE
Partners of partnerships in respect of which forfeiture (caducidad) was declared, and partnerships they subsequently form. Term: 5 years.	**Art. 8.1.i Law 80/1993**
Natural persons convicted of crimes against public administration, crimes or offenses under Law 1474/2011, or conduct covered by anti-corruption conventions; legal entities held administratively liable for transnational bribery. This extends to companies in which they serve as administrators, legal representatives, board members, or controlling partners, as well as parent companies, subsidiaries, business groups, and foreign branches. Permanent in nature; applies preventively even if an appeal is pending.	**Art. 8.1.j Law 80/1993, as amended by Art. 2 Law 2014/2019 (formerly Art. 1 Law 1474/2011)**
Natural or legal persons who have financed campaigns for the Presidency, governorships, mayoral offices, or Congress with contributions exceeding 2.0% of the maximum allowable amount. This extends to the term of the elected official and to relatives within the 2nd degree of consanguinity / 2nd degree of affinity / 1st degree of civil kinship. These provisions do not apply to professional services contracts.	**Art. 8.1.k Law 80/1993, as amended by Art. 33 Law 1778/2016**
Persons convicted of crimes affecting goods of the property of the State, or for membership in / promotion of illegal armed groups, drug trafficking, or crimes against humanity: they may not enter into contracts with the State (permanent in nature, with no time limitation).	**Art. 122, final paragraph, Political Constitution (Constitutional Amendment 01/2004 and Constitutional Amendment 01/2009)**
General prohibition on public servants from entering into contracts with public entities, except as provided by law.	**Art. 127 Political Constitution**
Disqualification due to repeated non-compliance (fines and/or declarations of contractual non-compliance within the same fiscal year).	**Art. 90 Law 1474/2011**

GROUNDS FOR DISQUALIFICATION	REGULATORY REFERENCE
Persons listed in the Comptroller General's Bulletin of Fiscal Debtors (Boletín de Responsables Fiscales): disqualified from contracting as long as the uncompensated fiscal liability persists.	**Art. 60 Law 610/2000**
Persons listed in the Delinquent Child Support Obligors Registry (REDAM): disqualified from contracting with the State.	**Law 2097/2021**

Note: This table compiles, for reference purposes, the grounds for disqualification and incompatibility applicable to state contracting. Its main sources are Articles 8 and 9 of Law 80 of 1993 (as amended by Laws 1150 of 2007, 1474 of 2011, 1778 of 2016, and 2014 of 2019), supplemented by the Political Constitution and special laws.

The regime is exhaustive (numerus clausus) and of restrictive interpretation (Constitutional Court, Decision C-415 of 1994), and therefore each ground must be strictly verified against the applicable statutory text and the specific case. This table is illustrative and not exhaustive; moreover, it does not cover all case law developments or the various interpretations that the Constitutional Court, the Council of State, and legal scholarship have established regarding the scope of each ground, which should be consulted as supplementary sources.

The information reflects the consolidated regulatory status as of the date of preparation and may change due to subsequent reforms or court decisions.

EXPERT'S RECOMMENDATION:

Before participating in state contracting processes, companies must verify that they are not involved in causes of disqualification or incompatibility that prevent them from contracting with the Colombian State. These legal restrictions limit contractual capacity and may result from disciplinary, fiscal, or criminal sanctions. It is particularly relevant that, depending on the specific case, certain disqualifications may extend to companies, including foreign ones, in which sanctioned persons appear as administrators, legal representatives, members of the board of directors or controlling partners, including their parent companies.

It is recommended to carry out an exhaustive due diligence on the background of partners, administrators and those linked to the corporate structure before submitting proposals, consulting the public records of sanctions and verifying compliance with tax and parafiscal obligations. Implementing compliance programs is essential to protect the investment made in the preparation of bids and avoids disqualifications that may affect the entrepreneur's assets and commercial reputation.

2.5. Single Registry of Bidders (Registro Único de Proponentes – RUP)

The Single Registry of Bidders (RUP) is ruled, mainly, in Article 6 of Law 1150 of 2007. This instrument was conceived as a mechanism for verifying the contracting capacity of natural and legal persons to enter into contracts with the Colombian State, unifying and standardizing the accreditation requirements before all state entities in the country.

This record contains financial statements, technical capability, and certified expertise. The RUP -Unique Registry of Proponents- constitutes the formal proof of the above requirements, insofar as it is understood that its verification has been carried out by the Chamber of Commerce. However, such certification is not absolute or incontrovertible, since its content may be challenged, or questioned within the respective selection process.

All natural or legal persons, national or foreign, domiciled or with a branch in Colombia, who aspire to enter into a contract with state entities, except for those expressly exempted from the application of the Contracting Statute, must register in the RUP. Natural or legal persons who do not have a domicile or branch in Colombia are exempt from this obligation.

The general rule establishes that for all procurement selection processes, the bidder's RUP is required. As an exception to this rule, in the following cases it is not necessary for bidders to have the RUP: (i) Direct contracting selection processes, minimum amount; (ii) Execution of contracts for certain types of contracts, such as: contracts for the provision of health services, disposal of State assets, contracts for the acquisition of products of agricultural origin or destination that are offered in legally constituted product exchanges, among others.

The RUP contains the information related to the experience, legal, financial and organizational capacity of the proponent, which is established in accordance with the qualification and classification factors provided for in Decree 1082 of 2015. This information is presented by the interested party and verified by the Chambers of Commerce. The score resulting from the qualification of these factors is understood as the maximum contracting capacity of the registrant.

The certificate only certifies the conditions of experience, legal, financial and organizational capacity of the proponent that were verified, as well as its qualification and classification, constituting full proof in this regard.

2.6. Electronic Contracting

With Law 1150 of 2007, it was established that the actions of state contracting must be carried out publicly, and as a general rule, through electronic means. Consequently, the substantiation, the pre-contractual documents, the execution of the contract, and its settlement must be carried out through the use of official electronic platforms. To this end, its publication in the Electronic System for Public Procurement (SECOP) was developed and centralized.

In this context, SECOP (as the official platform of the public procurement system) is administered by Colombia Compra Eficiente. This entity, in addition to managing the tool, issues concepts and responds to queries on public procurement. Although these concepts are not binding, they operate as soft law, and in practice their criteria are usually taken into account by state entities and actors in the system.

In line with the above, the publication of contracts on the SECOP portal is a requirement of mandatory compliance and full formality. According to Decree 1082 of 2015, the following documents must be published as a minimum: studies and previous documents, notice of call, specifications or invitation, addenda, offer, evaluation report, contract, and any other document issued by the state entity during the contracting process or that is directly related to it.

E-procurement represents a significant opportunity for entrepreneurs, who can identify, consult and participate in online procurement processes. It also offers tools to suppliers and state entities that serve for the analysis of public procurement data, such as the following: (i) Interactive tools designed to visualize and analyze relevant data from the public procurement system; (ii) Reports and analysis of the public procurement system, such as development plans, annual procurement plan, expenditure analysis and contract history; and, (iii) Control board, infographics and relevant information on the monitoring of the different contractual instruments.

The electronic platforms materialize the principles of publicity and transparency of state contracting, and operate in two versions:

SECOP I is an informative platform on which documents that have been managed and executed in physical form are published. Its consultation is open and contains all documents related to public procurement, both in direct contracting and in competitive processes. The documents must be published within three days of their issuance, including the bid of the successful bidder in the procurement process. To consult SECOP I, interested parties should enter the following link: http://www.colombiacompra.gov.co/proveedores/consulte-en-el-secop-i

SECOP II is a modern transactional platform that allows the comprehensive management of the contracting process online and in real time.

The system enables the creation of users for public entities, supervisors, auditors and suppliers, as well as public viewing for interested third parties, which in principle would allow the digital management of the contract. As a general rule, procurement activities are conducted through this platform. Exceptionally, state entities can carry out actions, proceedings, hearings and even closures of selection processes in person. SECOP II improves traceability and aims at the transparency of contract management, through a model of active participation of suppliers, who must register and interact with state entities through the system. The platform allows entities and suppliers to manage procurement processes online. Although the platform streamlines and standardizes several stages of the process and promotes the paperless strategy, not all functionalities are automatic, as the preparation of documents and evaluation reports continue to depend on the performance of the state entity.

For entrepreneurs, SECOP II expands the opportunities to contract with the State, allows online contracts to be made by reducing the use of paper, and makes public their contract management, which is an effective strategy to promote their reputation, their services and their reliability in the market. In the registration that suppliers must make to access the SECOP platform, they must indicate the type of goods and services they offer, the value of contracts of their interest and the regions in which they can provide goods and services. The registration form is available at the following link: https://community.secop.gov.co/Public/Users/UserRegister/Index?Page=login&Country=CO&SkinName=CCE

EXPERT'S RECOMMENDATION:

For the search for business opportunities on the SECOPII platform, Colombia Compra Eficiente, the National Public Procurement Agency of Colombia, has made available free of charge the "areas of interest" tool, which makes it easier to link the business offer with the demand of public entities.

To access the tool, once registered in SECOPII, through your company profile, in supplier settings, you can enter areas of interest, including the parameters corresponding to: (i) Classification of goods and services with UNSPSC codes; and, (ii) Filters related to the maximum amount of the selection process or maximum contract values, geographical area in which the commercial activity is carried out, and whether there is a particular interest in a state entity. Multiple core areas of interest can be entered, allowing different lines of business to be specified.

In this way, when SECOPII identifies that a selection process that matches the parameters described in the area of interest is published, it will notify the company's registered email about this new business opportunity.

In addition to this free SECOP II functionality, there are also some private, paid tools on the market that offer similar services for searching and tracking opportunities.

2.7. Annual Procurement Plan.

The Annual Procurement Plan (PAA) is a contractual planning instrument that state entities prepare for the purpose of identifying their needs and determining the applicable selection process, the month foreseen for its execution and the estimated amount of each contract. Though the PAA is indicative in nature and not mandatory for compliance, it shall be published on the entity's website and in SECOP. Its publication allows suppliers to know in advance the list of goods and services that the entity intends to acquire during the respective year.

For the entrepreneur interested in contracting with the Colombian State, the PAA represents a strategic tool for commercial planning. Regular consultation of these plans allows interested parties to identify business opportunities aligned with their portfolio of products or services, prepare competitive offers well in advance, optimize resources and technical capabilities, and direct commercial efforts towards entities with specific needs in their sector. The transparency and accessibility of the PAA facilitate informed decision-making about which processes to participate in and when to do so.

2.8. Apostille and Consularization of Public Documents

State entities may only require legalization by apostille in accordance with the Hague Apostille Convention of October 5, 1961 (hereinafter referred to as the Convention) or, for those countries that are not parties, the consularization of public documents issued abroad. This type of legalization is not appropriate for private documents. When in a procurement process a bidder presents a public document legalized in accordance with the Convention, the state entity should not request additional legalizations, authentications or ratifications from any national or foreign authority, since the apostille procedure is sufficient to certify the authenticity of the document by itself.

National public and private documents are presumed to be authentic. State entities should not request authentications, recognition, personal presentation, or additional procedures for documents submitted to contracting processes, except when expressly required by law. This presumption of authenticity significantly reduces the administrative burdens for foreign suppliers, facilitating their participation under conditions of efficiency and legal certainty.

According to the Manual for the Practical Operation of the Apostille Convention, the country of origin of the document may have an authority that verifies and certifies certain public documents (intermediate authority) and another centralizing authority that is the one that issues the apostille. Consequently, state entities must accept the apostille issued by the corresponding centralizing authority.

Documents in a language other than Spanish must be submitted in their original language, accompanied by the corresponding translation. The bidder may submit with the bid a simple translation into Spanish. If the bidder is awarded, it must submit the official translation into Spanish of the documents submitted in a foreign language. The official translation must correspond to the same text initially submitted. This mechanism allows foreign suppliers to participate in selection processes without incurring upfront official translation costs, optimizing resources until the contract is awarded.

2.9. National Treatment

Article 20 of Law 80 of 1993 enshrines the principle of reciprocity in government procurement, understood as the commitment assumed by the Colombian State to provide suppliers of goods and services of foreign origin with treatment similar to that granted to Colombians in other States.

National treatment consists of the special consideration in the assignment of points that is awarded to Colombian bidders, goods and services in selection procedures, but which, by virtue of the principle of reciprocity, is extended to foreign bidders, goods or services. This privilege can come from one of three sources:

The first is an international trade treaty or agreement signed by Colombia, by virtue of which foreign bidders, goods and services of the States Parties are treated as nationals, provided that the procurement falls on the goods, services or suppliers covered by said instrument and that the agreed value thresholds are reached or exceeded. By way of illustration, the FTA with the Northern Triangle of Central America (clause 11.2) and the FTA with the United States (Article 9.2) enshrine the obligation to accord treatment no less favourable than that accorded to each party's own goods, services and suppliers.

The second source is the Reciprocity Certificate, which is issued by the Ministry of Foreign Affairs when there is no trade agreement in force, but it has been verified that Colombian bidders enjoy equivalent treatment in the foreign country; currently Argentina, Vietnam, Indonesia, Ecuador, New Zealand and Panama have valid certificates. The National Treatment Certificates for reciprocity can be consulted on the Colombia Compra Eficiente platform at the following link: https://www.colombiacompra.gov.co/secop/secop-ii/formatos-para-compradores-y-proveedores-del-secop-ii/certificados-de-trato-nacional-por-reciprocidad.

The third source is Andean regulation: according to Article 4 of Decision 439 of the Andean Community, Colombian state entities must grant national treatment to services provided by suppliers from other CAN Member Countries, in application of the principle of reciprocity that governs that community bloc.

Efecto del Trato Nacional: the effect of national treatment is the assignment of the score provided for in Law 816 of 2003, which requires in its Article 1 that state entities, in the selection procedures they carry out and regardless of the contractual regime that is applicable to them, adopt criteria that support the national industry. When the supply of foreign goods and services enjoys national treatment from any of the three sources analyzed, it must benefit from obtaining a score between 10% and 20%, as defined by the contracting state entity. This benefit allows foreign suppliers, in the cases indicated, to compete under conditions equivalent to those of national bidders, equalizing with national bidders their possibilities of being awarded in public procurement processes.

2.10. Selection Modalities and Contractual Typologies

The Colombian legal system establishes the principle of objective selection as the basis of the state contracting process. According to Article 29 of Law 80 of 1993, this principle guides the choice of the contractor towards "the most favorable offer to the entity and to the purposes it seeks, without taking into consideration factors

of affection or interest and, in general, any kind of subjective motivation".

Scope and guarantees of the principle. Objective selection is a fundamental guarantee for participants in public procurement processes, by establishing clear, measurable rules that provide legal certainty and competitive predictability. This principle goes beyond the simple determination of the most favourable proposal. It covers from the preliminary studies and planning phase, to the verification of qualifying requirements and the comparative evaluation that allows identifying the most convenient offer for the entity.

The pre-contractual stage integrates two essential phases: i) Preliminary studies and planning; and ii) Objective selection itself, which includes the admissibility and favorability of the proposals, culminating in the award in a public hearing. Both phases ensure that the final decision responds to predetermined technical and economic criteria.

EXPERT RECOMMENDATION:

The documents of the pre-contractual stage, in Colombian public procurement procedures, have binding force for state entities, bidders and contractors, constituting a legal framework of mandatory compliance, which extends throughout the contractual execution. The specifications constitute "law for the parties" according to the jurisprudence of the Council of State, which implies that the rules, conditions and requirements established must be complied with by the addressees and by the administration itself. Contractors may demand compliance with the established conditions, this document being a source of reciprocal rights and obligations. Likewise, the previous studies and documents are binding as they constitute "the support for preparing the draft specifications, the specifications and the contract".

Colombia Compra Eficiente, in its Concept C-053 of 2024, specifies that the previous studies "serve as motivation for the documents issued unilaterally by the State Entity; such as the administrative act of opening, the specifications and the act of award", so that the conditions established therein cannot be unilaterally ignored during the contractual execution. The principle of contractual good faith reinforces this binding, since "after the signing of the contract, the entity must not act unilaterally, but must respect contractual good faith and proceed in accordance with what has been agreed", guaranteeing that the conditions established in the pre-contractual documents maintain their binding force and are enforceable by the contractor in the event of possible unjustified unilateral modifications.

Particularities according to the type of contract. The objective selection criteria vary according to the applicable modality. In the abbreviated selection for goods and services with uniform technical characteristics and common use (Article 5, paragraph 3, Law 1150 of 2007), price is the only evaluation factor. Therefore, in mechanisms such as reverse auctions, product exchanges and catalog purchases derived from price framework agreements, it is not necessary to assign points to the price, since there are no other factors to be considered.

This same logic operates in the minimum amount modality, where paragraph c) of numeral 5 of article 2 of Law 1150 of 2007 establishes the low-

est price as the only selection criterion, beyond compliance with qualifying requirements.

In the merit-based competition, the second paragraph of numeral 4 of Article 5 of Law 1150 of 2007 expressly prohibits assigning points to price as a determining factor for the selection of consultants. However, the entity may use scoring systems to evaluate permitted criteria, such as experience of the proponent and its team, as well as academic training (Article 2.2.1.2.1.3.2 of Decree 1082 of 2015).

Direct contracting, due to its non-competitive nature, does not require scoring systems either. Its admissibility is determined by the configuration of one of the exhaustive grounds of numeral 4 of article 2 of Law 1150 of 2007. In any case, entities must carry out an analysis of the sector that demonstrates that the value of the contract corresponds to market prices and is compatible with the assigned budget, in accordance with numeral 3 of article 2.2.1.2.1.4.1 of Decree 1082 of 2015.

Understanding the particularities of each modality allows companies to structure competitive offers adjusted to the applicable criteria, optimizing resources and maximizing award possibilities within a transparent and equitable framework. The correct interpretation of the evaluation factors in each process is a strategic element for successful participation in Colombian public procurement.

The selection modalities established in the Colombian legal system are described below, this classification obeys criteria of amount, contractual typologies and/or market conditions. With respect to the amounts, state entities must set each year, in their Annual Procurement Plan, the value corresponding to the lowest amount, in accordance with their annual budget and the criteria of Article 2 (b) of Law 1150[2]. From this, the minimum amount will be up to 10% of the maximum value of the smallest amount, while the highest amount will correspond to the values that exceed the smallest amount. These amounts are calculated in current legal monthly minimum wages.

Each one has specific procedures, requirements and evaluation criteria that respond to the nature and amount of the contract. Knowing these modalities is essential for entrepreneurs to identify the applicable procedure according to the object and value of the contract they seek to enter into with state entities.

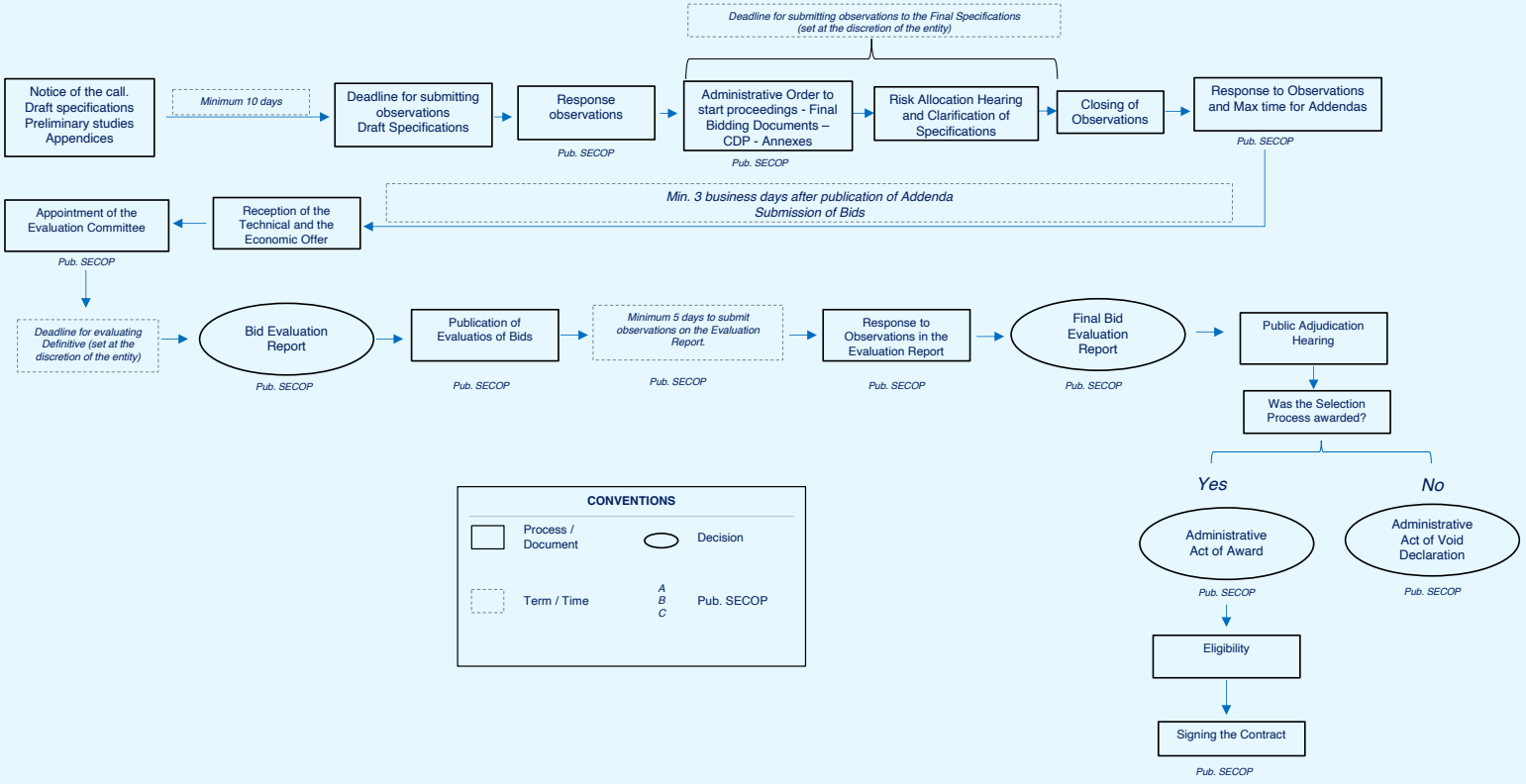
[2] Article 2. Selection modalities. The selection of the contractor shall be made in accordance with the modalities of selection of public bidding, abbreviated selection, merit-based competition and direct contracting, based on the following rules: (...) b) Contracting of a small amount. A smaller amount shall be understood as the values listed below, determined on the basis of the annual budgets of public entities expressed in monthly legal minimum wages.
For entities that have an annual budget greater than or equal to 1,200,000 legal minimum monthly wages, the lowest amount will be up to 1,000 legal minimum monthly wages.
Those with an annual budget greater than or equal to 850,000 monthly legal minimum wages and less than 1,200,000 monthly legal minimum wages, the lesser amount will be up to 850 monthly legal minimum wages.
Those with an annual budget greater than or equal to 400,000 legal minimum monthly wages and less than 850,000 monthly legal minimum wages, the lesser amount will be up to 650 monthly legal minimum wages.
Those with an annual budget greater than or equal to 120,000 legal minimum monthly wages and less than 400,000 legal minimum monthly wages, the lesser amount will be up to 450 legal minimum monthly wages.
Those with an annual budget of less than 120,000 legal minimum monthly wages, the lowest amount will be up to 280 legal minimum monthly wages;

2.10.1. Public Tender ("Licitación Pública"):

Public bidding is the general procedure for the acquisition of goods, contracting of services or execution of works by state entities, generally applicable, unless the law establishes another specific modality. The process begins with a public invitation through which the entity calls for interested parties to submit proposals in accordance with the specifications, in order to select the most favorable offer according to institutional needs.

The award must be made in a public hearing, by means of a reasoned resolution that is understood to have been notified to the favored bidder in said act. When a public bidding process is declared void, the entity must initiate an abbreviated selection within the following four months, in accordance with paragraph d) of numeral 2 of article 2 of Law 1150 of 2007.

Public tender diagram



2.10.2. Abbreviated selection ("Selección Abreviada")

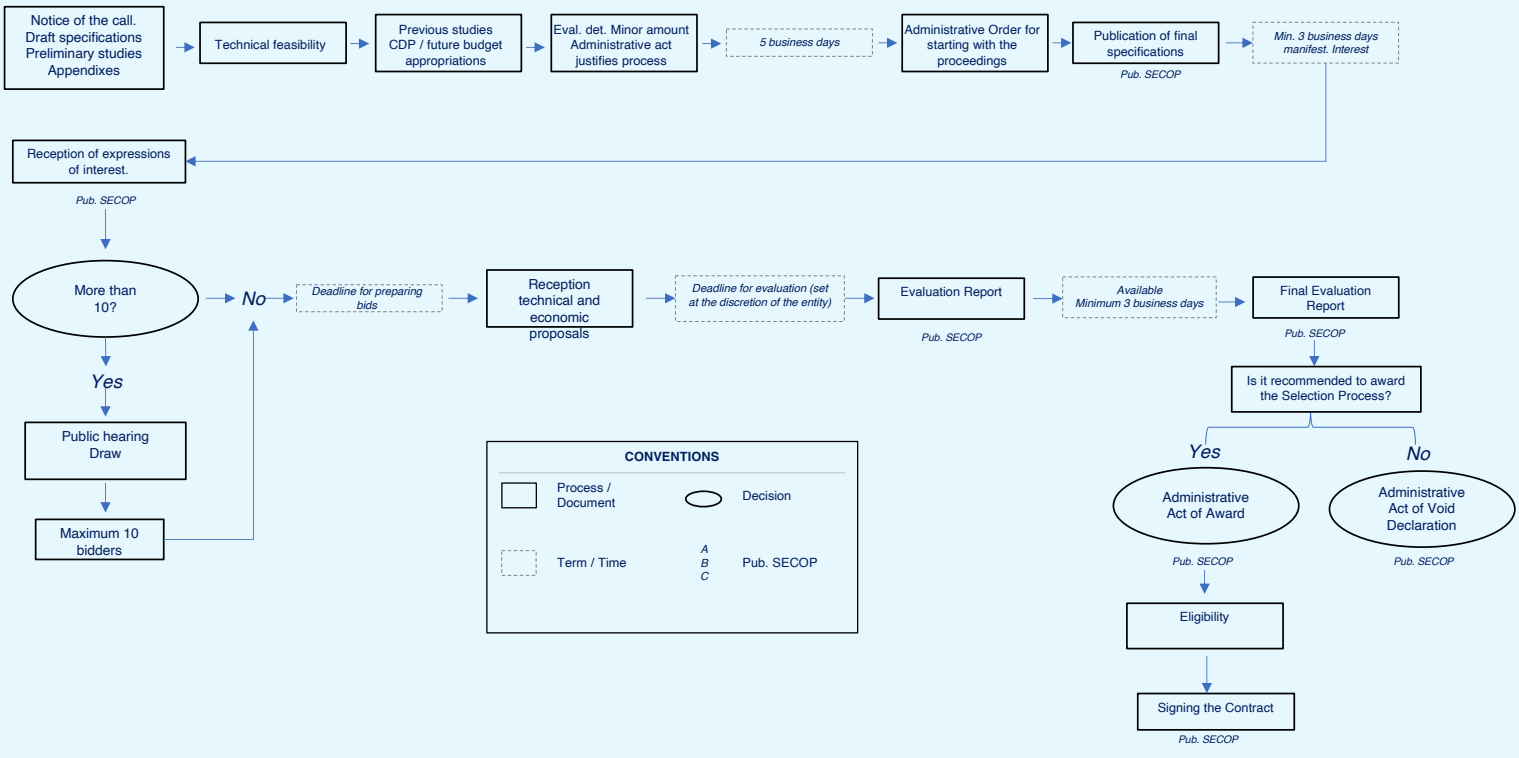
It is a shorter public selection procedure compared to public bidding, applicable to processes in which it is necessary to acquire goods and/or services whose value is within the range of the lowest amount established in the Annual Procurement Plan of the contracting state entity. Likewise, this abbreviated selection procedure is used in the following cases:

Reverse Auction ("Subasta Inversa"): Procedure used for the acquisition of goods and services with uniform technical characteristics and common use, where all suppliers offer products with standardized technical specifications. The award is determined by the progressive reduction of the initial price in percentages established in the tender specifications. This modality is applicable regardless of the value of the contract.

Framework Price Agreement ("Acuerdo Marco de Precios"): Demand aggregation instrument managed by the Colombia Compra Eficiente Agency, which establishes conditions and prices previously negotiated with multiple suppliers. State entities publish their needs in the Virtual Store of the Colombian State and select the most favorable offer among the suppliers adhering to the agreement, streamlining the contracting process without requiring independent bidding.

In addition to the above cases, the abbreviated selection is applicable in the following circumstances: (i) Acquisition of goods and services of common use; (ii) Agricultural products offered in legally constituted commodity exchanges; (iii) Provision of health services; (iv) Disposal of state assets, except those related to state participation in the capital of companies; (v) Commercial and industrial activities of state-owned enterprises; (vi) Contracts for defense and national security; (vii) Public bidding processes declared void; and, (viii) Contracting by entities in charge of programs for the protection of threatened persons.

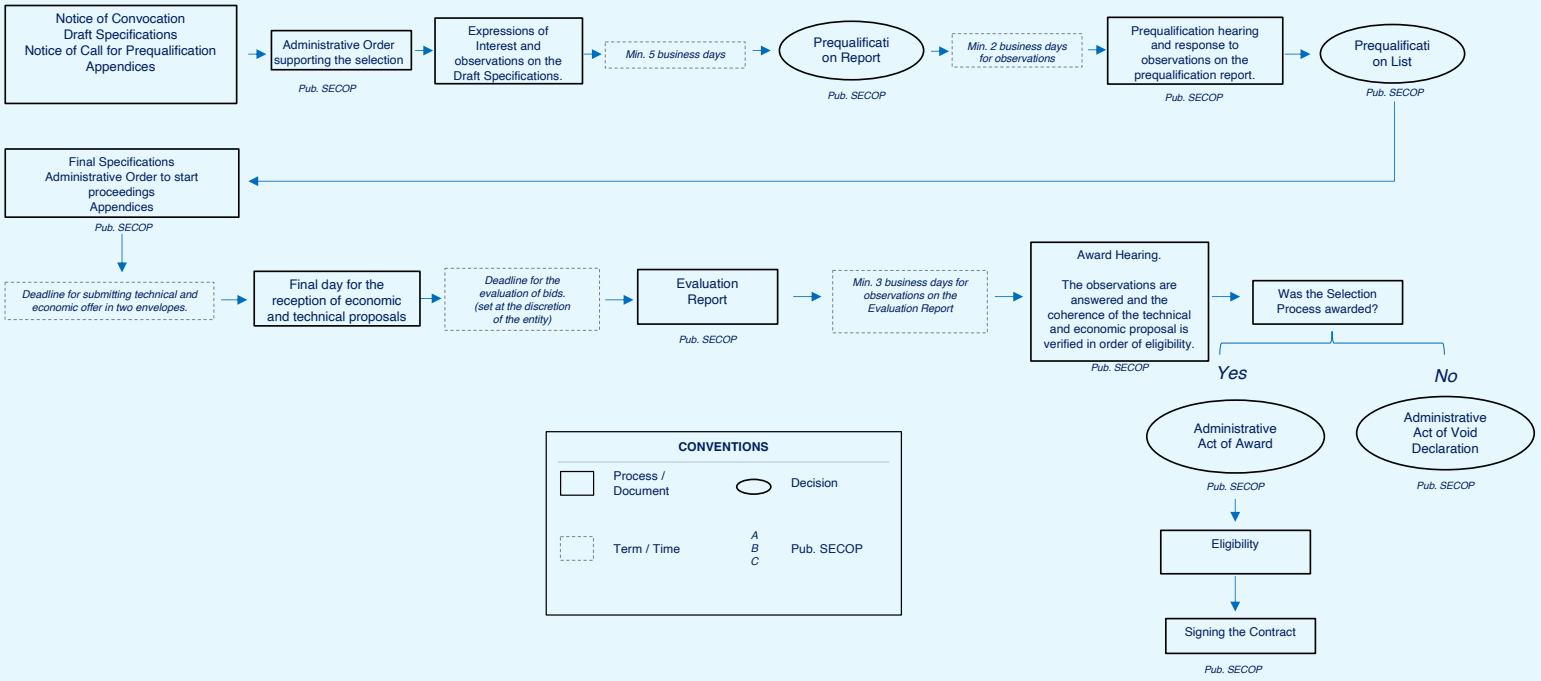
Diagram abbreviated selection of small amount



2.10.3. Merit-Based Competition ("Concurso de Méritos)

The merit-based competition is the modality applicable to the selection of consultants or auditors in activities of technical advice, coordination, control, supervision, construction or project management, as well as for the execution of designs, plans, preliminary projects and architectural or engineering projects. In accordance with Article 2.2.1.2.1.3.2 of Decree 1082 of 2015, the entity must establish criteria for the qualification of the experience of the proponent and its work team, as well as its academic training and technical or scientific publications. Additionally, the entity must verify that the economic offer is within the value estimated in the previous studies and the budget assigned for the contract.

Diagram merit contest with prequalification



2.10.4. Minimum Amount ("Mínima Cuantía")

Minimum amount contracting is a simplified procedure applicable when the value of the contract is equal to or less than 10% of the lowest amount of the entity, regardless of its contractual object. Within this modality are purchases in large stores through the Virtual Store of the Colombian State.

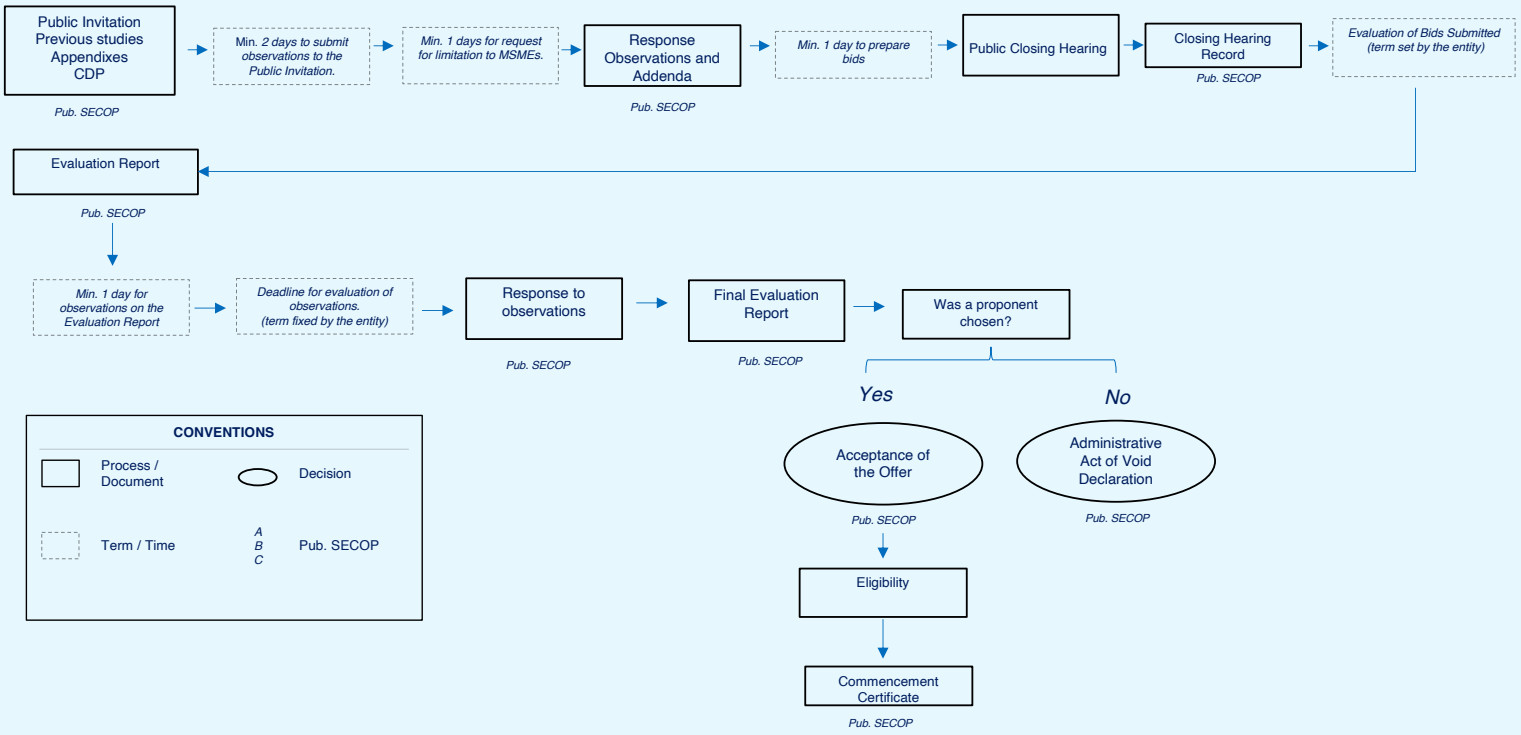
Law 2069 of 2020 (Entrepreneurship Law) modified this modality by allowing public entities to acquire goods and services from micro, small and medium-sized enterprises (MSMEs), establishing differentiated tie-breaking criteria with respect to those contemplated in Decree 1082 of 2015 (See Annex Minimum Amount Selection Process).

Law 1882 of 2018 established the obligation of the National Government to adopt standard documents for the specifications in state contracting processes. Subsequently, Law 2022 of 2020 empowered the Colombia Compra Eficiente Agency to issue mandatory standard documents for

entities subject to the General Statute of Public Administration Contracting in public works selection, auditing and consulting processes. Proposers retain the right to submit comments from the publication of these documents.

Law 2195 of 2022 extended the application of the standard documents to contracts entered into by state entities with autonomous assets or with natural or legal persons under a special or private contractual regime, except for public higher education institutions, state social enterprises, mixed economy companies and industrial and commercial companies of the State.

Minimum amount diagram



2.10.5. Direct contracting

Direct contracting is an exceptional modality that allows public entities to enter into contracts without a competitive selection process, applicable only in situations exhaustively established in numeral 4 of article 2 of Law 1150 of 2007. These grounds include: contracting of public credit, manifest urgency, provision of professional services and management support, acquisition of goods or services from an exclusive supplier or sole holder of intellectual property rights, and contracting that requires confidentiality in the defense sectors, National Intelligence Directorate and National Protection Unit.

Law 2160 of 2021 added paragraphs l) and m) to Article 2 of Law 1150 of 2007, expanding the grounds for direct contracting. Paragraph l), subsequently amended by Law 2294 of 2023,

authorizes state entities to enter into contracts with indigenous councils and other recognized indigenous organizations for projects aimed at strengthening their self-government, cultural identity, autonomy, rights, provision of public services, and execution of public works.

Paragraph (m) authorizes direct contracting with community councils of black communities regulated by Law 70 of 1993, provided that they are registered and updated in the National Unified Registry. These contracts should focus on strengthening their self-government, cultural identity, autonomy, and territorial rights.

EXPERT'S RECOMMENDATION:

For foreign companies interested in contracting with the Colombian state, it is essential to understand that state entities exercise exceptional powers called "exorbitant clauses", regulated in Article 14 of Law 80 of 1993. These powers—which include unilateral modification, unilateral interpretation, unilateral termination, unilateral liquidation, and expiration—depart from the rules of ordinary law applicable to contracts between individuals, granting the administration powers to derogate private law that require express legal authorization.

Investors are recommended to consider that, although these powers operate in the public interest under exceptional circumstances classified as serious, their exercise is not arbitrary: it must be carried out by means of a reasoned administrative act, respecting the economic balance of the contract and guaranteeing compensation when appropriate. In particular, if a unilateral modification alters the value of the contract by 20% or more, the contractor may waive the execution without penalties and with the right to compensation for damages caused. Properly evaluating this exceptional regime allows companies to structure bids with appropriate guarantees, contingency provisions, and risk mitigation strategies specific to Colombian public procurement.

2.10.6. Public-Private Partnerships

Public-Private Partnerships (PPPs) are contractual instruments for the development of strategic infrastructure projects through the participation of the private sector, balancing public interest with economic viability for private investors. The contractor's remuneration is structured through the right of economic exploitation of the infrastructure or service during the agreed contractual term, complemented by state contributions when the nature of the project requires it.

Law 1508 of 2012 contemplates two types of PPPs: (i) public initiative, originated by state entities that publish open calls for the submission of bids; and (ii) private initiative, where private investors identify infrastructure opportunities and submit unsolicited proposals to the competent authorities. Foreign entrepreneurs can participate in both modalities, as seen in this chapter. To this end, companies can consult and register PPP initiatives that are underway, see their progress and development, in the Single Registry of Public-Private Partnerships (RUAPP), available in www.dnp.gov.co, of the National Planning Department.

Public Initiative PPPs

As their name indicates, they are projects in which the competent state entity develops complete technical, financial, environmental and legal studies, structuring the project before publishing the call. The contractor is selected through the public bidding process, and this may include a pre-qualification phase that limits the number of bidders according to criteria of legal and financial capacity and experience in investment or structuring of similar projects.

To this end, an evaluation of technical and economic factors weighted in the specifications is carried out, seeking the best cost-benefit ratio. The criteria include service levels, quality, present value of income, required state contributions and compensation offered. Foreign entrepreneurs compete on equal terms with national bidders and must demonstrate sufficient technical and financial capacity to execute the project.

Private initiative PPPs

Unlike the public initiative, the private initiative allows investors, hereinafter referred to as the originators, to identify infrastructure opportunities and present unsolicited projects to the competent entities. These initiatives fall into two categories: projects that require public resources and projects financed exclusively with private capital. In both cases, the private originator assumes all the costs of structuring the project, developing it in two stages: pre-feasibility and feasibility.

During the pre-feasibility stage, the conceptual design of the project must be presented, including the technical description, preliminary demand studies, cost estimation, and possible sources of financing. The competent entity analyzes the proposal and issues a feasibility concept that authorizes the originator to advance to the feasibility phase. This initial concept does not grant acquired rights or generate commitments for the state.

In the feasibility stage (maximum 24 months), the originator documents its legal and financial capacity, experience in similar projects, detailed engineering, complete environmental and social studies, risk sharing proposal and draft contract. Once the National Planning Department issues a favorable concept, the state entity opens a public tender (if it requires public resources) or publishes in SECOP (if it does not require public resources). The originator participates in the tender with competitive advantages derived from its knowledge of the project, although it must compete with other bidders.

The total structuring and evaluation costs cannot exceed 0.2% of the investment value of the project (Capex), and are assumed entirely by the originator in accordance with Law 1882 of 2018. If the initiative is rejected, the entity may acquire the studies carried out by recognizing the originator for the costs incurred, after verifying that they correspond to market values. This modality offers significant opportunities for foreign entrepreneurs with the ability to identify infrastructure needs and develop technically and financially viable proposals.

Public-Private Partnerships are a business opportunity for collaboration with the Colombian State where the investor preserves his economic interest through contractual schemes that guarantee return on investment through the exploitation of infrastructure or services. Participation in these projects requires technical and financial capacity and a willingness to take long-term risks under performance-conditional remuneration schemes. Foreign companies can take advantage of both public initiative calls and submit

unsolicited proposals when they identify viable infrastructure opportunities. Success in these projects requires rigorous structuring, in-depth understanding of the distribution of contractual risks and constant monitoring of the opportunities published in the RUAPP, an essential platform to monitor the portfolio of projects available in the Colombian market.

3. HEALTH REGIME

Sanitary Registration and processes before INVIMA

The INVIMA Registry is a document issued by the health authority, through which a natural or legal person is authorized to manufacture, package and import food, beverages, medicines, biological products, medical devices, cosmetics, toiletries and pesticides for human use and/or consumption.

The INVIMA Certification is a validation with respect to compliance with specific quality standards that certain processes for the manufacture of products for human consumption must meet.



Obtaining registrations for these products is divided into four broad categories, within which the following registrations can be requested:

Food and alcoholic beverages

- *Sanitary registration for alcoholic beverages manufactured, hydrated or packaged at the national level.*
- *Sanitary registration for imported alcoholic beverages.*
- *Sanitary registration, sanitary permit, sanitary notification for food.*
- *Sanitary registration, sanitary permit, sanitary notification for imported food.*

Medicines and biologics

- *Sanitary registration of dietary supplements of national manufacture.*
- *Sanitary registration of imported dietary supplements.*
- *Sanitary registration of new nationally manufactured medicines and/or renewals included in Colombian pharmacological standards.*

- *Sanitary registration of simple homeopathic medicines of non-simplified regime and complex homeopathic medicines of national manufacture.*
- *Sanitary registration of simple homeopathic medicines of non-simplified regime and imported complex homeopathic medicines.*
- *Sanitary registration of pharmaceutical preparations based on medicinal plants and traditional phytotherapeutic products of national manufacture.*
- *Sanitary registration of pharmaceutical preparations based on imported medicinal plants and traditional phytotherapeutic products.*
- *Sanitary registration of simplified regime of national and imported simple homeopathic medicines.*
- *Sanitary registration or renewal of imported medicines included in Colombian pharmacological standards.*

Medical devices and reagents

- *Automatic sanitary registration for medical devices and biomedical equipment that are not controlled technology of domestic manufacture and imported class I and IIA.*
- *Sanitary registration for medical devices of national manufacture and imported classes II B and III.*
- *Automatic sanitary registration of imported in vitro diagnostic reagents in category I and II.*
- *Sanitary registration and automatic renewals for in vitro diagnostic reagents categories I and II, orphan in vitro reagents for diagnosis, in vitro reagents analytical grade and specific analyte, reagents for general use in the laboratory and in vitro reagents for research, manufacturing, domestic and imported.*

Cosmetics, toiletries and pesticides

- *Mandatory Health Notification – NSO for cosmetic, household hygiene and hygiene products and absorbents for personal hygiene.*
- *Sanitary registration for pesticides for domestic use or for use in public health of national manufacture and imported.*

On the other hand, obtaining the certifications of these products is divided into four large categories, within which the following certifications can be requested:

Food and alcoholic beverages:

- *Certification of implementation of the Hazard Analysis and Critical Control Points (HACCP) hazard analysis system in the food industry and/or certification of animal processing plants according to their classification.*
- *Certification for food and alcoholic beverage processing establishment in sanitary conditions and Good Manufacturing Practices (GMP).*
- *Certificates of production capacity, storage, conditioning, technical concept of sanitary conditions, Good Practices and Good Manufacturing Practices (GMP).*
- *Certification of the Hazard Analysis and Critical Control Point (HACCP) System on motor vessels or fishing vessels bound for the European Union.*

Medicines and biologics

- *Certification of Good Clinical Practices (GCP) in health service provider institutions where research with drugs is carried out on human beings, through use or application.*
- *Certification, extension or renewal of compliance with Good Manufacturing Practic-*

es (GMP), Good Manufacturing Practices (BPE), Good Laboratory Practices (GLP) or Good Bioavailability (BD) and Bioequivalence (BE) Practices.

- *Certification of compliance with good practices for tissue and bone marrow banks, verification of requirements, or verification of temporary tissue storage centers.*
- *Certification of compliance with the sanitary conditions of tissue and bone marrow banks.*
- *Certification of compliance with the sanitary conditions for the opening of a new area or expansion of a line of tissue or bone marrow banks.*
- *Export certificate for medicines and pharmaceutical preparations based on natural resources.*
- *Product quality certificates, laboratory analysis and batch release.*
- *Certificate of compliance with Good Manufacturing Practices (GMP), Good Manufacturing Practices (BPE) or Good Laboratory Practice (GLP) Certificate.*

Medical devices and reagents

- *Good Manufacturing Practices (GMP) certification for medical device and in vitro diagnostic reagent manufacturing establishments.*
- *Certification and expansion of the opening and operation of custom-made medical device establishments (external orthopedic technology, hearing aid).*
- *Certification of storage capacity and/or conditioning of in vitro diagnostic reagents.*
- *Certification of storage capacity and/or conditioning of medical devices.*
- *Certification of production capacity to establishments manufacturing medical devices tailored to visual and eye health.*

Cosmetics, toiletries and pesticides

- *Certificate of Good Cosmetic Manufacturing Practices - BPMC.*
- *Certification or expansion of production capacity in establishments of cosmetic, household hygiene or absorbent personal hygiene products. Visit to verify compliance with sanitary conditions and verification of compliance with sanitary conditions by extension to establishments that manufacture pesticide products for domestic use.*
- *Certification of technical manufacturing standards for establishments that manufacture toiletries, hygiene and cleaning products for domestic use.*

Now, to process a sanitary registration or certification before INVIMA, it is important to bear in mind that each type of product (food, medicines, cosmetics, medical devices, etc.) has specific requirements and its own procedure. However, there are basic documents that are essential in any application:

- *Official application form filled out according to the product category.*
- *Proof of payment of the corresponding fee.*
- *Certificate of existence and current legal representation (Chamber of Commerce).*
- *Technical data sheet and complete product labeling, in accordance with Colombian regulations.*
- *Certificates of Good Practice (GPM, GPL, BPC), when applicable.*
- *For imported products: certificate of free sale in the country of origin and authorization from the manufacturer.*

Finally, it is important to highlight the InvimÁgil initiative. InvimÁgil is INVIMA's new digital platform designed to simplify and speed up health procedures, allowing registrations, permits and notifications to be managed 100% online.

The tool offers modules for user creation, company registration, registration of activities and digital obtaining of marketing authorizations, with document upload and real-time monitoring.

Its main advantage is the drastic reduction in response times: it allows automatic authorizations within one day and semi-automatic processes in 15 to 30 days, replacing procedures that previously took months. In addition, it strengthens transparency and facilitates access for micro, small and medium-sized enterprises, which have benefited the most in its initial implementation.

4. ENERGY REGIME

4.1. Public Electric Power Service

The regime for the provision of the domestic public electricity service in Colombia is defined in Laws 142 and 143 of 1994. These regulations established the regime for domestic public services and the framework for the generation, interconnection, transmission, distribution and commercialization of electricity. Consequently, the provision of the electric energy service and each of the activities that comprise it are carried out within the framework of these two laws and the regulations issued by the Energy and Gas Regulatory Commission (CREG), in compliance with its legal mandate.

As for the domestic public electricity service, Article 14.25 of Law 142 of 1994 defines it as the transmission of electricity from the transmission networks to the end user, including connection and metering. Article 15 of the same law also specifies the entities authorized to carry out these activities. Particularly relevant is the legal figure of Public Services Company (E.S.P.), which enables the provision of domestic public electricity services in the national territory.

For its part, Article 5 of Law 143 of 1994 establishes that the activities of generation, interconnection, transmission, distribution and commercialization of electricity constitute essential public services, designed to satisfy collective needs on a permanent basis. According to Article 7 of the same law, the commercialization of electricity can only be carried out by agents participating in generation or distribution, or by independent agents that comply with the regulations of the CREG.

This law also states that electricity marketers can serve regulated or non-regulated users[3], and must register their transactions in the wholesale market. In addition, the CREG has issued various resolutions that regulate different aspects of these activities, from marketing to connection charges and the corresponding remuneration[4].

In the same sense, Article 4 of Law 143 establishes that the State must guarantee the supply of electricity in an economical and viable manner, maintaining the efficiency and security of the sector. For this reason, Article 20 provides that the main objective of the regulation is to ensure a quality, efficient and reasonably cost service, with the CREG being the entity responsible for defining the technical conditions for both regulated and non-regulated users. In turn, in accordance with Article 23, the CREG has the function of defining and applying technical criteria of quality, reliability and safety, as well as establishing the operating regulations for the National Interconnected System (Sistema Interconectado Nacional or SIN), in coordination with the National Operation Council (Consejo Nacional de Operación or CNO).

Based on the above, the main regulatory authorities of the sector and their respective functions are as follows:

i. *The CREG, in accordance with article 75 of Law 142 of 1994, is an entity attached to the Ministry of Mines and Energy (Ministerio de Minas y Energía or MME) that regulates the domestic public services of electricity, natural gas, liquefied petroleum gas (LPG) and liquid fuels.*
ii. *The Superintendence of Domestic Public Services (Superintendencia de Servicios Públicos Domiciliarios or SSPD), by virtue of article 79 of Law 142 of 1994, is responsible for supervising the provision of aqueduct, sewerage, sanitation, energy and fuel gas services.*
iii. *The Mining and Energy Planning Unit (Unidad de Planeación Minero Energética or UPME), created by Law 143 of 1994 as a special administrative unit of a technical nature, is the Colombian entity in charge of planning the development and use of the country's mining and energy resources. Its functions include the preparation of electricity system expansion plans, natural gas planning and the promotion of energy efficiency and renewable energies, in order to ensure the supply, reliability and sustainability of the mining and energy sector.*

Other important entities in the sector include XM, which is in charge of operating the SIN and administering the Wholesale Energy Market (Mercado de Energía Mayorista or MEM), for which it performs the functions of National Dispatch Center (Centro Nacional de Despacho or CND), Administrator of the Commercial Exchange Sys-

[3] Regulated market: Corresponds to households and small businesses, with consumption of less than 55,000 kWh/month and Non-regulated market: Corresponds to large companies, with consumption of more than 55,000 kWh/month.
[4] Note, for example:
Resolution CREG 054 of 1994: Establishes the rules for the activity of commercialization of electric energy in the SIN.
Resolution CREG 055 of 1994: Regulates the activity of electricity generation in the SIN.
Resolution CREG 056 of 1994: Adopts general provisions on the public service of electric energy.
Resolution CREG 135 of 1997: Establishes the mandatory registration of information related to all energy purchase agreements between marketers and non-regulated users.
Resolution CREG 225 of 1997: Regulates the charges associated with the connection of the residential public electricity service for regulated users in the SIN.

tem (Administrador del Sistema de Intercambios Comerciales or ASIC) and Liquidator and Account Administrator (Liquidador y Administrador de Cuentas or LAC) of the charges for the use of the SIN's networks. Likewise, there is the CNO for Electric Energy and Natural Gas, whose main function is to agree on the technical aspects that guarantee that the integrated operation of the SIN is safe, reliable and economical, and to act as the executing body of the operating regulations.

In addition, there is the Institute for Planning and Promotion of Energy Solutions (Instituto de Planificación y Promoción de Soluciones Energéticas or IPSE), which is empowered to structure, present and make projects available to public investment funds in the electricity sector, such as the Fund for Non-Conventional Energies and Efficient Energy Management (Fondo de Energías No Convencionales y Gestión Eficiente de la Energía or FENOGE).

4.2. Tariff control

In this regard, Article 2 of Law 142 of 1994 provides that the State shall intervene in public services, in accordance with the rules of competition and within the framework of the provisions of Articles 334, 336 and 365 to 370 of the Political Constitution, in order to establish a proportional tariff regime for low-income sectors. In accordance with the precepts of equity and solidarity.

In this sense, there is currently a regime of regulated and supervised freedom against tariffs. This means that the CREG, by virtue of Decree 958 of 2001 and Article 74 of Law 142 of 1994, establishes the criteria and methodology according to which domestic public service companies may determine or modify the maximum prices for the services offered to the user or consumer. Consequently, it is not the regulator who directly sets the prices to be charged to users; on the contrary, companies freely determine the tariffs to the end user based on criteria that encourage efficiency.

The tariff regime is guided by the criteria of economic efficiency, neutrality, solidarity, redistribution, financial sufficiency, simplicity and transparency. These principles are embodied in the fact that the CREG determines the rates taking into account the following general aspects:

i. The regime of regulation or freedom.
ii. The subsidy system, which is granted so that people with lower incomes can pay the rates of household public services that cover their basic needs.
iii. The rules relating to tariff practices that restrict free competition and imply abuse of a dominant position.
iv. The rules relating to procedures, methodologies, formulas, structures, strata, billing, options, values and, in general, all aspects that determine the collection of fees.

For its part, in terms of tariff control, the SSPD monitors, inspects and controls the correct application of the tariff regime established by the CREG by the providers. In this regard, the Superintendence publishes tariff bulletins for the sector where the components and regulated tariffs published by the SIN marketers are analyzed, calculated in accordance with the methodology established by the Commission in Resolution CREG 119 of 2007 (for the SIN), including its modifications and updates, or Resolution CREG 91 of 2007 (for Non-Interconnected Zones - ZNI). including its modifications and updates.

At this point, it should be noted that the tariff formulas that allow electricity marketing companies

to calculate the unit costs of providing the service and the tariffs applicable to end users regulated in the SIN are valid for five years, unless there is a prior agreement between the provider company and the CREG to modify them. The foregoing does not ignore the provisions of Article 126 of Law 142 of 1994 and paragraph 1 of Article 290 of Law 1955 of 2019, which establish that the CREG has the power to modify the tariff formulas during their validity when necessary and motivated by the inclusion of new agents. activities or technologies, complying with the regulatory criteria for the implementation of the new tariff formula.

4.3. National Interconnected System (SIN[5]) and Non-Interconnected Areas (ZNI)

A ZNI is any geographical area where the service is not provided through the SIN, without this classification implying any type of discrimination or exclusion. Under this budget, the CREG has developed the regulation for ZNI, mainly provided for in Resolution CREG 091 of 2007. In the same vein, Article 1 of Law 855 of 2003 delimits the ZNI indicating that they correspond to all municipalities, townships, localities and hamlets not connected to the SIN.

It is important to mention that in the current regulation there are no restrictions on an agent who carries out any activity in the chain of provision of the domestic public electricity service, or its complementary activities in the SIN, to carry out activities in the ZNI. This is because Article 15 of Law 142 of 1994, which indicates who can provide public services, is applicable both in the SIN and in the ZNI.

It is also necessary to indicate that public electricity service providers have the obligation to inform the SSPD of the start of activities and make their respective registration in the Single Registry of Providers. In this sense, any public service company that is incorporated, or that is already incorporated, can provide the service in a ZNI and must comply with the current regulation.

Regarding the distinction or regulatory classification for the SIN and the ZNI, we find the following differentiations:

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[5] SIN: system composed of the following elements connected to each other: generation plants and equipment, the interconnection network, regional and interregional transmission networks, distribution networks, and users' electrical loads.

***Table 1.** Own elaboration.*

SIN	ZNI
1. Law 143, Articles 11, 42, 44, 46, 47, 54, 57, 85 etc. 2. Law 142, title VIII (public service contract) articles 128 to 159. 3. Single Regulatory Decree 1073 of 2015. 4. Law 1715 of 2014. 5. Law 2099 of 2021. 6. Resolution CREG 31 of 1997 (regulated users). 7. Resolution CREG 131 of 1998 (non-regulated users). 8. Resolution CREG 107 of 1998 (protection of users). 9. Resolution CREG 156 of 2011 (marketing regulations). 10. Resolution CREG 038 of 2014 (measurement code). 11. Resolution CREG 24 of 2015 (large-scale self-generation). 12. Resolution CREG 098 of 2018 (response to the complaint). 13. Resolution CREG 80 of 2019 (rules of behavior). 14. Resolution CREG 174 of 2021 (small-scale self-generation). 15. Resolution CREG 135 of 2021 (mechanisms for the protection of users who exercise self-generation PE. 16. CREG Resolution 101001 of 2022 (AMI).	1. Law 143 of 1994, Article 11. 2. Law 142 of 1994, title VIII (public service contract), articles 128 to 159. 3. Single Regulatory Decree 1073 of 2015. 4. Law 1715 of 2014 Articles 34, 35, 36, 37, 39 and 40. 5. Law 2099 of 2021 Articles 26, 27, 28, 29, 30, 31, 32, 33, 34 and 35. 6. Tariff regulation: Resolution CREG 91 of 2007 (Free Initiative Areas). 7. Resolution CREG 076 of 2016 (exclusive service areas). 8. Resolution CREG 038 of 2018 (self-generation).

In conclusion, there is a broad regulatory framework that allows the provision of the service for both the ZNI and the SIN. At this point, it is important to note that with the issuance of Law 2099 of 2021, the promotion of renewable energies in the electricity projects that are developed in the ZNI was achieved, mainly because this law, in its chapter V (On the public electricity service in the ZNI), establishes various mandates, among which the following stand out: i) new institutional functions in ZNI through IPSE, ii) incentives for renewable energy projects, iii) individual solutions in ZNI, and iv) reliability of the electric service through generation support.

As a recent regulatory aspect on this issue, it should be borne in mind that the MME issued Resolution 40631 of 2025, through which the

National Plan for Rural Electrification (PNER) for the ZNI and the SIN is adopted. This public policy instrument seeks to expand and guarantee access to electricity service in the country.

4.4. Milestones in the consolidation of Non-Conventional Renewable Energy Sources (FNCER) projects

The Colombian electricity sector has undergone various modifications and regulatory advances aimed at strengthening the country's electricity matrix and allowing the inclusion of more and better forms of generation. This section presents the main and most recent developments in the sector.

Through Decree 1186 of November 10, 2025, the National Government of Colombia developed a regulatory framework for the optimization of the granting of environmental licenses to wind energy projects (LAEólica). This standard applies to projects with an installed capacity equal to or greater than 10 megawatts (MW) and up to a capacity of less than or equal to 100 MW.

With the issuance of this decree, the Colombian Government seeks to promote an environmental model that optimizes evaluation processes, strengthens the protection of biodiversity and guarantees the participation of communities in the implementation of clean energy.

In a similar vein, in September 2025, Decree 1033 was published with the intention of implementing a solar environmental license with optimized design (LASolar) for projects with installed capacity from 10 MW to 100 MW, allowing the respective environmental license to be obtained more efficiently.

With the implementation of these measures, the Colombian Government seeks to generate a more favorable scenario for the materialization of this type of project, so that they can effectively meet the objectives for which they were designed.

On the other hand, it is relevant to indicate that the First Offshore Wind Round is being carried out in Colombia, with the aim of granting individuals the temporary occupation permit on offshore areas destined for the development of wind energy generation projects. This initiative, aligned with the objectives of the current government, would allow the so-called Just Energy Transition (TEJ) to continue and diversify energy sources in Colombia.

Another important milestone in the consolidation of FNCER projects is the issuance of Resolution MME 40358 of 2025, which modifies Resolution MME 40303 of 2022, which regulated the guidelines to facilitate the coexistence of projects in the mining-energy sector in the event of possible partial or total overlaps. In this context, when there is competition in the same area of activities, works or infrastructure under development or to be developed by two or more hydrocarbon, mining and/or energy projects, a direct negotiation of operational coexistence agreements must be reached.

The most relevant thing is that cases are now listed in which it is not necessary to sign an operational coexistence agreement, that is, despite the existence of a conflict, it is not necessary for an incoming project to process an operational coexistence agreement when: i) the existing project has an environmental license, but the incoming project does not require an environmental license; ii) the existing project with activities in the subsoil invokes incompatibility with a surface development project without proving authorization or right granted by the occupant, holder, possessor, owner or legitimate holder of the sur-

face area; iii) the overlap is limited only to the overlapping of areas defined in the respective environmental studies; and iv) the project that alleges incompatibility does not provide specialized studies that demonstrate, with scientific and methodological basis, the material impossibility of coexistence of the activities planned in the area of overlap.

Another outstanding milestone from a regulatory point of view is the issuance by UPME of Resolution 749 of 2025, which establishes the new procedure and new requirements for the registration of generation projects to operate in the SIN. This resolution replaces Resolution UPME 0520 of 2007, modified by Resolutions UPME 0638 of 2007 and 0143 of 2016, in relation to the information required for the different stages of the projects, as well as the formats that make up these phases of registration.

That said, the milestones that a developer must take into consideration to advance and materialize this type of project are the following[6]:

1. *Registration for the UPME project.*
2. *Environmental license and permits.*
3. *Prior consultation (ethnic communities).*
4. *Community participation.*
5. *Land negotiation (direct, easement or expropriation).*
6. *Land use licenses.*
7. *Constitution as a provider of public services.*
8. *MEM Registration.*
9. *Prior notification of the start of activities to the CREG.*
10. *Registration with the SUI (Superintendence of Public Services).*
11. *Connection procedure.*

4.5. Renewable energy auctions

In the Colombian electricity sector, policies have been defined aimed at supplying the demand for electricity through renewable energy auctions, in order to implement mechanisms that promote the long-term contracting of this type of project. The renewable energy auction market is materialized through auctions of long-term 15-year bilateral renewable energy contracts, where generators and marketers participate.

The initial regulatory framework included Decree 570 of 2018 and Resolutions MME 40795 of 2018 and MME 40590 of 2019, rules that established the principles, rules and methodologies for auctions of long-term electricity contracts, including FNCER. However, the first auction was not awarded because at the time of the award process the procedures established by the CREG were not followed; In other words, what was awarded corresponded to very little energy and this was distributed among a few marketers.

Additionally, the Council of State in 2023 declared the nullity of the public policy guidelines for the contracting of electricity generation projects, due to the fact that the competition advocacy process was not carried out. Consequently, Decree 570 of 2018 and its provisions compiled in the Single Regulatory Decree of the Administrative Sector of Mines and Energy, as well as Resolutions MME 40791 of 2018 and MME 40795 of 2018, were declared null and void.

The second auction, more focused on renewable projects, was held within the framework of MME Resolutions 40678 of 2019, 40591 of 2019 and 40725 of 2019. Before this second auction, it should be remembered that Article 296 of

[6] The main rules for developing generation projects are listed, some of these rules may vary for a developer of marketing, transmission, storage or distribution projects.

Law 1955 of 2019 was regulated by Resolution MME 40715 of 2019, which established that in 2022 marketers that serve regulated demand must have 10% of that demand covered with long-term contracts (greater than or equal to 10 years) from FNCER. This obligation became an incentive for marketers to actively participate in the auction, given that it was practically the only market mechanism for the contracting of renewable energy at that time.

Subsequently, the third auction was held under the framework of MME Resolutions 40141 of 2021, 40179 of 2021, 40305 of 2021 and 40060 of 2021. This auction was similar to the second, but with the novelty that marketers who met unregulated demand could participate.

Recently, the MME, in compliance with the objectives and guidelines established in article 1, numeral 2.2.3.8.10.1 of Decree 1091 of 2025, published until February 3, 2026 a draft resolution that defines a new mechanism for long-term contracting of electricity through auction. This contractual aspect will be developed later in the section on main contracts.

This does not imply that more auctions are not held in the Colombian electricity market; on the contrary. For example, the CREG issued Resolution 101 079 of 2025, which makes the auction for the allocation of firm energy obligations (obligaciones energéticas firmes or OEF) of the reliability charge[7], in order to guarantee the supply of electricity in the country and especially cover the projected demand for the period 2029-2030, according to the estimates made by the UPME.

4.6. Energy storage

The regulatory framework of the Colombian electricity sector has addressed key aspects to encourage the integration of storage systems, such as batteries, with the aim of providing support to the grid in cases of failure or insufficiency in transmission capacity, as well as to mitigate cost overruns due to restrictions.

In this sense, in order to maximize the use of this technology and benefit the user, the legal system has been oriented in that direction. Therefore, currently the provisions contained in Resolution CREG 098 of 2019 constitute an indispensable starting point to issue key signals to those interested in incorporating storage systems in order to mitigate inconveniences derived from the lack or insufficiency of energy transmission networks in the SIN.

Similarly, Resolution MME 40283 of 2022 established the guidelines for the incorporation of Energy Storage Systems (Sistemas de Almacenamiento de Energía or SAE) in the Colombian electricity system. In addition to this, Resolution MME 40042 of 2024 also contains provisions on electricity storage and the acquisition of SAE for various cases, such as storing excess generation or reducing peak demand.

On the other hand, the most recent regulatory advances on the matter should be taken into account, including: i) the CREG published, until October 19, 2025, for comments a draft Resolution CREG 701 103 defining the mechanisms for incorporating SAE with batteries in the SIN;

[7] The reliability charge is a remuneration scheme that makes it possible to invest in the electricity generation resources necessary to efficiently guarantee the supply of energy demand in critical supply conditions, through long-term signals and the stabilization of the generator's revenues.

ii) the MME, until December 11, 2025, published for comments a draft resolution on public policy guidelines for the integration of SAEs in the SIN and in the ZNI; and iii) the MME, in the same sense, on April 21, 2026, issued resolution 40208 to define long-term contracting mechanisms for electricity that integrates energy storage as a key component.

The inclusion of Battery Electrical Energy Storage Systems (SAEB) in generation projects, both from the structuring of the project and in the face of a possible need to modify the connection concepts, is being taken into consideration mainly because it seeks to face challenges related to growing demand and expansion limitations, among others.

In this way, it is clear that the implementation of storage technologies, whose installation costs have shown a decreasing trend in recent years, constitutes a fundamental enabling technology for the accelerated expansion of renewable energies and the advancement of the Just Energy Transition, guaranteeing the reliability of energy systems and the fulfillment of environmental commitments, such as the reduction of Greenhouse Gas (GHG) emissions.

4.7. Self-generation and energy communities

4.7.1. Large-scale self-generation (installed capacity greater than 1 MW)

Large-scale self-generating users are those who have installed power in the self-generation system higher than the limit defined in the first article of Resolution UPME 281 of 2015, which is currently set at 1 MW. It should be remembered that the self-generation activity is carried out by natural or legal persons who produce electricity mainly to meet their own needs. In any case, regulation allows them to sell any surplus energy.

Large-scale self-generation activity is regulated in Resolution CREG 024 of 2015, which defines the technical conditions for connection and metering, backup and energy supply conditions, and conditions for delivering surpluses. The technical conditions for the connection of the self-generator are found in Article 4 of said resolution and do not make a distinction between the type of generation.

For the delivery of surplus energy, the large-scale self-generator must be represented by a generator on the wholesale market, in which case the parties will freely agree on the conditions of such representation. The conditions established for plants not centrally dispatched will be applied if the maximum declared power is less than 20 MW (Resolution CREG 086 of 1996 and Resolution CREG 096 of 2019), and otherwise, those established for centrally dispatched plants. It should be clarified that the self-generating user may or may not be the owner of the self-generation assets.

As a key regulatory aspect, the MME, through Resolution 40379 of 2025, defined the rules, requirements and enabling obligations for self-generators to use the SIN networks and to be able to deliver their surpluses or consume the energy they produce in sites other than those of production.

Similarly, the CREG recently issued Resolution 101 099 of 2026, which regulates the aspects required for the development of the activity of remote self-generation (AGFR) and the activity of remote marginal producer with the attention of users remotely (Productor Marginal Remoto con Usuarios de Forma Remota or PMRUFR).

4.7.2. Small-scale self-generation (Autogeneración a Pequeña Escala or AGPE) and Distributed Generators (Generadores Distribuidos or DG)

An AGPE is a self-generator that has an installed or nominal capacity of less than or equal to 1 MW. This activity is carried out by natural or legal persons who produce electricity mainly to meet their own needs. Regulation allows them to have surplus energy.

On the other hand, a DG is a legal entity that generates electricity near consumption centers, is connected to the Local Distribution System and has an installed power of less than 1 MW.

The activity of AGPE and GD in the SIN was regulated in Resolution CREG 030 of 2018, updated by Resolution CREG 174 of 2021. This regulation contains the connection application process (Article 14 and Annex 5, where technical requirements are applied according to the installed or nominal capacity and its impact: delivery or non-delivery of surpluses), the technical requirements for metering (Article 19) and the process of remuneration of surpluses (AGPE case) and sale of energy (GD case), which is explained below. It should be clarified that, once the connection and measurement procedure of the aforementioned resolution has been completed, the sale of energy will be available.

It should be noted that this regulation provided benefits in terms of simplified connection procedures for small-scale self-generators (installed capacity less than or equal to 1 MW) and distributed generators (installed capacity less than 1 MW).

Likewise, for large-scale self-generators, the connection procedures for plants with a declared maximum power of less than 5 MW were also simplified.

Regarding the energy sale mechanism, starting with the DGs, they will be able to sell their energy in accordance with Article 22 of Resolution CREG 174 of 2021, which determines two options: 1) according to the marketing rules for plants of less than 20 MW (Resolution CREG 096 of 1996, modified by Resolution CREG 096 of 2019, as mentioned above); and 2) directly to the marketer integrated with the network operator where the DG is connected.

In the case of AGPEs, the energy trading rules are found in Articles 23 and 25 of Resolution CREG 174 of 2021. Article 23 defines that energy can be sold to a marketing agent or to a generating agent that uses or does not use FNCER. Article 25 establishes that the AGPE user with FNCER can apply a benefit for the energy injected into the grid, called an energy credit, where the surpluses will be recognized as energy credits to the AGPE used by FNCER.

4.7.3. Energy communities

Energy communities emerge as an innovative legal instrument with the potential to empower citizens and redefine their role in the energy chain. This paradigm shift is evidenced in the transformation from passive to active consumers, demonstrating that citizen participation can be key to mitigating global challenges such as climate change, pollution, and environmental sustainability.

Energy communities, by facilitating participatory energy management, production and consumption, offer significant benefits. From providing local electricity services and promoting energy efficiency to boosting the use of renewable energy, these communities are positioned as agents of change for sustainable development. In addition, by encouraging democratic citizen participation, they contribute to the strengthening of communities and the creation of new sources of income.

Colombia has taken a significant step by integrating energy communities into its legal framework, recognizing the crucial role of citizen participation in the energy transition. Energy communities in Colombia are seen as an innovative element for the transition to a decentralized energy model.

In the exercise of regulatory power, the National Government issued Decree 2236 of 2023, through which Decree 1073 of 2015 was added in order to partially regulate Article 235 of Law 2294 of 2023 (National Development Plan 2022-2026). In this article, energy communities were defined as those in which users or potential users of energy services can be constituted as energy communities to generate, market and/or efficiently use energy through the use of non-conventional renewable energy sources (FNCER), renewable fuels and distributed energy resources.

These communities are constituted as one of the new legal instruments suitable for harnessing local energy resources, allowing demand to play a more active role in the supply chain of energy services and providing access to electricity services to economically vulnerable populations. By empowering these populations through collective partnership schemes, energy communities become key legal instruments to ensure equitable access to electricity services and promote the efficient use of energy.

In this sense, considering that with the approval of Law 1715 of 2014, the integration of renewable energies into the electricity sector was declared to be of national interest, the role of self-generation was redefined, which went from being exclusively intended for user consumption to mainly allowing the delivery of surplus energy to the system. The law also establishes small- and large-scale self-generation, and distributed generation as new activities in the supply chain, with specific regulatory conditions to facilitate their integration into the system and provide new instruments that facilitate demand-side decision-making. This implies a more active demand in the development of an efficient and competitive market.

In the regulatory framework, in addition to Decree 2236 of 2023, there is Law 2294 of 2023, Resolution MME 40509 of 2024, Resolution MME 40136 of 2024, Resolution MME 40137 of 2024, Resolution UPME 501 of 2024 and Resolution CREG 101 072 of 2025. These rules currently allow energy communities, among other powers:

i. *Authorization to generate, market and use energy from renewable sources.*
ii. *Promotion of the use of non-conventional energy sources and efficient use of energy, as well as a procedure for their registration.*
iii. *Criteria for classifying energy communities in Colombia.*
iv. *Conditions associated with the terms of service provision and rules for the integration of energy communities into the National Energy System.*
v. *Formalization and legal establishment of energy communities as an essential process to guarantee their operability and access to legal and regulatory benefits.*

Additionally, it is important to note that Decree 972 of 2025 created the Colombia Solar Program as an energy policy led by the MME and its affiliated entities, aimed at promoting self-generation with solar energy, in any of its modalities, for users of strata 1, 2 and 3 of the SIN and the ZNI. as an alternative to the existing subsidy for the electricity consumption of these users, within the framework of the Just Energy Transition.

On 30 January 2026, the MME published for comments the draft resolution regulating the pro-



gramme. This project establishes the contractual, technical and financial instruments for its effective implementation, as well as the rules for the ownership, operation and maintenance of the solar infrastructure, guaranteeing its sustainability for a period of up to 25 years. The measure also defines clear targeting and prioritization criteria, with an emphasis on multidimensional poverty, energy poverty and service costs.

It is relevant to mention that the program was declared a Project of National and Strategic Interest (PINES), which implies that it has technical, fiscal and budgetary feasibility. This declaration constitutes an additional tool to advance in the country's Energy Transition.

4.8. Main contracts

In the Colombian electricity market, different types of transactions are entered into that vary depending on whether it is the wholesale market, the retail market, or the transmission, distribution or storage market. To be clear about the conceptual framework, the following graph is presented:

WHOLESALER MARKET	Supplier contracts
	Infrastructure installation contracts • PC Contract (Procurement and Construction) • EPC Contract (Engineering, Procurement, and Construction) • BOOMT Contract (Build, Own, Operate, Maintain and Transfer) • Association or strategic alliance agreements • PPP agreements (public-private partnership)
	1. Contracts in relation to the provision of the service (Plants greater than 20 MW) **A. Spot market** • Mandate Agreement (agent and XM) • Exchange-traded power purchase and sale agreements. (XM and XM) **B. Bilateral Contracts Market** • Supply Contracts: pay what is demanded and pay what is contracted • PPA (Power Purchase Agreement) • Representation contracts • BOOMT with representation **C. Reliability Charge Market** • Primary Market (Auction): XM Contract and Investor • Secondary Market: Power Backup Contract (Between Generators) **D. Renewable Energy Long-Term Contract Market (Auction)** • Long-term power supply contracts • Commercial Mandate Agreement (Principal and XM) **E. Energy futures market (CREG Resolution 114 of 2018)** Futures contracts (Article 2, paragraph 4, Law 964 of 2005) whose administrator is DERIVEX 2. Contracts in relation to the provision of the service (Plants of less than 20 MW). Article 3 of Resolution CREG 086 of 1996 (Resolution CREG 096 of 2019) • it sells to a regulated market retailer, through a public call for tenders at a merit price • Sells to a generator or marketer intended for the non-regulated market, at freely agreed prices

TRANSMISSION, DISTRIBUTION AND STORAGE

1. Transmission

A. Supplier contracts

B. Infrastructure installation contracts

- PC Contract (Procurement, and Construction)
- EPC Contract (Engineering, Procurement, and Construction)
- BOOMT Contract (Build, Operate, Own, Maintain and Transfer)
- Partnership contracts or strategic alliances
- PPP Contracts (Public Entities)

C. Contracts in relation to the provision of the service

- Connection contract
- Contract of carriage

2. Distribution:

A. Supplier contracts

B. Infrastructure installation contracts

- PC Contract (Procurement, and Construction)
- EPC Contract (Engineering, Procurement, and Construction)
- BOOMT Contract (Build, Operate, Own, Maintain and Transfer)
- Partnership contracts or strategic alliances
- PPP Contracts (Public Entities)
- Infrastructure Lease Agreement

C. Contracts in relation to the provision of the service

- Connection contract
- Distribution network use contract
- Extra service quality contract
- Extra power quality contract
- Network Backup Contract

3. Storage:

A. Supplier contracts

B. Infrastructure installation contracts

- PC Contract
- EPC Contract
- BOOMT Contract
- Partnership contracts or strategic alliances
- PPP Contracts (Public Entities)

C. Contracts in relation to the provision of the service

RETAIL MARKET	**1. Contracts related to the provision of the service** • Public service contracts with regulated users • Public service contracts with non-regulated users **2. Contracts for the installation of infrastructure and energy services associated with self-generating users** • PC Contract (Procurement, and Construction) • EPC Contract (Engineering, Procurement, and Construction) • BOOMT Contract (Build, Operate, Own, Maintain and Transfer) • PPA contracts (power supply that comes from an exclusive plant) • Infrastructure Lease Agreement **3. Contractual types for the purchase and sale of surpluses according to Resolution CREG 135 of 2021** • AGPE User - Regulated: Special agreement annexed to the Uniform Conditions contract, hereinafter special agreement annexed to the CCU • AGPE User - Not regulated: Special agreement annexed to the Domiciliary Public Service Contract hereinafter special agreement annexed to the contract **4. Contractual types of demand response or transitive energy** • DDV Contract **5. Contractual types of contracts related to energy efficiency services** • Long-term energy repowering contract • Public-private partnership contracts • Energy Services Contract

Some of the main contracts in the electricity market are described below:

4.8.1. Connection contract

Connection contracts arise from the current regulation, in particular from what is indicated in numeral 6 of the Connection Code, which is part of the Network Code adopted by Resolution CREG 025 of 1995, which establishes the minimum content of each contract according to the type of connection. In this sense, the minimum technical requirements for the design, construction, assembly, commissioning, operation, maintenance, telecommunications and supervision that all generators directly or indirectly connected to the STN must comply with for their connection are established.

The elements of the connection contract are set forth in Article 21 of Resolution CREG 001 of 1994, where the regulator established that such legal business must have at least acts or contracts for:

i. Construction of works necessary to connect the national system to any other system.

ii. Construction of works for the extension or reinforcement of the conveyor, appropriate when making connections or modifications to the existing ones.

iii. *Installation of appropriate meters, shut-off and protection equipment, and any other equipment necessary to enable the conveyor to measure and interrupt supply.*
iv. *Agree on the date by which the work that allows access to the conveyor system would be completed.*

Resolution CREG 075 of 2021 establishes the obligation on the part of the interested party with transmission capacity assigned by the UPME to sign this type of contract, depending on whether the project is class 1 or 2. It should not be lost sight of the fact that this contract, in accordance with Article 30 of Law 143 of 1994, seeks to ensure that the companies that own interconnection, transmission and distribution networks allow the connection and access of electricity companies, other generating agents and users who request it, subject to compliance with the rules governing the service and the payment of the corresponding remuneration.

Additionally, with respect to this type of contract, it should be considered that the CREG, on September 23, 2025, through Circular 192, made a proposal for the minimum content required for the minutes of connection contracts to the STN, STR and SDL for class 1 projects, together with its annexes. The foregoing, based on the provisions of paragraph 3 of article 31 of Resolution CREG 075 of 2021.

4.8.2. Long-term contracts

In this regard, since the issuance of Law 143 of 1994 in Colombia, two types of markets have been established in the electricity system, that is, the non-regulated market and the regulated market. In order to be considered an unregulated user and to be able to access the liberalised and competitive market, monthly power and energy limits were established, as well as the obligation to have hourly telemetering equipment. Currently, a non-regulated user is considered to be one with a monthly demand of 0.1 MW (power) or 55 MWh (energy).

That said, the generator sells its electricity produced by its generation unit connected to the SIN in the MEM, mainly through long-term contracts[8]. These long-term contracts can be entered into both for the attention of the non-regulated market and that of the regulated market. The former will be the product of free negotiation with another market agent (generator or marketer) or directly with an unregulated user. The latter are the product of regulated mechanisms, that is, there would not be full freedom in the determination of the business, especially because it mediates the attention of regulated users.

Additionally, on the other hand, the MME, in compliance with the objectives and guidelines established in article 1, numeral 2.2.3.8.10.1 of Decree 1091 of 2025, published Resolution 40208 of 2026 that defines a long-term electricity contracting mechanism. The foregoing, as already explained, does not mean that there is no possibility of entering into long-term transactions between agents in the wholesale market (traditionally, generators and marketers), as is the case with bilateral financial contracts recognized since the issuance of Resolution CREG 024 of 1995, Resolution MME 40715 of 2019 and Resolution CREG 130 of 2019.

[8] The other forms are through: i) daily energy bids on the "Spot" stock exchange or market, ii) participation in the auctions for the allocation of firm energy obligations (OEF) of the reliability charge (CxC) of Resolution CREG 071 of 2006 and Resolution CREG 61 of 2007 and iii) through public calls through the Centralized System of Public Calls (SICEP), System that defined the procedure that a marketer must carry out in the execution of energy contracts for the regulated market.

This contracting mechanism defined by the MME seeks to make it easier for marketing agents to comply with the obligation established in Article 296 of Law 1955 of 2019, which requires that a percentage of their energy purchases (set at 10% by Resolution 40060 of 2021) come from FNCER.

The resolution aims to create a stable environment that attracts investment in new generation projects, including Battery Energy Storage Systems (SAEB), considered pillars of the energy transition.

The contracting mechanism will be through auctions where buyers (MEM marketing agents) and sellers (generating agents, developers or owners of generation projects) can participate. Both must meet qualification requirements, such as being incorporated as E.S.P. in Colombia, submitting binding offers and constituting guarantees of seriousness.

The result of the auction will be "pay what you contract" energy contracts with a duration of 15 years, with a start date from January 1, 2030, although an alternative is contemplated for 2035 in one of the products. For this type of auction, 4 energy products based on hourly blocks are defined to allow the participation of different technologies, as follows:

Product 1	24-hour supply
Product 2	Supply in the solar block (06:00 to 18:00 hours)
Product 3	Supply in two combined blocks (08:00-17:00 and 17:00-21:00)
Product 4	Supply in the night peak block (6:00 p.m. to 10:00 p.m.)

Eligibility varies by product. For example, Product 2 is aimed at new solar projects, while Products 3 and 4 require the inclusion of SAEB. In short, this resolution is the administrative act that launches a long-term energy auction, detailing who can participate, what can be contracted and under what rules the contracts will be awarded, all in order to advance in Colombia's energy transition.

4.8.3. Power Purchase Agreements (PPAs)

Generators and marketers, as participants in this market, can trade electricity from conventional sources (as has been the tradition) or from FNCER through bilateral contracts. The destination of this energy through bilateral contracts can be the unregulated market or the regulated market. When it comes to allocating this energy to the market of non-regulated users, there is no established procedure or regulatory prohibition in Resolution CREG 024 of 1995 so that negotiations can be carried out that culminate in bilateral contracts, whether from conventional or non-conventional sources of renewable energy. In practice, the implementation of private auction schemes for the purchase of energy for the non-regulated market has been observed, particularly private auctions for the purchase of renewable energy.

For their part, in relation to transactions of this type of energy for regulated users, marketers must purchase electricity through public calls, which must be advanced for the execution of electricity contracts intended to serve the regulated market. These public calls are fully regulated in Resolution CREG 130 of 2019.

The notable contractual types in this mechanism of bilateral contracts are: supply contracts (which have been the most widely used) and representation contracts. The most recent modalities include PPAs and BOOMTs[9] with representation.

It should be noted that, unlike what happens in the stock market, bilateral contracts guarantee a fixed price for both generators and marketers, who are obliged to buy energy to meet their demand. In this market, a fixed price is guaranteed for a long-term period.

In short, a PPA is a type of purchase and sale contract that allows electricity to be purchased at a price much lower than the market standard through long-term tariff negotiation. Through this mechanism, it is protected from the volatility of market prices. This type of contract is governed by private law; however, there are exceptions in which public law applies.

The exorbitant or exceptional clauses referred to are, for example: termination, modification and unilateral interpretation of the contract. These clauses, typical of public procurement (Law 80 of 1993), may be included in electricity contracts provided that the CREG makes them mandatory, either by means of a general or particular provision, as provided for in Article 31 of Law 142. In the event that they are included and exercised, they are processed in accordance with the procedure provided for in Law 80 of 1993.

Finally, it is important to note that electricity contracts are guided by both the general principles of contracting and the principles of public service, in accordance with Article 30 of Law 142 of 1994. The general principles of contracts are: principle of contractual freedom and autonomy of will, principle of typicity and atypicality, principle of consensuality (with the exception of solemnity), principle of economic balance, principle of economic solvency, principle of good faith, principle of diligence, principle of conservation or usefulness of the contract, principle of non-abuse of the right, no unjust enrichment, no fraud of the law, and the principle of incorporation of current and subsequent legal norms.

4.9. Hydrogen

The Colombian territory presents exceptional conditions for the deployment of clean energy projects. Its electricity matrix, based mainly on hydroelectric generation, is among the cleanest globally. In addition, its privileged geographical position and favorable climatic conditions give it access to high-quality natural resources.

In terms of specific resources, the La Guajira region registers wind speeds of approximately 9 m/s at 80 meters high, which doubles the international averages. Likewise, solar irradiation reaches 6 kW/m² constantly throughout the year, exceeding the world average values by 60%. Other areas such as the Caribbean, the Orinoquía and the Magdalena Valleys also exhibit lev-

[9] BOOMT que por su acrónimo en inglés se traduce: Built (Construir), Operate (Operar), Own (Poseer), Maintain (Mantener) y Transfer (Transferir), que representa una modalidad de contratación de infraestructura para proyectos eléctricos.

els of solar radiation above the global average, with periods of sunshine ranging between 5 and 8 hours per day. Colombia has the largest coal reserves in Latin America, approximately 50% of the continent's reserves, and proven natural gas reserves equivalent to 2,373 giga cubic feet.

This wealth in renewable sources gives Colombia a competitive advantage to implement Power to X (PtX) technologies. According to projections by the International Renewable Energy Agency (IRENA), the country could reach the fourth lowest levelized cost of green hydrogen (LCOH) in the world by 2050, positioning itself only behind China, Chile and Morocco in competitiveness.

4.9.1. Opportunities

The analyses carried out indicate six departments with high strategic potential: La Guajira, Atlántico, Bolívar, Antioquia, Caldas and Valle del Cauca. These regions stand out for their availability of renewable energy, proximity to ports and industrial facilities, and feasibility of replacing gray hydrogen with green alternatives.

Among the sectors with the greatest potential is the manufacture of ammonia for agricultural use, considering that Colombia ranks third in fertilizer consumption in Latin America and is significantly dependent on imports. Sustainable aviation fuels (SAF) are also highlighted. The maritime sector offers opportunities for alternative fuels such as ammonia and methanol, taking advantage of the competitiveness of ports in La Guajira, Cartagena and Barranquilla. Finally, hydrogen exports represent a promising market, with a potential generation capacity of 23.4 GW and the possibility of exporting up to 4 million tonnes per year by 2050.

4.9.2. Regulatory Framework for Hydrogen in Colombia

From a regulatory perspective, hydrogen is classified as a hazardous substance, which implies that all activities in its value chain – production, storage, transport, use and disposal – must comply with the Colombian Technical Standards and applicable Occupational Health standards. ICONTEC has developed a large number of technical regulations that cover safety aspects and technical specifications for this industry.

Law 2099 of 2021 incorporated blue hydrogen as a Non-Conventional Energy Source (FNCE) and green hydrogen as a Non-Conventional Renewable Energy Source (FNCER). Subsequently, Law 2294 of 2023 added white hydrogen to the FNCER category. Laws 2299 of 2021 and 2294 of 2023 extended the tax benefit regime originally established by Law 1715 of 2014 for FNCEs to green, blue and white hydrogen[10].

4.9.3. Main Regulations

The regulatory development has materialized through Decrees 1476 of 2022, 2235 of 2023 and 1597 of 2024, which establish the framework to promote innovation, research and all stages of the hydrogen value chain. These regulations seek to facilitate their integration into the electricity public service, energy storage systems and decarbonization processes in transport, industry and the hydrocarbons sector. Additionally, Law 2169 of 2021 granted green hydrogen projects the declaration of public utility and social interest, including the works necessary for their production and storage.

[10] The colours of hydrogen are classified according to their production method, source of energy used and the amount of CO2 emitted during their production.

4.9.4. Tax Incentives

The tax incentive regime includes several significant benefits: a 50% deduction in income tax on investments related to the production, storage, distribution, re-electrification, research and end-use of low-emission hydrogen, applicable for a maximum of 15 years[11]. It also includes the exclusion of VAT for equipment, machinery and services linked to hydrogen projects, as well as the elimination of tariffs for the import of equipment. Assets can depreciate at an accelerated rate of up to 33.33% per year for three years.

In the specific case of carbon capture, utilization and storage (CCUS) technologies, relevant to the production of blue hydrogen, the regulation provides for complementary benefits that include a 25% discount on income tax and VAT exclusion for equipment that contributes to reducing greenhouse gas emissions.

[11] This special deduction in income tax includes all new expenditures in terms of research, development and investment to produce and use energy generated by non-conventional sources of energy and efficient energy management. To access the benefit, it is necessary that the electricity be generated based on wind energy, biomass or agricultural, solar, geothermal or marine waste.

Gobierno de Colombia

PROCOLOMBIA
EXPORTS TOURISM INVESTMENT COUNTRY BRAND

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

Intellectual Property



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to doing business in Colombia

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Distinctive signs are those that allow the identification in the marketplace of products, services, business activities or goods associated with a specific geographical origin. Their function is to distinguish business origin and prevent confusion among competitors.

1. DISTINCTIVE SIGNS

1.1. Definition, Scope and Economic Function

These signs grant their holder an exclusive right of use, as well as the authority to authorize or prohibit their use by third parties when confusion or association in the market may arise.

From an economic standpoint, distinctive signs allow: **(i) differentiation of products or services from competitors; (ii) consolidation of a reputation associated with quality, innovation or service; (iii) customer loyalty; and (iv) recognition as an intangible asset that may be valued, licensed, franchised or transferred.**

1.2. Types of Distinctive Signs

1.2.1. Trademarks

A trademark is the sign that distinguishes goods or services of a person or company from those of others in the marketplace. It may consist of



words, letters, numbers, images, symbols, color combinations, shapes or other elements capable of differentiation and identification of business origin.

To be registered, a trademark must be capable of graphic representation and possess distinctiveness, meaning it must individualize the goods or services identified and not merely describe their characteristics or common expressions.

Main types of trademarks

TYPE OF TRADEMARK	DESCRIPTION
Word marks	Composed exclusively of words, letters or numbers.
Figurative marks	Composed exclusively of graphic elements or designs.
Combined marks	Combine word and graphic elements.
Three-dimensional marks	Protect the particular shape of a package, container or product when that shape is distinctive.
Sound marks	Consisting of melodies or sound sequences that identify business origin.
Color marks	Protect a color or combination of colors applied in a particular and distinctive manner.
Country brands	Used to promote the reputation and image of a country.
Collective	Used by members of an association to identify the common origin of their goods or services.
Certification marks	Indicate that goods or services comply with certain standards or characteristics verified by the owner.

Trademarks are protected in relation to specific goods or services grouped under classes 1 to 34 (goods) and 35 to 45 (services) pursuant to the Nice International Classification.

Not all signs are registrable as trademarks. Among those excluded are: (i) generic, commonly used or descriptive terms; (ii) signs that may mislead as to business origin, quality, composition or characteristics; (iii) signs contrary to law, morality or public order, or including protected official symbols without authorization; and (iv) signs that affect prior third-party rights when likelihood of confusion or association may arise.

These rules ensure that trademarks effectively fulfill their distinguishing function and do not affect prior rights or mislead the public.

A trademark concentrates investment in advertising, positioning and quality. Continuous use preserves consumer recognition of business origin. It may be licensed, franchised, assigned or contributed as an intangible asset, facilitating commercial transactions, investment processes and expansion into new markets.

1.2.2. Trade Slogans

A trade slogan is a word, phrase or expression used as a complement to a trademark. Its function is to reinforce the message associated with that trademark.

It does not operate independently, but rather in connection with a principal trademark. Its protection is limited to that relationship.

1.2.3. Trade Names and Commercial Signs

A trade name identifies a company in the exercise of its economic activity; it is the sign by which the public recognizes the business in the marketplace. It differs from the corporate name or company name, which identifies the legal entity in the corporate and registry sphere, while the trade name identifies the business activity before consumers.

A commercial sign identifies the business establishment before consumers.

These signs are primarily protected through use in commerce. Registration is declarative and facilitates proof of rights in case of conflict.

1.2.4. Geographical Indications

Geographical indications comprise two figures: (i) appellations of origin and (ii) indications of source.

Appellations of origin are based on the name of a country, region or place (or a designation referring to a geographical area) used to designate a product originating there, when its quality, reputation or other characteristics are essentially attributable to that geographical environment, including natural and human factors.

Indications of source consist of a name, expression, image or sign that designates or evokes a specific country, region, locality or place.

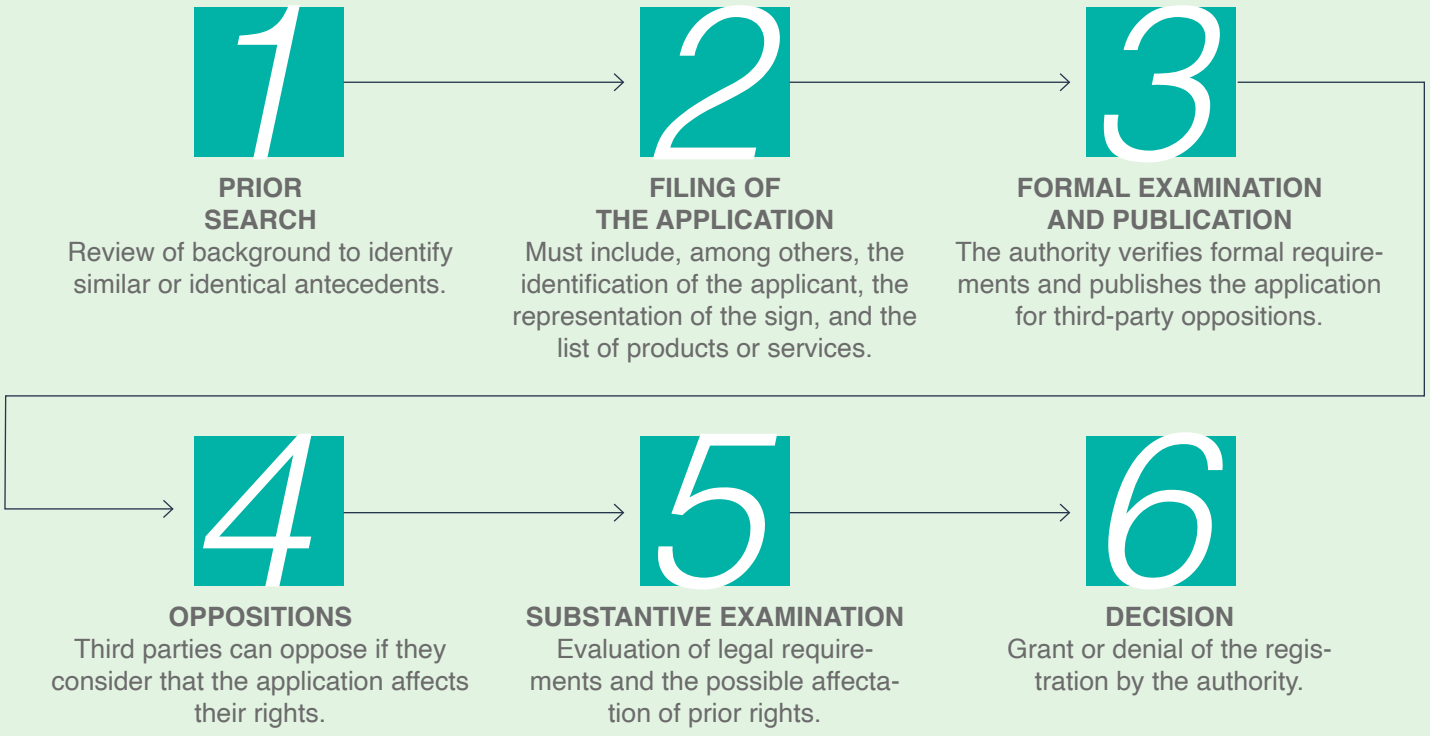
These figures are commonly used for natural, agricultural or artisanal products, among others, where geographical origin is relevant for production and differentiation.

1.3. Protection Procedure

In the Andean Community, protection of most distinctive signs, especially trademarks, is obtained through registration before the competent national authority; in Colombia, the Colombian Patent and Trademark Office (CPTO) is the Superintendence of Industry and Commerce.



Distinctive Signs Registration in Colombia



Registration grants exclusive rights for 10 years, renewable.

1.4. International Protection of Distinctive Signs

Protection of distinctive signs is territorial. Registering a trademark in Colombia does not automatically grant rights in other countries. A third party could apply for or register an identical or similar sign in another jurisdiction if the owner has not protected it there.

Companies planning expansion must define an international protection strategy early on to reduce legal risks and facilitate entry into new markets. This may be done through national applications in each jurisdiction or through international systems such as the Madrid Protocol.

1.5. Use, Exploitation and Enforcement

Effective use

Use of a trademark is not required for registration in Colombia. However, if the trademark is not used in a real and effective manner, the registration may be subject to cancellation, for example, in conflicts with third parties.

A registration may be canceled for non-use if it has not been used for a continuous period of 3 years.

Commercial exploitation

Distinctive signs may be licensed, franchised, assigned or valued as intangible assets. The holder may authorize third parties to use them

under specific contractual conditions and define territories and forms of exploitation.

Enforcement

The holder may initiate administrative or judicial actions when third parties use or apply for identical or similar signs that generate a likelihood of confusion or association. These actions may seek the cessation of unauthorized use, denial, cancellation, or revocation of conflicting registrations, and damages where appropriate.

2. NEW CREATIONS

2.1. Patents and Utility Models

2.1.1. Definition and Scope

Invention patents and utility models are territorial forms of legal protection intended to safeguard inventions, understood as products or processes that provide a novel technical solution to a specific technical problem and that result from inventive activity.

According to Andean Decision 486, inventions eligible for patent protection must be new, meaning they are not part of the state of the art; involve an inventive step, meaning the proposed solution is not obvious to a person having ordinary skill in the relevant technical field; and be industrially applicable, meaning they can be produced or used in any type of industry.

Utility models protect new shapes, configurations or arrangements of elements incorporated into tools, instruments, devices or parts thereof, which provide an improvement in their function or utility, as provided in Andean regulations.

This form of protection is limited to products that introduce functional improvements over existing inventions and does not cover completely new creations requiring a high inventive step.

An invention patent grants protection for 20 years counted from the filing date. A utility model requires a lower inventive threshold and grants protection for 10 years.

2.1.2. Procedure for Protection

To obtain patent protection in Colombia, the application must include the applicant's and inventors' details and, if filed from abroad, a Spanish translation.

Once filed, the CPTO verifies compliance with formal requirements and, if in order, proceeds to publication.

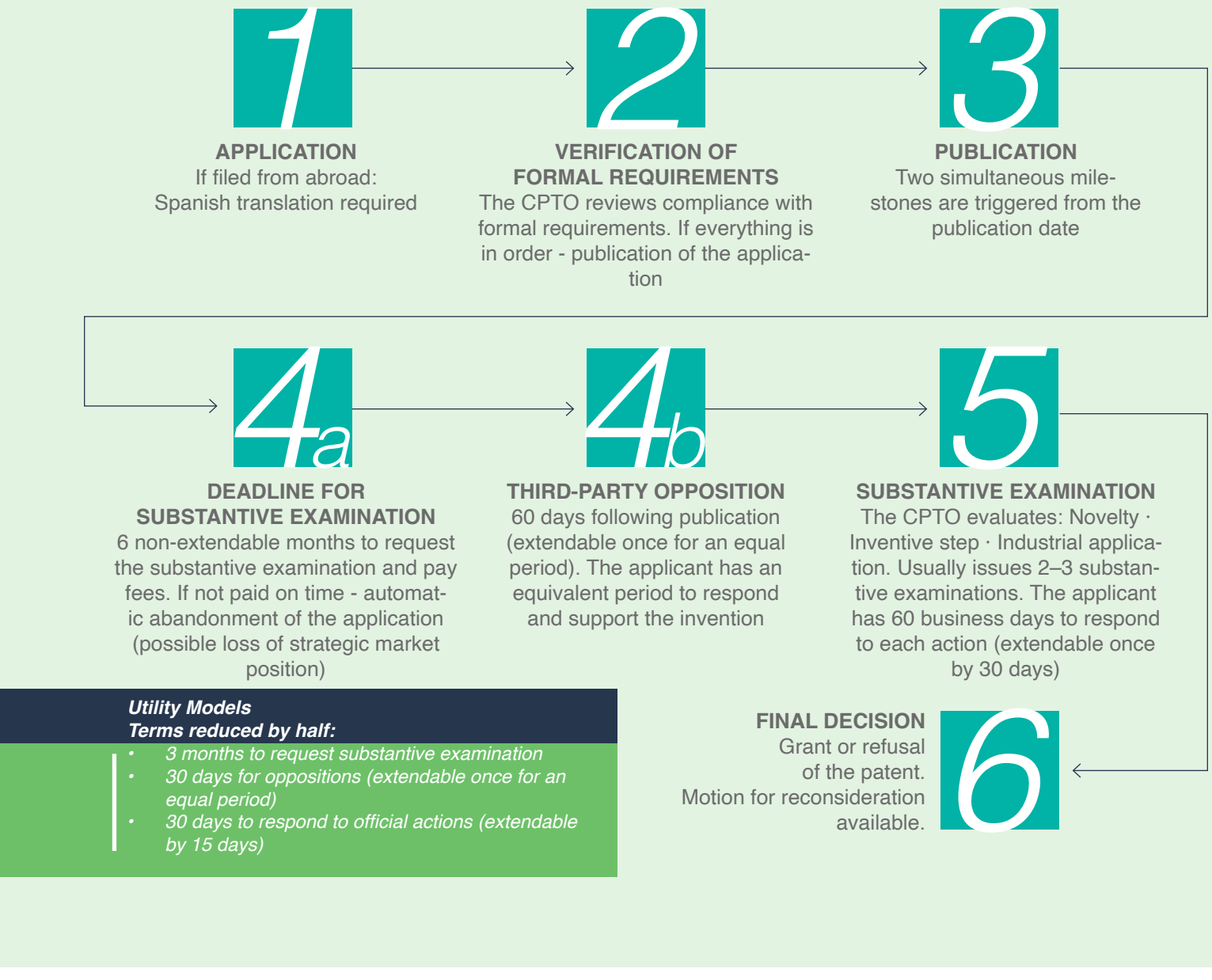
From publication, two milestones arise: (i) an unextendable 6 month term to request substantive examination and pay the corresponding fees. Failure to do so results in automatic abandonment of the application; and (ii) a 60 business day term for third parties to file oppositions (extendable once for the same term), and an equivalent term for the applicant to respond.

After oppositions are resolved, the CPTO evaluates novelty, inventive step and industrial applicability. In practice, two or three office actions are usually issued during substantive examination. The applicant has 60 business days to respond (extendable once for 30 additional days). The CPTO then issues a final decision on patentability, which may be challenged through a reconsideration appeal.

For utility models, the terms are reduced by half: 3 months to request substantive examination; 30 days for oppositions (extendable once); 30 days to respond to office actions (extendable for 15 days). Voluntary amendments and divisional applications are allowed during prosecution.

2.1.3. Procedure Flow

Patent Process in Colombia before the CPTO



2.1.4. International Filings

The patent system is designed from a global legal and economic perspective. The Patent Cooperation Treaty (PCT) is the principal international mechanism for seeking patent protection, allowing a single international application to enter the national phase in its member countries.

The PCT defers major costs—such as national fees, local agents and translations—until the national phase, which generally begins 30 months from the priority date (31 months in Colombia). This provides applicants with time to evaluate commercial potential, conduct market studies, assess costs, and define entry into specific jurisdictions.

Additionally, through the international search report and preliminary examination, applicants can assess the technical strength and patentability position of the invention before making substantial investments.

2.1.5. Exceptions and Exclusions

The applicable regulations exclude from patent protection two categories:

i. ***Subject matter not considered an invention,*** *such as discoveries, scientific theories and mathematical methods; living beings or biological material as found in nature; works protected by copyright; business methods; computer programs "as such"; and methods of presenting information.*
ii. ***Inventions that, while being inventions, are not patentable in the Andean Community,*** *including those whose exploitation must be prevented to protect public order, morality, health or the environment; plants, animals and essentially biological processes; therapeutic, surgical and diagnostic methods applied to humans or animals; and uses in any format.*

2.2. Industrial Designs

2.2.1. Definition and Scope

Industrial designs protect the appearance of a product, not its function.

In many markets, consumer choice depends on aesthetic factors. Registration transforms that differentiation into an exclusive asset and prevents third parties from appropriating the commercial value of aesthetic innovation.

Protection may cover packaging, appliances and even graphical user interfaces of digital platforms.

In Colombia, protection is granted for a non-renewable term of 10 years from the filing date, without maintenance fees.

The holder may prevent unauthorized manufacture, importation, offer, commercialization or use of products incorporating or reproducing the protected design or a substantially similar one.

2.2.2. Procedure for Protection

The application must include identification of the owner and designers, and a graphical representation of the design. For two-dimensional designs, a complete view is usually sufficient; for three-dimensional designs, as many views as necessary must be provided; for animated designs, sequential images must be included.

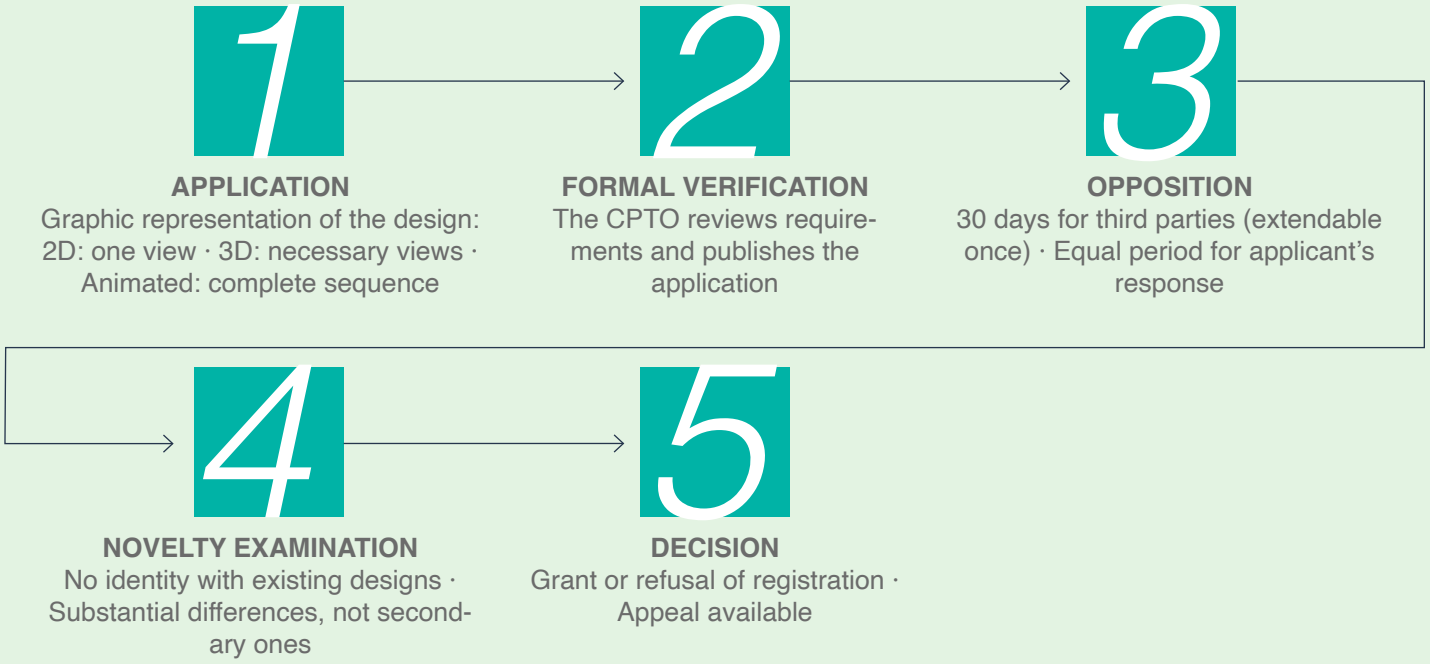
Once filed, the CPTO verifies formal requirements and orders publication.

From publication, third parties may file oppositions within 30 days (extendable once). The applicant has an equivalent term to respond.

The CPTO then examines novelty and decides whether to grant or deny registration. An appeal may be filed against the decision.

2.2.3. Procedure Flow

Industrial Design Registration in Colombia



2.2.4. International Filings

Industrial design protection is territorial. Colombia is not a member of the Hague System. Therefore, protection must be sought through a national filing before the CPTO.

2.2.5. Exceptions and Exclusions

Designs whose appearance is exclusively determined by technical considerations or functional necessity are not registrable.

If the shape is the only possible one for the product to function, it cannot be protected as an industrial design.

3. TRADE SECRETS

3.1. Definition and Scope

A trade secret is any undisclosed information lawfully held by a natural or legal person that may be used in productive, industrial or commercial activities.

To qualify as a trade secret, the information must be secret (not generally known or readily accessible within relevant circles); have commercial value because it is secret; and be subject to reasonable measures to maintain its secrecy. Protection covers information regarding the nature, characteristics or purpose of products; production, distribution or commercialization methods; client and supplier data; marketing strategies; research processes and results; internal organizational information; and any other information that derives value from its confidential nature.

3.2. Procedure for Protection

Trade secrets are not registered nor granted by a competent authority, unlike other IP rights. Protection exists provided the lawful holder has adopted reasonable measures to maintain confidentiality and has informed all people within and outside the organization—who must access the information of its confidential nature (e.g., partners, employees, contractors, collaborators and business allies).

3.3. Exceptions and Exclusions

Protection does not extend to information in the public domain, disclosed without confidentiality restrictions, that companies must submit to authorities where disclosure is legally required (e.g., patent applications), disclosed by legal mandate or court order, except when provided exclusively to obtain licenses, permits or authorizations, test data required for marketing approval of pharmaceutical or agricultural chemical products when disclosure is necessary to protect the public.

4. PLANT VARIETIES

4.1. Definition and Scope

Plant breeders' rights are granted to the natural or legal person who has developed and finalized a new plant variety. The right entitles its holder to prevent third parties, without prior consent, from carrying out acts of commercialization or possession for commercialization purposes of reproductive, propagating or multiplication material of the protected variety. In Colombia, protection is granted for 20 years for short-cycle species; 25 years for long-cycle species. The term is counted from the administrative act granting the Breeder's Certificate and is subject to payment of annual maintenance fees.

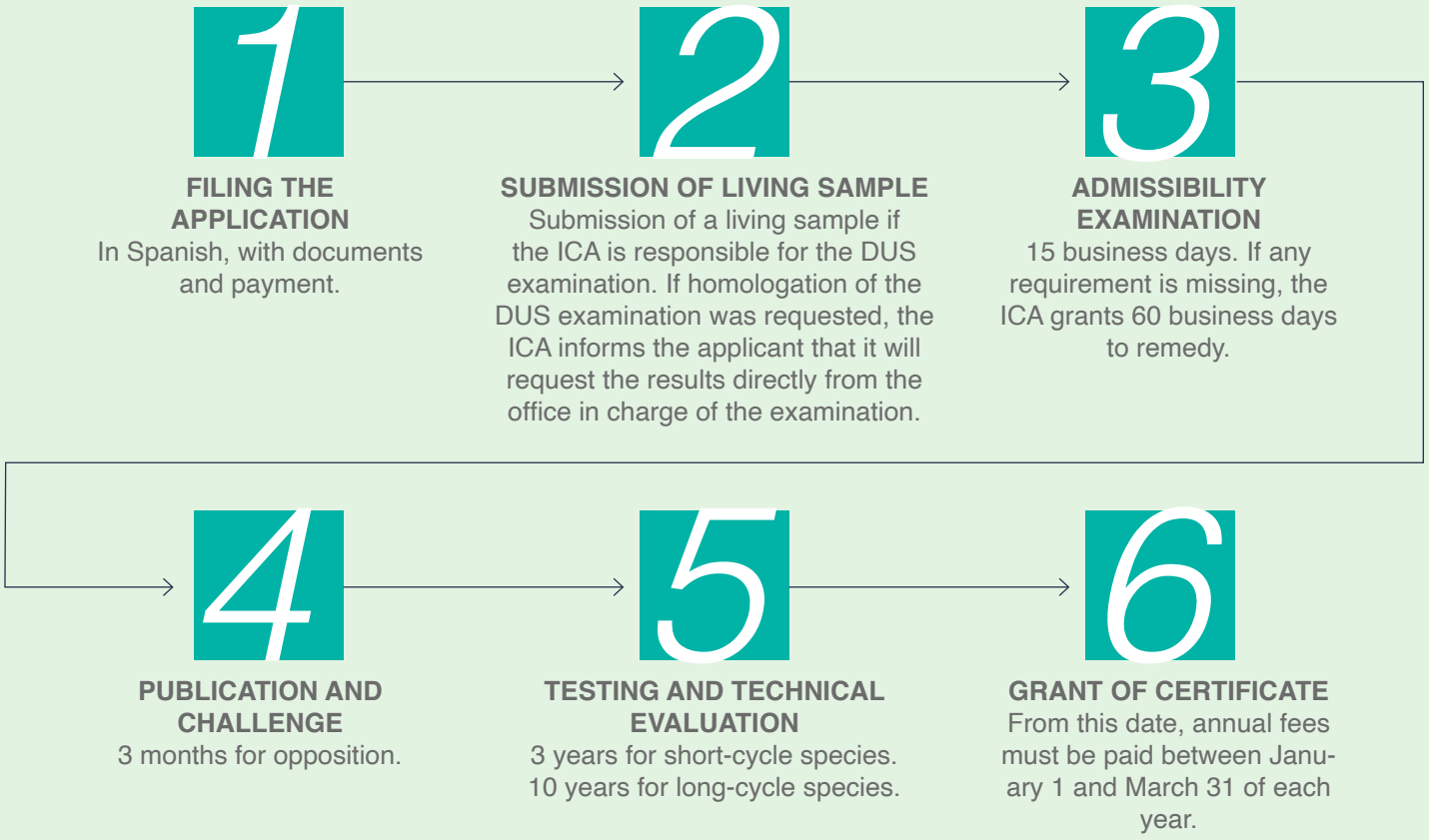
4.2. Procedure for Protection

An application must be filed before the Seed Division of the Colombian Agricultural Institute (ICA), together with a technical questionnaire; proof of payment of filing, publication and technical examination fees; the generic denomination under which the variety will be identified; a live sample for the DUS examination (Distinctness, Uniformity and Stability). The variety must meet the novelty requirement, meaning it must not have been commercialized in Andean Community countries more than one year prior to filing.

For countries outside the Andean Community: Short-cycle species must not have been commercialized more than 4 years before filing; long-cycle species, not more than 6 years before filing.

4.3. Procedure Flow

Flowchart of the Plant Variety Registration Process before the ICA



4.4. International Filings

Protection is territorial. A registration in another country does not automatically produce effects in Colombia.

4.5. Exceptions and Exclusions

The holder may not prevent use of the protected variety when it is carried out in the private sphere for non-commercial purposes; for experimental purposes; for breeding and exploiting a new variety. Farmers may also reserve and sow for their own use up to one metric ton of rice; 800 kilograms of soybeans; 60 kilograms of cotton.

4.5.1. National Registrations and International Protection of Intangibles

IP ASSET	MECHANISM FOR TERRITORIAL EXTENSION	TYPICAL DEADLINE TO CLAIM PRIORITY	PRACTICAL KEYS
Invention patent/ UM	Paris Convention (priority) + possibility of PCT for extending the deadline for entry into member countries.	12 months (patents).	If the strategy is to protect in several countries, the PCT serves to gain time (up to 30 or 31 months, depending on the country) before entering national phases and offers a reduction in fees. Colombia is a strategic first-filing country due to the amount of its filing fees compared to other countries.
Industrial design	Paris Convention (priority) to subsequently file in other countries.	6 months (designs).	In designs, time runs very fast; if the strategy is to protect in other countries, it must be decided quickly to avoid losing priority.
Trademarks	1) Madrid System (WIPO). 2) Direct country-by-country registrations.	3) Regional registrations (e.g., EUIPO).	6 months from the initial application to claim priority. Evaluate target markets and ensure availability before launching the product.
Trade name / Sign	Territorial protection; requires individual registration/deposit per country.	No priority deadline.	Document actual use in each market.
Works	Berne Convention: automatic protection in more than 180 countries from creation.	Priority does not apply.	Register works as a means of proof; ensure chain of title before acquiring rights.
Trade secret	Its value depends on keeping it secret	N/A	Take all necessary measures so that the information is kept secret anywhere in the world
Plant varieties (breeder's right)	The priority claim for plant varieties comes from the International Convention for the Protection of New Varieties of Plants (UPOV Convention). Colombia adhered to the 1978 UPOV revision	12 months	If the strategy is to protect in other countries, one must avoid including the variety in a cultivar register or disclosing it so as not to affect the distinctness requirement, nor commercialize it so as not to affect the novelty requirement

5. COPYRIGHT AND RELATED RIGHTS

5.1. Copyright and Related Rights in the Knowledge Economy and Content Industries

In the digital economy, intangible assets are central to business value.

Copyright protects artistic and literary creations that generate value in sectors such as publishing, music, audiovisual production, software, video games, advertising and marketing, e-learning and digital content.

In Colombia, protection arises automatically upon creation of the work, provided that the author is a natural person and the work is original (reflecting the author's personal imprint and not copied from a prior work).

The merit or purpose of the work is irrelevant for protection.

5.2. Content of Copyright and Related Rights

5.2.1. Moral Rights

Characteristics

FEATURE	DESCRIPTION
Ownership	Remains with the author.
Duration	Perpetual
Inalienable	Non-transferable, unwaivable, and not subject to seizure

The five moral rights are:

1. ***Paternity:*** *to be recognized as the creator of the work.*
2. ***Integrity:*** *to oppose distortions or modifications that harm the author's reputation.*
3. ***Disclosure:*** *to decide if and when the work is made public.*
4. ***Modification:*** *to alter the work after publication, subject to prior compensation.*
5. ***Withdrawal:*** *to withdraw the work from the market, subject to prior compensation.*

5.2.2. Economic Rights

Characteristics

FEATURE	DESCRIPTION
Transferable	Yes, including by legal presumption in certain cases, e.g., employment contracts.
Temporary	Generally, life of the author plus 80 years; 70 years for legal entities.
Features	Waivable and subject to seizure.

The five economic rights are:

1. ***Reproduction:*** *making physical or digital copies.*
2. ***Public communication:*** *making the work accessible to the public without distributing copies.*
3. ***Distribution:*** *commercialization of physical copies.*
4. ***Transformation:*** *adaptations or modifications of the work.*
5. ***Importation:*** *entry of copies into the country.*

5.2.3. Related Rights

HOLDER	CONTROL OVER
Performers	Recording, reproduction and public communication of their performances (moral and economic rights).
Phonogram producers	Reproduction, distribution and public communication of phonograms (economic rights).
Broadcasting organizations	Retransmission, fixation and reproduction of broadcasts (economic rights).

5.3. Registration of Copyright and Related Rights

Registration is not mandatory, but it is recommended because it (i) facilitates the proof of ownership, (ii) accredits the date of creation, (iii) allows enforceability against third parties, and (iv) is useful in M&A processes and control of the inventory of intangible assets.

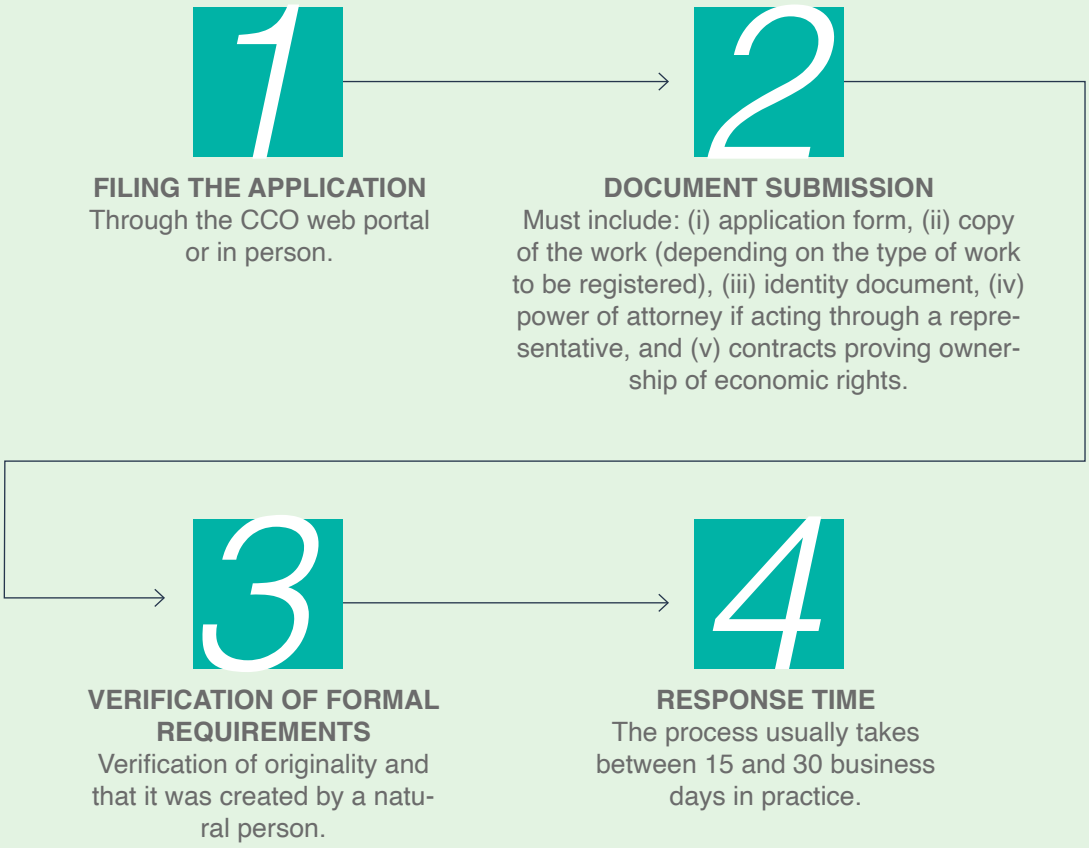
The procedure is carried out before the Colombian Copyright Office (CCO), virtually (CCO's web portal: www.derechodeautor.gov.co) or in person, providing (i) application form, (ii) copy of the work (depending on the type of work to be registered), (iii) identity document, and (iv) power of attorney if acting through an attorney.

The procedure usually takes between 15 and 30 business days in practice. Literary, musical, audiovisual works, software, databases, photographs, and works of art, among others, can be protected by copyright. On the contrary, ideas or concepts, methods or systems, forms or procedures, works in the public domain, and news of the day are not protectable.

It should be noted that the registration of assignment or license contracts is indeed a requirement for enforceability against third parties, full evidentiary effects, and legal certainty in transactions.



Flowchart of the Works Registration Process before the CCO



5.4. Enforcement and Protection of Copyright and Related Rights

1. ***Preventive measures:*** *(i) registering works and contracts, (ii) using confidentiality clauses, (iii) implementing technological protection measures, and (iv) establishing policies on the use of protected material and employee training.*
2. ***Extrajudicial actions:*** *(i) cease and desist letter, (ii) direct negotiation, and (iii) mediation or conciliation.*
3. ***Judicial actions:*** *(i) civil process for the cessation of infringement, compensation, destruction of illicit copies, publication of the sentence, and precautionary measures, and (ii) criminal action that proceeds for infringement of moral and/or economic rights or for the violation of technological protection measures.*

5.4.1. Map of Intellectual Property Assets in Colombia

ASSET / FIGURE	WHAT DOES IT PROTECT?	AUTHORITY / WHERE IT IS MANAGED	HOW IS IT OBTAINED?	TYPICAL DURATION	KEY POINTS
Trademark	Products or services in the market	CPTO	Application + formal and substantive examination	10 years from grant (indefinitely renewable)	Exclusive right of use. Enforceability against third parties. Rights arise with registration, not with use.
Trade slogan	Accessory phrase or legend that complements a trademark	CPTO	Application + formal and substantive examination	10 years from grant (indefinitely renewable)	Accessory to a principal trademark. Its protection is limited to the protection of the trademark.
Trade name / commercial sign	Name of a merchant or commercial establishment	CPTO (there is no registration, there is a deposit)	Application + formal examination	Indefinite as long as effective use is maintained	The right is acquired by use, not by deposit. The deposit is declarative. It does not require renewal. It is lost if use ceases.
Invention patent	New technical solutions (product/process)	CPTO	Application + patentability examination	20 years from filing (without ordinary extension)	Useful for hard technology. Requires worldwide novelty.
Utility model	Technical/functional improvements to objects (lower threshold)	CPTO	Application + examination	Usually 10 years (according to the applicable regime)	Faster/more realistic alternative for incremental improvements.
Industrial design	External appearance (shape, configuration, ornamentation)	CPTO	Registration (focused on novelty of appearance)	Usually 10 years (according to the applicable regime)	Key for physical product/UX. Avoid the design being "only functional".
Trade secret	Confidential information with commercial value (know-how, formulas, lists, algorithms, processes and any other information that has value due to its secret nature)	There is no "registration"; it is protected as long as reasonable measures are maintained to keep it secret	Protection through management (policies, NDAs, controls)	As long as reasonable measures are maintained to keep it secret	In M&A and JV: due diligence of confidentiality measures. Without measures, protection is lost.

ASSET / FIGURE	WHAT DOES IT PROTECT?	AUTHORITY / WHERE IT IS MANAGED	HOW IS IT OBTAINED?	TYPICAL DURATION	KEY POINTS
Copyright	Literary, artistic, scientific works, software, photographs, among others	CCO	Application + verification of formal requirements	Natural person: life of the author + 80 years.	Legal entities: 70 years from publication. Does not require registration for protection, registration is declarative. Grants moral and economic rights.
Related rights	Performances and executions; phonograms; broadcasts by broadcasting organizations	CCO	Application + verification of formal requirements	Natural person: life + 80 years. Legal entities: 70 years from first publication or broadcast.	Protect performances, executions and productions, not the original works. Grants moral and/or economic rights.
Plant varieties (breeder)	New varieties that meet requirements of distinctness, uniformity and stability (DUS)	ICA	Application + DUS technical examination	25 years for vines, forest trees, fruit trees	including their rootstocks and 20 years for other species.
Appellations of origin	Products whose characteristics are due to geographical and human factors	CPTO	Application + formal and substantive examination	Indefinite as long as the conditions of the declaration of protection are maintained	Collective right, holder is the State (CPTO can delegate administration). The authorization of use is valid for 10 years, renewable.
Denominaciones de origen	Productos cuyas características se deben a factores geográficos y humanos	SIC	Solicitud + examen formal y de fondo	Indefinida mientras se mantengan las condiciones de la declaración de protección	Derecho colectivo, titular es el Estado (SIC puede delegar administración). La autorización de uso tiene vigencia de 10 años, renovables.

5.4.2. Requirements for Registrability / Protection

FIGURE	KEY REQUIREMENTS	TYPICAL GROUNDS FOR REJECTION / RISK	EVIDENCE / BEST PRACTICES
Trademark	Distinctiveness and susceptibility of graphic representation.	Lack of distinctiveness: generic/descriptive/commonly used signs; confusion with prior signs; misleading signs; among others.	Trademark background search; precise delimitation of products and services; avoid weak signs.
Invention patent	Worldwide novelty, inventive step, industrial application.	Prior disclosure (papers, pitch decks, fairs); obviousness; lack of support; excluded subject matter.	NDA + disclosure control; early filing strategy; robust drafting (examples).
Utility model	Novelty + technical/functional advantage (lower threshold).	Prior disclosure; lack of technical advantage; high obviousness.	Document improvement; prototypes/trials; filing before commercialization.
Industrial design	Novelty of aspect (appearance) and that it is not purely functional.	Design already disclosed; minimal variation; design dictated by function.	Consistent drawings/photos; dashed lines for non-claimed elements (if applicable); disclosure control.
Trade secret	Undisclosed information + commercial value + reasonable measures of reserve.	Information known in the industry; broad access without controls; contracts without NDAs; open repositories.	NDA/NNN; internal policies; access control; "confidential" marking; logs; training.
Copyright	The author must be a natural person and the work must be original.	AI-generated work without human contribution; lack of originality; ideas; works in the public domain.	Register works as a mean of proof; ensure chain of title before acquiring rights; document creative process if AI is involved; clear and precise assignment or license agreements.
Related rights	Artistic performance/execution; production of phonograms; broadcasting.	Lack of fixation of the performance; use without authorization of the author/producer/performer.	Registration as a means of proof; contracts with performers/producers; user licenses; collective management (management societies).
Plant varieties	Novelty + distinctness + uniformity + stability (DUS).	Not new or does not meet DUS requirements.	Technical documentation; trials; market/territory strategy; do not commercialize or register cultivars without first filing an application for plant breeder's rights.

5.5. "Clearance" or Due Diligence in the Creative Process

It is the process of verifying and obtaining the necessary authorizations to use protected material in a new creation. It is common in audiovisual and musical production, advertising and marketing, software and video game development, and editorial publications, among others.

The following protocol is recommended:

1. *Inventory of all the material to be used.*
2. *Identification of authors and right holders.*
3. *Verification of validity of protection (public domain or exceptions).*
4. *Determination of the necessary rights according to the intended use.*
5. *Negotiation of licenses (territory, term, media, compensation).*
6. *Formalization of contracts in writing.*
7. *Creation of a file with the documentation associated with the clearance.*

6. AGREEMENTS RELATED TO INTELLECTUAL PROPERTY

Table 3.2.4 Typical Contracts Related to Intellectual Property (what they are, formalities and registration)

CONTRACT	WHAT IS IT USED FOR?	MINIMUM CLAUSES	DOES IT REQUIRE REGISTRATION?	TAX IMPLICATION
Assignment	Transfer ownership	Identification of the right; price; warranties	Register for enforceability	Tax amortization of acquired intangibles
License of use (exclusive/non-exclusive)	Exploitation with royalties, does not change ownership	Scope; territory; term; exclusivity; royalties; audit	Registration for enforceability	Withholding/deductibility/ depending on case
Assignment of economic copyrights and related rights	Transfer economic exploitation of work	Identification of the work; scope of the assignment; modalities of use; territory; term; remuneration.	Must be in writing (validity requirement). Registration with CCO for enforceability	Income / deductibility depending on the case.
Franchise	Commercial expansion	Trademark license + know-how + standards	There is no single registration; depends on underlying licenses	Withholding/deductibility/TP; separate components
Joint venture / collaboration	Co-development and exploitation	Contributions (incl. IP), ownership of results, cross-licenses, exit	Document contributions/assignments/ licenses	TP and tax treatment depends on structure
NDA / confidentiality	Maintain trade secret/know-how	Definition, measures, term, penalties	No	Supports intangible value and reasonableness of payments
Movable guarantees/liens on IP	Financial collateral	Identification of the asset; obligation; execution	Yes, for publicity of the guarantee and priority against creditors	Impacts valuation and flows

7. INVESTOR CHECKLIST

7.1. Minimum Recommended Actions

A. Before investing or signing (due diligence)

- *Identify which intangible assets are critical: brand, software, know-how, designs, patents, content, data.*
- *Verify actual ownership: are they in the name of the correct company (parent/subsidiary)? Are there signed assignments?*
- *Review chain of title in software and creativity: employees, contractors, freelancers, agencies.*
- *Confirm third-party licenses (open-source software, music, images, datasets, APIs) and breach risks.*
- *Check for existing surveillance and disputes: oppositions, nullities, lawsuits, cease and desist letters.*

B. Trademarks:

- *Identify the signs to be registered as trademarks, as well as the products and services intended to be identified.*
- *Conduct a prior background search before filing the registration application.*
- *Ensure that the trademark is used directly or through authorized third parties (for example, through distribution/franchise/license agreements).*

C. Patents and industrial designs:

- *If there is an invention: define the filing strategy (patent vs. utility model vs. trade secret).*
- *If the value lies in appearance/shape: evaluate industrial designs (and control disclosures).*
- *Implement a "no disclosure before filing" general policy.*

D. Trade secret:

- *Create or update: NDAs, confidentiality clauses in employment and suppliers.*
- *Segment accesses: repositories, drive, CRM, code, technical documentation.*
- *Basic manual: information classification, marking, training, incident response procedure.*

E. Essential contracts:

- *Templates: assignment/license, software development, distribution, franchise, manufacturing, joint venture.*
- *Critical clauses: ownership of improvements, sublicenses, auditing, confidentiality, non-compete (if applicable), termination, governing law.*
- *Define if it is convenient to register/record certain acts for enforceability against third parties (depending on the figure).*

F. Continuous operation:

- *Implement trademark surveillance for oppositions.*
- *Calendar of expirations: renewals, opposition/response deadlines, international expansion (priority claim).*
- *Basic KPIs: portfolio, costs, IP incidents, active licenses.*

7.2. Freedom to Operate

In patent matters, a freedom-to-operate analysis consists of comparing in detail the features of a product or process with granted or pending patents in a specific territory to determine whether manufacture, use or commercialization could infringe existing rights.

This analysis allows identification, before investment or launch, of legal barriers that may restrict market entry.

Failure to conduct such analysis increases the risk of infringement claims, commercial blockages and reputational damage.

Conducting it in advance enables evaluation of licensing options, product redesign ("design-around") strategies and innovation opportunities.

8. ENFORCEMENT AND MONITORING

IP enforcement comprises the set of measures aimed at preventing, detecting, and reacting against the unauthorized use of intangible assets. A well-designed enforcement strategy reduces commercial risks by allowing, among others, the timely identification of infringements or infringement risks, preventing loss of market share, avoiding brand deterioration, and ensuring that the registration is not just a formal title, but an effective exclusivity in the market, as it is intended to provide.

8.1. Monitoring Measures

It is usually structured on three fronts:

i. ***Registry surveillance:*** *monitoring of publications and applications before the competent authorities to detect third parties attempting to register or protect similar or confusingly similar assets, to evaluate the timely filing of oppositions and administrative actions.*
ii. ***Market and digital channels surveillance:*** *monitoring of points of sale, distributors, imports, marketplaces, social networks, and advertising to detect imitations, improper use of trademarks, copies of packaging/designs, unauthorized content, or deceptive practices.*
iii. ***Contractual and value chain surveillance:*** *controlling compliance with license, distribution, franchise, manufacturing, and confidentiality agreements, including reasonable audits, supplier traceability, and verification of sublicenses, to avoid deviations from the authorized scope and leaks of sensitive information.*

8.2. Recommendations

For enforcement to be efficient, it is recommended to:

1. ***Define portfolio priorities:*** *identify "critical" assets and assign them a higher intensity of monitoring.*
2. ***Integrate surveillance with the business:*** *establish internal reporting channels (commercial, sales, marketing, supply chain) and escalation criteria (what is tolerated, what is negotiated, what is litigated).*
3. ***React early:*** *upon signs of infringement, acting quickly can reduce the expansion of the damage and improves the evidentiary position.*
4. ***Document evidence:*** *keep screenshots, samples, invoices, advertising, URLs, dates, and any element that proves use or commercialization. Early evidence can be decisive for precautionary measures.*
5. ***Align contracts with enforcement:*** *licenses, franchises, and distribution must include quality control clauses, cooperation in enforcement, reasonable inspection power, handling of third-party in-*

fringements, and clear termination rules.

6. ***Manage confidentiality as an asset:*** *for trade secrets, complement NDAs with internal measures (accesses, segmentation, policies, training) to keep the information protected and enforceable.*

8.3. Judicial Actions and Interim Measures

When the infringement persists or the commercial risk is high, judicial actions can be activated (depending on the affected right) to obtain, among others, the cessation of the conduct, compensation for damages, and measures to remove products or correct the market. Precautionary measures are a fundamental mechanism: they seek to prevent the damage from worsening while the process advances. They may include orders for the suspension of use or commercialization, removal of publications or advertising, immobilization of merchandise, preservation of evidence, and other measures depending on the case. For their success, it must be demonstrated **(i) ownership or legitimation over the right, (ii) serious indications of infringement or imminent risk, and (iii) the necessity and proportionality of the measure against the damage sought to be avoided.**

Gobierno de Colombia

PROCOLOMBIA
EXPORTS TOURISM INVESTMENT COUNTRY BRAND

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

Tax, Customs and International Trade



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Introduction

This section provides an executive overview of the main regulatory areas that an investor or company should consider when structuring and operating a business in Colombia, including tax, customs, foreign trade, foreign exchange and accounting matters.

GLOSSARY

1. ***Tax:*** *mandatory levy imposed by the State as a consequence of the occurrence of a taxable event provided by law, without any direct consideration.*
2. ***Public fee:*** *payment made by the taxpayer as consideration for a specific service provided by the State.*
3. ***Special contribution:*** *tax levied on those who receive a particular benefit derived from a public work or State activity.*
4. ***Tax base:*** *value on which the tax rate is applied.*
5. ***Tax Rate:*** *percentage or value applicable to the tax base to calculate the tax.*
6. ***Withholding tax:*** *advance collection mechanism whereby the person making a payment withholds and pays a percentage of the tax borne by the income beneficiary.*
7. ***Exempt transaction (VAT 0%):*** *transaction taxed at a zero rate that preserves the right to credit or request a refund of the VAT paid on associated purchases.*



8. ***Excluded transaction (VAT):*** *transaction that is not subject to VAT and that, in general, does not allow the crediting of the tax paid on associated costs and expenses.*
9. ***Double Taxation Treaty (DTT):*** *international treaty that allocates taxing powers between two States to avoid double taxation.*
10. ***Permanent Establishment (PE):*** *fixed place of business through which a foreign enterprise carries out all or part of its activity in a country.*
11. ***Significant Economic Presence (SEP):*** *criterion that allows taxing foreign enterprises that generate relevant income in a country without physical presence.*
12. ***Tax reconciliation:*** *process through which the differences between accounting profit and taxable income are identified and documented in order to correctly determine the tax base.*
13. ***Trade Agreement:*** *the bilateral, plurilateral or multilateral understanding between States, which may be for international cooperation or international integration.*
14. ***Customs Administration:*** *the National Tax and Customs Directorate (DIAN), competent for control, inspection and collection in customs matters.*
15. ***Supplier Certificate – CP:*** *the document issued by an international trading company, authorized by the Ministry of Commerce, Industry and Tourism, which certifies the acquisition of Colombian products intended for export.*
16. ***Customs duties:*** *duties established in the customs tariff, generally levied upon the importation of goods into the national customs territory, and upon exportation only where applicable.*
17. ***Declarant:*** *the person who signs and files a customs declaration in their own name or on behalf of third parties. The declarant must carry out the procedures inherent to customs clearance.*
18. ***Export:*** *the departure of goods from the national customs territory to another country, as well as the departure of goods to a free trade zone and to a bonded warehouse.*
19. ***Import:*** *the introduction of goods of foreign origin into the national customs territory, as well as the introduction of goods from a Free Trade Zone, or from a bonded warehouse, into the rest of the national customs territory.*
20. ***Customs release:*** *an administrative act of the customs authority that allows interested parties to dispose of the imported goods.*
21. ***Foreign exchange market:*** *the set of foreign exchange transactions that must be channeled through a foreign exchange market intermediary or through a registered compensation account.*
22. ***Goods:*** *all assets capable of being classified under the tariff nomenclature and subject to customs control.*
23. ***Nationalization of goods:*** *compliance with the necessary procedures to subject goods to the corresponding import regime and allow their free disposal.*
24. ***Internationalization Plan:*** *a document indicating the foreign trade promotion strategies that operators of permanent free trade zones or industrial users of special permanent free trade zones intend to develop.*
25. ***Electronic Information Services – SIE:*** *those made available by DIAN for carrying out customs procedures, operations,*

processes and proceedings, supported by the software and hardware intended for such purpose.

26. ***National Customs Territory (Territorio Aduanero Nacional – TAN):*** *territorial scope of application of Colombian customs legislation.*
27. ***Customs taxes and duties:*** *customs duties and other taxes or surcharges collected in connection with importation.*
28. ***Colombian Tax Code (CTC or TC):*** *the body of rules that compiles and regulates the main provisions on national taxes in Colombia, including their determination, filing, payment, inspection, penalties, collection, refunds and tax procedure.*

1. ACCOUNTING REGIME: IFRS AND TAX ACCOUNTING

1.1. General IFRS framework in Colombia and mandatory application by groups

Colombia formally adopted international financial reporting standards through Law 1314 of 2009, aligning its accounting system with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB). As a result, the financial statements of Colombian companies are prepared under technical frameworks fully harmonized with global standards.

Current regulations (Decree 2420 of 2015 and its amendments) establish different accounting frameworks depending on the size and complexity of the company:

Group 1 – Full IFRS
Includes public interest entities and others that, due to their size, nature or responsibility towards third parties, require a more rigorous technical framework. They apply the full IFRS incorporated in Annex 1 of Decree 2420 of 2015.

Group 2 – IFRS for SMEs
Includes entities that do not belong to Group 1 and do not qualify as Group 3. They apply the IFRS for SMEs incorporated in Annex 2 of Decree 2420 of 2015.

Group 3 – Simplified accounting for microenterprises
Comprised of individuals and legal entities required to keep accounting records, those who, without being required to keep them, intend to use them as evidence, and those that qualify as microenterprises according to the criteria established in Decree 1074 of 2015; provided that they meet all the requirements established in the regulation. They apply the simplified framework provided in Decree 2420 of 2015.

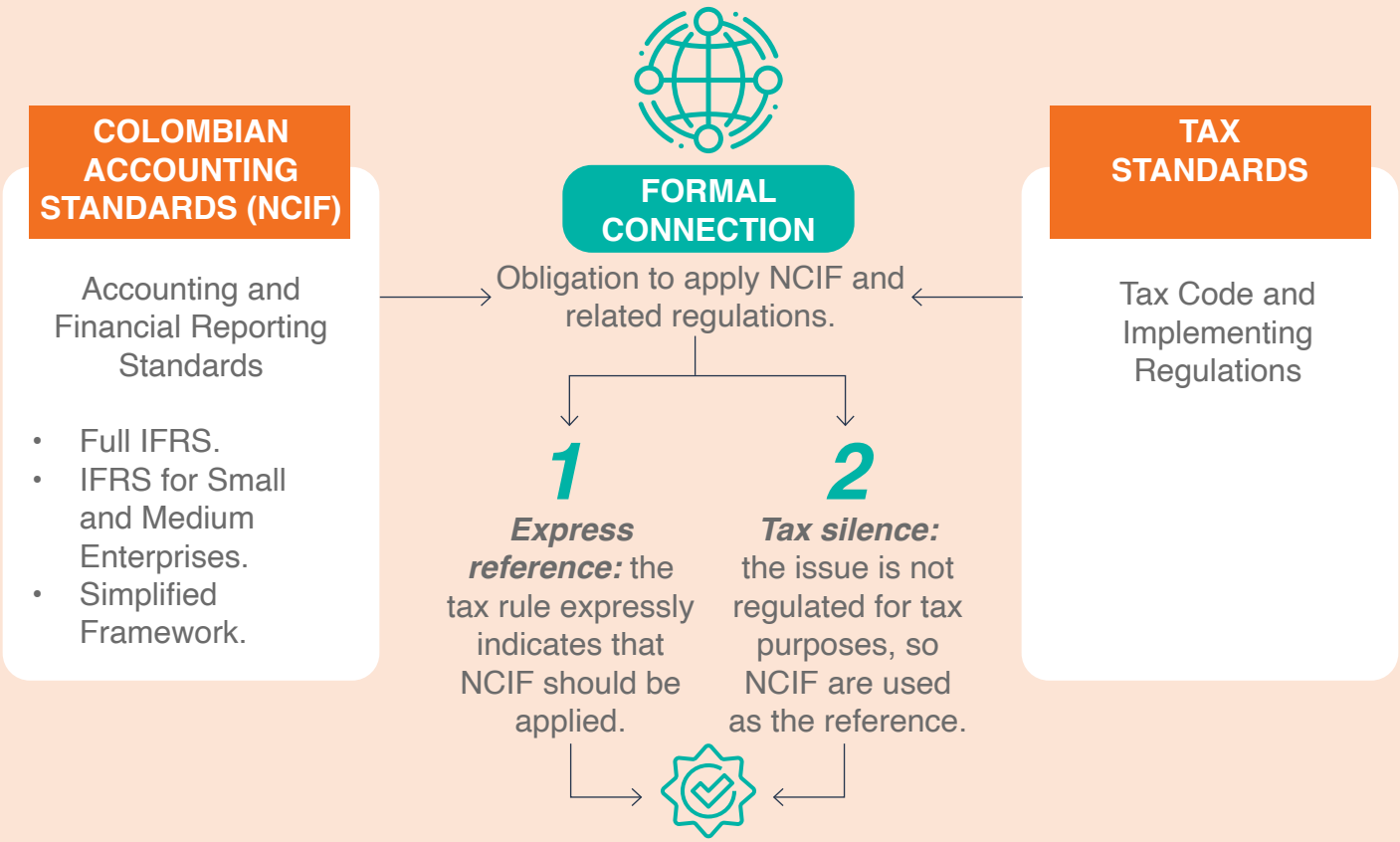
1.2. Tax reconciliation and IFRS vs. tax differences (temporary/permanent)

In Colombia, the income tax base is generally determined based on accounting information prepared under Colombian Accounting and Financial Reporting Standards (NCIF), unless a specific tax rule provides otherwise. This model, known as the principle of formal linkage between accounting and tax rules, entails the coexistence of accounting and tax rules that may generate differences in the determination of the result.

Formal Connection Principle in Colombia

Since 2017

Income tax relies on the **NCIF** when **the tax rule expressly refers to them or does not regulate the issue.**



Mandatory application of NCIF as an accounting and tax criterion.

These differences are classified as temporary and permanent. Temporary differences arise when there is a divergence between the accounting value and the tax value of assets or liabilities that will reverse in future periods. For example, they may arise from differences in depreciation methods, non-deductible accounting provisions or recognition of income under different criteria. These differences generate deferred tax and mainly affect the timing of tax payment.

Permanent differences, on the other hand, correspond to items that will have no tax effect in any period. This is the case of non-deductible expenses or non-taxable income, which definitively impact the taxpayer's tax burden.

Determination of Net Taxable Income
Formal Connection Principle

FINANCIAL ACCOUNTING (NCIF)

Economic reality

ACCOUNTING RESULT (accounting profit)

TAX RULE (Tax Code, decrees, and administrative doctrine).

If the tax rule refers to NCIF

Remains silent -NCIF are applied-

TAX RECONCILIATION:
Accounting adjustments - tax adjustments

TEMPORARY DIFFERENCES

(they reverse in the future)

They generate deferred tax

1. Accounting useful life vs. Tax useful life
2. Provisions that are not yet deductible
3. Accrued income not yet realized

PERMANENT DIFFERENCES

(No se revierten)

(they do not reverse)

1. Non-deductible fines and penalties
2. Expenses lacking causality / necessity / proportionality
3. Non-deductible portion of the financial transactions tax (GMF)
4. Equity-method recognition / deferred tax recognition.

FINAL RESULT = NET TAXABLE INCOME

Based on these differences, a tax reconciliation must be prepared, showing the differences between a company's accounting and tax data in order to determine the tax base for income tax.

This is a simple example of tax reconciliation

ACCOUNTING PROFIT (IFRS)	COP
INCOME	
(-) ACCOUNTING EXPENSES	5.000.000
ACCOUNTING PROFIT	(4.000.000)
	1.000.000
TAX ADJUSTMENTS	
(+) TAX PENALTY (NON-DEDUCTIBLE)	50.000
(+) DIFFERENCE IN TAX DEPRECIATION	20.000
(–) NON-TAXABLE INCOME	(10.000)
TOTAL NET ADJUSTMENTS	60.000
TAXABLE INCOME	
ACCOUNTING PROFIT	1.000.000
(+/-) TAX ADJUSTMENTS	60.000
TAX BASE FOR TAX PURPOSES	1.060.000

Although the tax is calculated taking accounting into account, certain items must be increased or reduced considering special tax rules.

BEST PRACTICES IN ACCOUNTING MANAGEMENT, REPORT SUBMISSION AND TAX CLOSINGS

It is advisable for the company to implement, from the outset, accounting policies aligned with the applicable IFRS framework, duly documented and consistent with the economic reality of its operations. Likewise, it is advisable to establish periodic accounting closing processes, preferably monthly, to validate the quality of the financial information and timely make the required adjustments.

2. TAXATION IN COLOMBIA: MAIN TAXES

Colombia has a national and territorial tax system, which includes taxes, fees and special contributions. The main taxes applicable to investment and business operations in the country are presented below.

MAIN NATIONAL TAXES AND OBLIGATIONS

2.1. Corporate income tax and complementary taxes (companies / permanent establishments (PE) / branches of foreign companies)

Corporate income tax is the main tax levied on business profits in Colombia. It is an annual and direct tax whose taxable event is the receipt of income that increases the taxpayer's net worth during the relevant fiscal year.

From the perspective of foreign investment, the most common structures for operating in Colombia are the incorporation of a local company, the opening of a branch or the performance of activities that give rise to a permanent establishment. Companies incorporated in Colombia are subject to income tax on their worldwide-source income, while foreign entities are taxed on their Colombian-source income. However, when a foreign entity has a permanent establishment in Colombia, it must be taxed on the income attributable to such establishment. Additionally, since 2023, the Significant Economic Presence regime applies to certain income obtained from abroad.

The following table summarizes the general scope of taxation depending on the vehicle used:

TYPE OF ENTITY	INCOME SUBJECT TO TAX	GENERAL RATE	OBLIGATION TO FILE AN INCOME TAX RETURN IN COLOMBIA
Colombian company	Worldwide income	35%	Yes
Branch of a foreign company	Income attributable to the branch.	35%	Yes
Permanent establishment	Income attributable to the permanent establishment.	35%	Yes
Non-resident (individual or legal entity) without PE	Only colombian-source income	Through withholding tax	Generally no[1], except in cases such as the sale of shares owned directly or indirectly in Colombia
Non-resident (individual or legal entity) with Significant Economic Presence	Income obtained from the sale of goods or the provision of services from abroad to Colombia is taxed	3% annually on gross income, or withholding tax	Voluntarily, a return at 3% on the gross revenue with bimonthly payments of 2%.

[1] *Tax Code, article 592 (2).*

A company is considered tax domiciled in Colombia when it is incorporated under Colombian law, has its main domicile in the country, or when its place of effective management is located in Colombia. A permanent establishment, in turn, is configured when a foreign entity carries out activities in the country through a fixed place of business or through an agent with authority to conclude contracts.

How is the tax calculated?

The tax is calculated on net taxable income, determined as the difference between tax income and deductible costs and expenses. For these to be accepted for tax purposes, they must meet the criteria of causality, necessity and proportionality, be duly supported and comply with formal requirements, including electronic invoicing and authorized means of payment. Deductibility may be limited by special rules such as withholding tax on payments abroad, transfer pricing or thin capitalization.

The general rate applicable to domestic companies, branches, and permanent establishments required to file a return is 35%. However, there are certain special rates for specific economic sectors. In summary:

REGIME / SECTOR	RATE	DESCRIPTION
Legal entities (general regime)	35%	General income tax rate
Free trade zone	20%	Preferential rate for free trade zone users (subject to requirements). Generally associated with income derived from exports.
State industrial and commercial companies and mixed-economy companies	9%	Differential rate.
Financial sector	35% + 5% surcharge	An additional 5% applies to financial institutions that meet certain conditions[2].
Hydrocarbons and extractive sector	35% + surcharge of 5%, 10% or 15%	The surcharge is added according to specific thresholds and conditions[3].
Hydroelectric sector	35% + 3% surcharge	The surcharge is added according to specific thresholds and conditions[4].
Hotel sector	9%, 15% or exempt income	Benefit: exempt income or rates of 9% or 15% depending on the regime applicable at the relevant time. Projects currently established may apply the 15% rate or the general rate.
Significant economic presence	3% on gross income	This is a special regime. It also provides for prepayments of 2% of bimonthly gross income[5].

[2] Tax Code, section 240 (paragraph2).
[3] Tax Code, section 240 (paragraph 3).
[4] Tax Code, section 240 (paragraph 4).
[5] Tax Code, section 20-3.

Minimum Taxation Rate (TMT) or Adjusted Tax Rate (TTD):

Colombia establishes a minimum level of effective taxation for certain legal entities, so that, after applying benefits, tax credits and exempt income, the tax burden is not lower than 15% on an adjusted base of financial profit.

Transfer pricing

Transactions with foreign related parties must be carried out at market values in accordance with transfer pricing rules, which entail documentation obligations and potential adjustments by the tax administration.

Business collaboration contracts regime

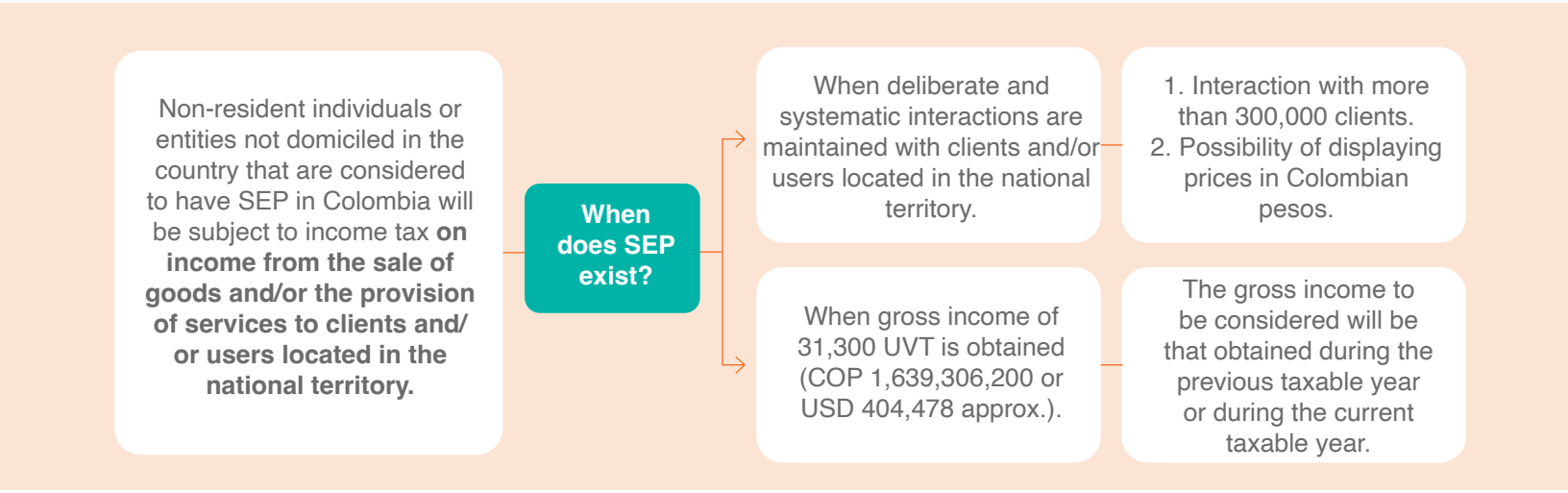
Business collaboration contracts (such as silent partnership agreements, joint ventures, consortia or temporary unions) are not income taxpayers; each participant is taxed on its proportion of income and expenses.

What is the Significant Economic Presence (SEP) Regime?

The SEP regime allows taxation of non-residents without a permanent establishment that, even without physical presence, obtain income from the Colombian market through the provision of services or the sale of goods from abroad.

It is configured when certain income thresholds or interaction with users in Colombia are exceeded. In these cases, income is subject to taxation through withholding tax or, alternatively, through voluntary registration to be taxed at 3% on gross income, with bimonthly prepayments of 2%.

It is key to verify the existence of double taxation treaties (DTT), since these prevail over the SEP regime.



The regime is mainly aimed at digital services (such as streaming, advertising or data processing) and the sale of goods from abroad through digital platforms.

2.2. Complementary tax on occasional gains

In addition to ordinary income tax, this tax is levied on certain extraordinary income, such as do-

nations, inheritances and gains from the sale of fixed assets held for more than two years. The general applicable rate is 15%, and its determination is made independently from ordinary income, that is, the result between the sale price and the tax cost of that asset[6]. It also taxes lottery prizes at a 20% rate.

2.3. Tax on dividends

The taxation of dividends in Colombia depends on whether the distributed profits were already subject to income tax at the corporate level. This distinction determines the tax treatment at the shareholder level.

Companies in Colombia are taxed on their taxable profits; however, due to benefits, tax credits, exempt income or differences between accounting profit and net taxable income, not all accounting profits have been taxed. Therefore, the legislation requires a distinction between "taxed" and "untaxed" profits.

When dividends are distributed to non-residents, withholding tax is triggered in Colombia. If the profit was already taxed at the corporate level, the applicable withholding tax is, in general, 20%, constituting final tax, without prejudice to the provisions of double taxation treaties (DTT). If the profit was not taxed, a 35% withholding tax is first applied (corporate level) and, on the remainder, an additional 20% withholding tax applies, which may vary depending on the DTT. The rates differ when the beneficiary is a tax resident in Colombia: individuals are subject to progressive rates (0%–15%), while resident companies generally apply a 10% rate.

There are special regimes that may modify this treatment (such as Colombian Holding Companies, business groups or the SIMPLE regime), so each case requires specific analysis, especially in multi-level structures.

The application of DTT may limit the applicable rates, depending on the level of participation and the nature of the shareholder.

Below is a general summary of dividend taxation:

TYPE OF SHAREHOLDER	HAS THE PROFIT ALREADY PAID CORPORATE TAX?	APPLICABLE TAXATION	KEY COMMENTS
Non-resident individual and foreign company	Yes	20% withholding tax	Final tax in Colombia
Non-resident individual and foreign company	No	35% (corporate level) + 20% on the difference between the recapture and the dividend.	Corporate taxation is ensured first and then the shareholder is taxed. Higher effective burden.
Individual resident in Colombia	Yes	0% if the value of the dividend is equal to or less than COP 57,088,000 for 2026; or a 15% marginal rate if the value of the dividend exceeds the threshold.	Integrated into personal income tax. Progressive rate.

[6] *Tax Code, articles 300 et seq.*

TYPE OF SHAREHOLDER	HAS THE PROFIT ALREADY PAID CORPORATE TAX?	APPLICABLE TAXATION	KEY COMMENTS
Individual resident in Colombia	No	35% (corporate level) + progressive rate (0%–15%) on the difference between the recapture and the dividend.	Taxed first at the corporate level and then integrated into personal tax.
Company resident in Colombia	Yes	10%	The tax may be passed through to the ultimate beneficiary, or may not apply in certain business group scenarios.
Company resident in Colombia	No	35% (corporate level) + 10% on the difference between the recapture and the dividend.	If dividends are subsequently redistributed, the rules will apply depending on the final beneficiary.

2.4. Withholding tax on payments abroad

Withholding tax is the main mechanism for collecting income tax on payments abroad. It consists of the payer withholding part of the amount and transferring it directly to tax administration. Unlike domestic transactions, where withholding tax generally operates as a prepayment, withholding tax on outbound payments generally constitutes the final income tax liability for the non-resident recipient, provided the payment qualifies as Colombian-source income.

This mechanism is especially relevant in cross-border transactions such as services, interest, royalties, and dividends. In certain cases, such as the sale of assets in Colombia, the foreign investor must also register and file the corresponding tax return.

The withholding rate depends on the nature of the payment, as summarized below:

DETAIL	RATE	LEGAL REFERENCE
Consulting, technical services and technical assistance services.	**20%**	Second paragraph of article 408 of the Tax Code
Interest, commissions, fees, royalties, leases, compensation for personal services.	**20%**	First paragraph of article 408 of the Tax Code
Interest on loans with a term exceeding one year.	**15%**	Third paragraph of article 408 o f the Tax Code
Interest on loans exceeding 8 years for the financing of infrastructure projects (PPP).	**5%**	Fifth paragraph of article 408 of the Tax Code

DETAIL	RATE	LEGAL REFERENCE
Exploitation of any kind of industrial property or know-how, provision of services, benefits or royalties derived from literary, artistic, and scientific property, exploitation of cinematographic films.	20%	First paragraph of article 408 of the Tax Code
Lease payments for vessels, helicopters and/or aircraft, and their parts, made directly or through leasing companies to foreign companies not domiciled in Colombia.	1%	Fourth paragraph of article 408 of the Tax Code
Payments or credits to account for ceded reinsurance premiums made to persons not resident or not domiciled in the country.	1%	Sixth paragraph of article 408 of the Tax Code
Use or exploitation of software	20%	First paragraph of article 408 of the Tax Code
International air or maritime transport services.	5%	Article 414-1 of the Tax Code
Administrative or management expenses for royalties and exploitation or acquisition of any kind of intangibles.	33%	Seventh paragraph of article 408
Payments under the significant economic presence regime.	10%	Eighth paragraph of article 408 of the Tax Code
Payments abroad made to residents or domiciled persons in non-cooperative jurisdictions or jurisdictions with low or no taxation, which have been classified as such by the Colombian Government, or to entities subject to a preferential tax regime.	33%	Paragraph of article 408 of the Tax Code
Payments made to foreign professors.	7%	Article 409 of the Tax Code
Payments made under “turnkey” contracts and other material construction contracts.	1%	Article 412 of the Tax Code
Payments for the lease of machinery.	2%	Article 414 of the Tax Code
Payments for services to foreign artists.	8%	Article 5 of Law 1493 of 2011
Payment of dividends to individuals or legal entities not resident in Colombia, on dividends subject to income tax in Colombia.	20%	Article 245 of the Tax Code
Payment of dividends to individuals or legal entities not resident in Colombia, on dividends not subject to income tax in Colombia.	35%	The 35% rate will be applied on the gross amount. Subsequently, on the difference between the dividend paid and the withholding tax applied at 35%, a new 20% withholding tax will apply. Article 245 of the Tax Code

DETAIL	RATE	LEGAL REFERENCE
Other payments abroad taxed in Colombia, but not defined in the previous articles.	**15%**	Article 415 of the Tax Code
Payments for occasional gains such as the sale of assets in Colombia.	**10%**	Article 415 of the Tax Code
Payments for services and goods subject to the significant economic presence regime.	**10%**	Articles 20-3 and 410 of the Tax Code

IMPORTANT

If the transaction involves a country with which Colombia has double taxation treaties, the withholding tax rate may vary depending on the type of income.

In some countries, this withholding tax can be used as a tax credit or deduction to avoid double taxation. However, it is also necessary to consider whether other mechanisms exist in the treaties signed by Colombia to avoid double taxation.

2.4.1. Services

Income from services is considered Colombian-source income when the services are rendered in Colombia. Consequently, if a foreign entity provides services in the country, the income will be subject to 20% withholding tax.

By contrast, when the service is performed entirely abroad, without physical presence or activity in Colombia, the income is not considered Colombian-source income and is not subject to taxation. However, technical services, technical assistance and consulting services are considered taxed even when provided from abroad, with a 20% withholding tax, unless a DTT applies.

If the provision of the service involves habitual presence, offices, employees or agents with contractual authority in Colombia, a permanent establishment may be configured, shifting taxation to the ordinary regime[7].

In cases involving the importation of technology, the contract must be registered with DIAN within the legal deadlines for the payment to be deductible (6 months)[8].

[7] *Tax Code, article 20-1.*
[8] *Tax Code, article 123.*

2.4.2. Interest

Interest derived from loans linked to activities carried out in Colombia is considered Colombian-source income. The general withholding rate is 20%, with reduced rates of 15% for loans exceeding one year and 5% for long-term infrastructure financing, without prejudice to the provisions of DTTs.

In intragroup transactions, in addition to withholding tax, thin capitalization and transfer pricing rules must be considered, as they may limit the deductibility of interest.

2.4.3. Royalties for intellectual property

Royalties have a particularly relevant treatment in investment structures involving technology, intellectual property or the exploitation of intangibles. Royalties arising from the exploitation of intangible assets within Colombian territory or from abroad are considered Colombian-source income[9]. This includes payments for the use or concession of use of trademarks, patents, software, know-how, copyrights and other intangible assets when their economic exploitation occurs in Colombia.

The general rate applicable to royalties paid abroad is 20%, unless a double taxation treaty establishes a lower rate[10].

2.4.4. Special deductibility rules

In the case of payments abroad, the deductibility of such payments in Colombia is subject to certain requirements. For example, complying with the transfer pricing regime[11], respecting the thin capitalization limit, having applied withholding tax where required, or applying the statutory deductibility limitation where withholding is not applicable, supporting the payment through a supporting document for transactions carried out with persons not required to issue invoices, and registering the contract with DIAN in cases of technology importation.

2.5. VAT

Value Added Tax or VAT is an indirect national tax levied on the consumption of goods and services in Colombia. The taxable event includes the sale of goods, the provision of services in Colombia, the importation of goods and, in certain cases, the exploitation of intangibles. In the case of services, the general rule is that they are deemed to be rendered in Colombia when they are performed in the country; however, certain services rendered from abroad are also taxed when the user or beneficiary is located in Colombia, even without the physical presence of the provider.

The general VAT rate is 19%[12]. However, the Colombian system provides for differential rates of 5% for certain specific goods and services, as well as transactions taxed at a 0% rate, known as exempt transactions[13]. Likewise, there are excluded goods and services, which are not subject to the tax. This distinction is relevant because the treatment of VAT incurred in the acquisition of goods and services varies depending on whether the transactions are taxed, exempt or excluded.

[9] Tax Code, article 24, numeral 7.
[10] Tax Code, article 408.
[11] Tax Code, article 260-1.
[12] Tax Code, article 468.
[13] Tax Code, articles 468-1, 468-3, 477, 478, 424 y 476.

The tax operates under a creditable VAT system, under which the taxpayer may subtract the VAT paid on its purchases from the VAT generated on its sales. When excluded transactions are carried out, the VAT paid is not creditable and becomes a cost or expense; in exempt transactions, a refund is available.

In imports, VAT is triggered upon customs clearance/nationalization and is calculated on the customs value, plus customs duties and other items that form part of the VAT base. Payment is a requirement for the customs release of the goods and, if the importer carries out taxed activities, it may be treated as creditable VAT. Exports of goods, in turn, are taxed at the 0% rate, which does not generate tax payable, but does allow requesting a refund of the VAT paid on associated acquisitions.

In services, the treatment depends on the place of use: when they are rendered from Colombia and used exclusively abroad, they may be considered exempt subject to certain requirements. In construction contracts, VAT is determined on the contractor's profit and not on the total value of the contract, which entails special rules regarding the tax base and creditable VAT.

2.6. Wealth Tax

Wealth tax is triggered on the possession of net taxable wealth exceeding 72,000 Tax Value Units (UVT) (approximately COP 3,770,928,000 or USD 930,429 in 2026) as of January 1 of each year.

This tax applies to:

- *Resident individuals and illiquid estates of residents, with respect to their assets held worldwide (global wealth).*
- *Non-resident individuals and illiquid estates of non-residents, with respect to their assets held in Colombia.*
- *Certain foreign entities that hold assets in Colombia other than certain types of investments, such as shares, accounts receivable or portfolio investments duly registered with the Central Bank of Colombia.*

Progressive rates apply, which vary according to the value of the taxpayer's net taxable wealth, and range between 0.5% and 1.5%[14].

In February 2026, the Government again decreed another state of exception, and subjected legal entities with net taxable wealth of 200,000 UVT (COP 10,474,800,000 or USD 2,786,000) as of March 1, 2026, to wealth tax, at rates of 0.5% and 1.6%. Assets represented in shares are excluded from the tax base[15].

Lastly, in March 2026, the Government also subjected permanent establishments of foreign legal entities to wealth tax as of March 31 under the same conditions applicable to legal entities[16].

Currently, the Constitutional Court suspended the second installment of the wealth tax for nonprofit entities and companies undergoing liquidation[17].

[14] *Tax Code, article 292-3 et seq.*
[15] *Decree 0173 of February 24, 2026.*
[16] *Decree 0240 of March 12, 2026.*
[17] *Constitutional Court, Press Release 18. Order A-533/26.*

2.7. Other national taxes

2.7.1. Financial Transactions Tax (GMF)

This is a national tax collected through withholding tax by financial institutions and consists of a 0.4% withholding on the disposal of funds in bank accounts and checking accounts in Colombia[18]. This tax is collected by the bank, and 50% of the tax paid is deductible for income tax purposes[19].

Territorial Taxes

2.8. Relevant territorial taxes

Companies in Colombia must consider municipal and departmental taxes, the main one being the Industry and Commerce Tax (ICA).

2.8.1. Industry and Commerce Tax

It taxes gross income from industrial, commercial or service activities carried out in each municipality.

The tax is triggered in the municipality where the activity is deemed to be carried out, even without a physical establishment, unlike income tax, which taxes profit.

The tax base consists of the gross income obtained in the respective municipality from the performance of the taxed activity[20]. In principle, there is no distinction between operating and non-operating income when such income derives from the industrial, commercial or service activity carried out in the jurisdiction.

In most municipalities, ICA is filed and paid annually. However, in cities such as Bogotá and in other municipalities with a higher level of collection, the return may be bimonthly.

2.8.2. Territoriality risks

One of the main challenges of ICA is correctly determining in which municipality the economic activity is deemed to be carried out. This analysis is especially relevant in:

- *Provision of services from one city to clients located in another.*
- *Digital or remote activities.*
- *Infrastructure or construction projects in different municipalities.*
- *Logistics operations with distribution centers and delivery points in several jurisdictions.*

In these cases, income may be distributed among municipalities. An incorrect determination may generate double taxation or contingencies due to omission of obligations.

2.8.3. Other relevant territorial taxes

Depending on the type of transaction and the economic sector, other taxes administered by territorial entities may apply.

i. Unified Property Tax

Property tax levies the ownership or possession of real estate located in each municipality[21]. Its rate and assessment system depend on the cadastral appraisal and local rules.

[18] *Tax Code, article 871.*
[19] *Tax Code, article 115.*
[20] *Ley 14 de 1983, artículo 33.*
[21] *Ley 44 de 1990.*

ii. Billboard and Signboard Tax and surcharges

It supplements ICA and taxes outdoor advertising at a rate of 15% on ICA. Additional surcharges may exist (firefighters, environmental, among others).

iii. Registration Tax

Registration tax is a tax and is triggered upon the registration of documents before a Chamber of Commerce or a Public Instruments Registry Office[22]. This tax applies to acts, agreements or contracts that have a determined value and must be registered before the aforementioned entities. The rates vary depending on the type of act and the entity, generally between 0.1% and 1%, or fixed rates for acts with no stated value. It is a departmental tax, so the rates depend on each jurisdiction.

If a document must be registered both before the Chamber of Commerce and before the Public Instruments Registry Office, registration tax is triggered only before the latter.

iv. Stamps

Local taxes that levy contracts with public entities or the issuance of certain documents, according to specific regulation.

From a practical perspective, the correct determination of territoriality and timely compliance with registrations and filings are key to avoiding contingencies. In transactions across multiple municipalities, it is advisable to previously analyze the allocation of income and obligations.

2.9. Special collection and compliance mechanisms (withholdings, self-withholdings and prepayments).

El sistema tributario colombiano incorpora meThe Colombian tax system incorporates advance collection mechanisms that directly impact the taxpayer's cash flow.

Withholding tax operates as an advance collection system in which the payer deducts and transfers the beneficiary's tax. In some cases, the taxpayer is designated as a self-withholding agent and must apply withholding on its own income. The rates depend on the activity and type of income.

Additionally, income tax includes a prepayment system, whereby, upon filing the annual return, the taxpayer assesses the tax for the period and a payment on account of the following period. This prepayment is subsequently credited, but entails an outflow of resources in the short term.

Taken together, these mechanisms show that a relevant portion of the tax burden in Colombia is collected in advance, which requires adequate financial planning from the beginning of operations.

The Council of State provisionally suspended the effects of articles 2 to 8 of Decree 572 of 2025, which had modified several minimum bases and withholding and self-withholding tax rates for income tax purposes.

As a practical effect, while the annulment claim is decided on the merits, the previous rules that had been replaced by the suspended articles apply again. This impacts, among other matters, the self-withholding rates by economic activity and certain minimum bases for applying withholding tax at source.

[22] *Law 223 of 1995..*

3. FORMAL TAX OBLIGATIONS

In addition to the payment of taxes, the Colombian system requires compliance with formal obligations from the beginning of operations. Failure to comply may result in penalties and affect the operation of the business.

3.1. Tax registrations

The Single Tax Registry (Registro Único Tributario or RUT) is the mechanism through which DIAN identifies and classifies taxpayers. Any company, branch or entity carrying out taxed activities must register before starting operations. The RUT is necessary to obtain the Tax Identification Number (Número de Identificación Tributaria or NIT), issue invoices, file returns, open bank accounts and carry out procedures before authorities.

The registered information must correctly reflect the economic activity, tax responsibilities and contact details, since inconsistencies may give rise to requests for information or penalties.

Additionally, municipalities require local registrations for ICA purposes. In cities such as Bogotá, this registry is called the Tax Information Registry (Registro de Información Tributaria or RIT) and is mandatory for those carrying out taxed activities in the respective municipality. The RUT does not replace this registry.

3.2. Invoicing

Individuals and companies that sell goods or provide services must issue a sales invoice or equivalent document for each transaction, except for legal exceptions. Currently, invoicing must be carried out in electronic format in accordance with DIAN regulations.

Invoices must comply with minimum legal requirements and be previously validated by DIAN. Failure to comply with this obligation may give rise to penalties.

3.3. Filing of returns

Taxpayers, persons responsible for tax obligations and withholding agents must file periodic tax returns with the authorities, according to the nature of the tax, the manner in which it is paid and the applicable regulations. The main returns include income tax, VAT, ICA and withholding tax returns.

3.4. Reporting of exogenous information or magnetic media

The Exogenous Information Report, also known as the magnetic media report, is an informative tax obligation that certain taxpayers and entities must comply with annually before the National Tax and Customs Directorate (DIAN). In essence, it consists of providing the tax authority with a set of detailed data on economic transactions carried out, for the purpose of facilitating information cross-checks and tax controls[23].

3.5. Reporting of ultimate beneficial owners

The ultimate beneficial owner is the individual who directly or indirectly owns or controls a company or legal structure, generally from a 5% ownership interest or through effective control.
In Colombia, this information must be reported through the Single Registry of Ultimate Beneficial Owners (Registro Único de Beneficiarios Finales or RUB). Those required to comply include, among others, Colombian companies and entities, permanent establishments, structures without legal personality and certain foreign entities with investments in the country. Public

[23] *Tax Code, article 631.*

entities with full State ownership and diplomatic missions are exempt.

Failure to comply with this obligation gives rise to penalties.

3.6. Contract registrations

Certain contracts with foreign entities must be registered before the tax authority for the payments to be deductible. Registration must be completed within 6 months following their execution or within 3 months in the case of amendments.

Which contracts must be registered? Technology license agreements, trademark license agreements, patent license agreements, technical assistance agreements, technical services agreements, basic engineering agreements and other technology-related agreements. Distribution license agreements or software use license agreements, as well as licenses for literary, artistic or scientific property, do not need to be submitted for registration because they relate to works protected by copyright.

4. DOUBLE TAXATION TREATIES (DTT) AND INTERNATIONAL TAXATION RULES

International investment requires determining in which jurisdiction income is taxed and how double taxation is avoided. In Colombia, this is regulated through international treaties and domestic rules. This chapter summarizes how DTTs work, the concept of permanent establishment, anti-abuse rules and the transfer pricing regime.

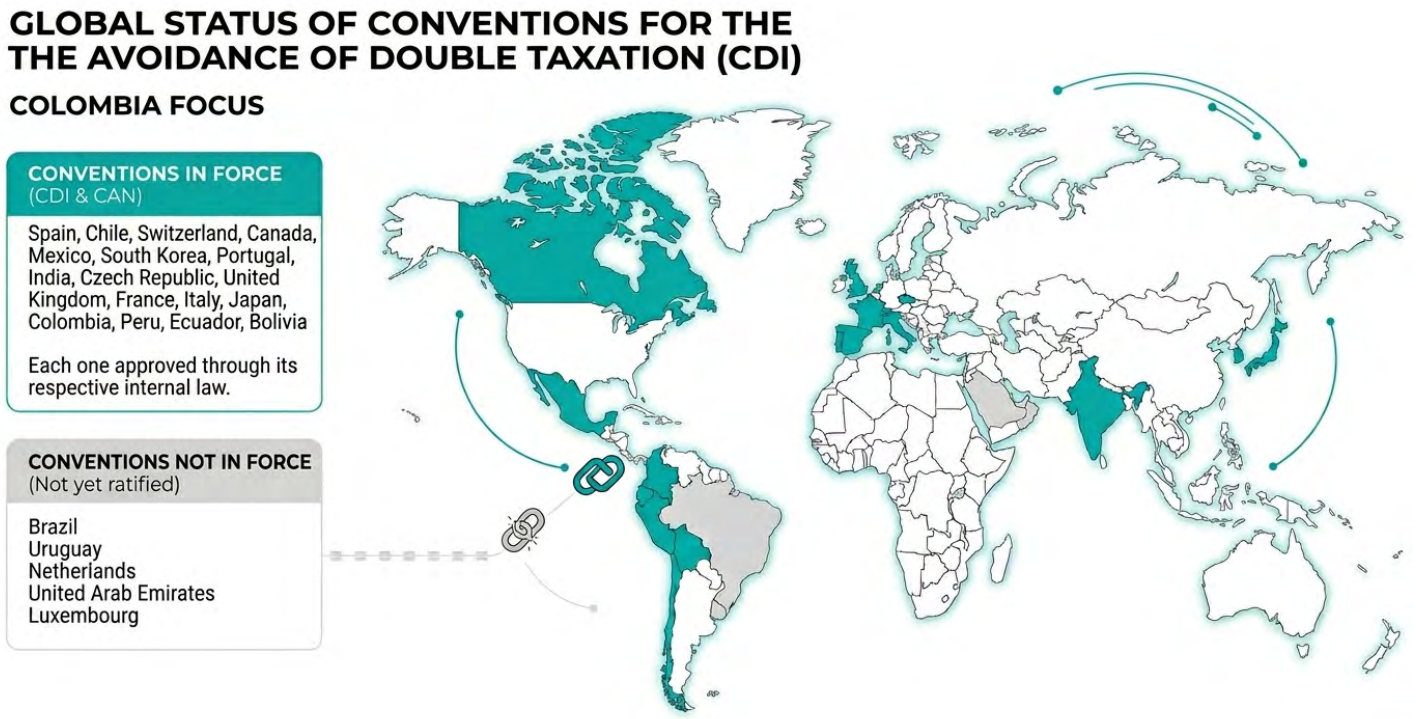
4.1. Map of DTTs in force

Colombia has entered into bilateral double taxation treaties that become part of the domestic legal system once approved by law and reviewed by the Constitutional Court[24].

Currently, treaties entered into with Spain, Chile, Switzerland, Canada, Mexico, South Korea, Portugal, India, the Czech Republic, the United Kingdom, France, Italy and Japan, Switzerland, and The Pacific Alliance (for pension funds matters), are in force, each approved through its respective domestic law. Additionally, Colombia applies the decision of the Andean Community of Nations (CAN), which is an instrument that regulates double taxation among its member countries: Colombia, Peru, Ecuador and Bolivia.

The DTTs that have not yet entered into force are: Brazil, Uruguay, the Netherlands, the United Arab Emirates and Luxembourg.

[24] *Political Constitution, article 150 numeral 16 and article 241 numeral 10.*



In general, DTTs follow the OECD model and regulate the taxation of dividends, interest, royalties, capital gains and permanent establishments, as well as mechanisms to eliminate double taxation, such as exemption or credit.

From a practical perspective, they allow: (i) reducing withholding tax rates in Colombia; (ii) allocating taxing powers between States; and (iii) providing stability and predictability to international investment.

4.2. Beneficial owner, substance and anti-abuse limitations

To apply the benefits of a DTT, the recipient of the income must be the beneficial owner, that is, the person who has the actual right to use and enjoy the income and does not act as an intermediary.

At the domestic level, Colombia has a general anti-abuse clause and economic substance rules that allow artificial or simulated structures to be disregarded.

In practice, the entity receiving the income is required to have real economic activity, decision-making capacity and adequate resources.

4.3. Transfer pricing

The transfer pricing regime seeks to prevent the artificial shifting of profits between jurisdictions through transactions between related parties. It is regulated in articles 260-1 et seq. of the Tax Code.

It applies to taxpayers that carry out transactions with foreign related parties, with related parties located in free trade zones or with entities in low or no-tax jurisdictions. A related-party rela-

tionship exists when there is control, subordination or direct or indirect participation in capital. Transactions must comply with the arm's length principle, that is, they must be carried out under conditions comparable to those agreed between independent parties.

Additionally, when certain income or net worth thresholds are exceeded, formal obligations arise, such as the informative return, supporting documentation and, in some cases, the master file and country-by-country report for multinational groups.

5. CUSTOMS AND FOREIGN TRADE: COLOMBIA'S TRADE INTEGRATION

5.1. Main trade agreements applicable to foreign trade operations for 2026:

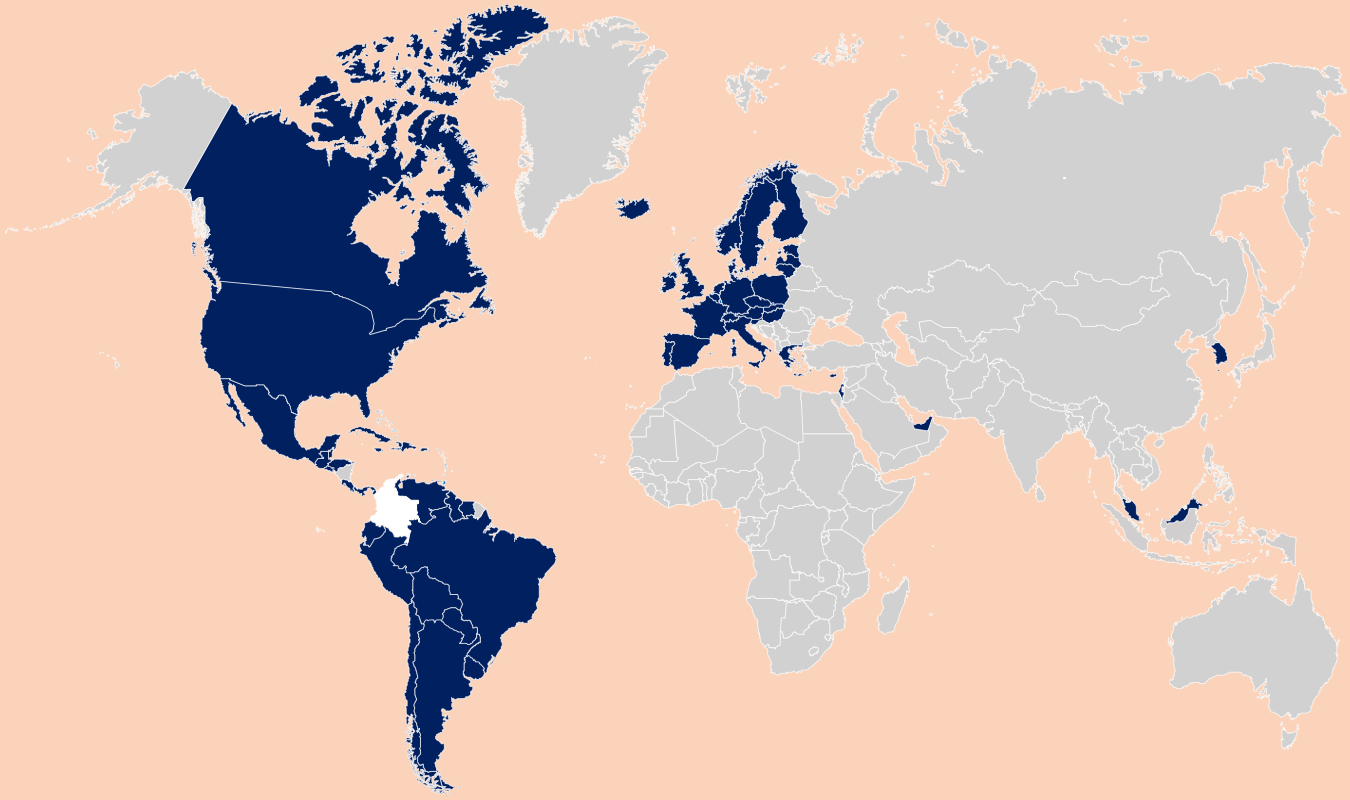
Trade agreements seek to facilitate market access through benefits such as tariff preferences, the progressive elimination of barriers and clear rules on origin, trade remedies and dispute resolution.

Colombia currently has the following trade agreements in force:

i. *Partial Scope Agreement No. 29 between the Republic of Colombia and the Republic of Panama.*
ii. *Andean Community (CAN).*
iii. *Trade Promotion Agreement between the Republic of Colombia and the United States of America.*
iv. *Free Trade Agreement between the United Mexican States and the Republic of Colombia.*
v. *Trade Agreement between the European Union, Colombia, Peru and Ecuador.*
vi. *Pacific Alliance.*
vii. *Chile–Colombia Free Trade Agreement.*
viii. *Free Trade Agreement between the Republic of Colombia and the EFTA States (Switzerland, Liechtenstein, Norway and Iceland) - (EFTA).*
ix. *Economic Complementation Agreement No. 72 Colombia Mercosur.*
x. *Free Trade Agreement between the Republic of Colombia and Canada.*
xi. *Free Trade Agreement between the Republic of Colombia and the Republic of Korea.*
xii. *Free Trade Agreement between Colombia and Costa Rica.*
xiii. *Partial Scope Agreement on trade and economic and technical cooperation between the Republic of Colombia and the Caribbean Community (CARICOM).*
xiv. *Trade Continuity Agreement between Colombia and the United Kingdom.*
xv. *Economic Complementation Agreement No. 49 entered into between the Republic of Colombia and the Republic of Cuba.*
xvi. *Free Trade Agreement between the Republic of Colombia and the Republics of El Salvador, Guatemala and Honduras.*
xvii. *Free Trade Agreement between the Republic of Colombia and the State of Israel.*
xviii. *Partial Scope Agreement of a Commercial Nature AAP.C No. 28 between the Republic of Colombia and the Bolivarian Republic of Venezuela.*

18 CURRENT TRADE AGREEMENTS

SOUTH AMERICA	NORTH AND CENTRAL AMERICA		EUROPE AND ASIA
VENEZUELA	UNITED STATES	CUBA	EUROPEAN UNION
CHILE	CANADA	PANAMA (PARTIAL SCOPE)	EFTA (EFTA)
CAN	MEXICO	CARICOM	UNITED KINGDOM
PACIFIC ALLIANCE	COSTA RICA	NORTHERN TRIANGLE	SOUTH KOREA
MERCOSUR			ISRAEL



These agreements allow access to tariff preferences, facilitate the exchange of goods and services, and strengthen trade relations with strategic partners. The agreements that, due to their scope and applicability, are most commonly used in the country's international operations are presented below:

i. *The Pacific Alliance is one of the most dynamic mechanisms oriented toward the Asia–Pacific region. It has achieved the liberalization of 92% of tariffs among the States.*
ii. *The Andean Community (CAN), composed of Bolivia, Colombia, Ecuador and Peru, seeks to eliminate charges and restrictions on the importation of originating products, promoting the free movement of goods and allowing the free movement of persons.*
iii. *The Free Trade Agreement with the United States is one of the most widely used, since this country is the main destination for Colombian exports. Under this agreement, the reduction and elimination of tariffs was established.*
iv. *The Trade Agreement with the European Union offers preferential access to one of the largest markets in the world, with progressive tariff reductions and flexible rules of origin to facilitate the use of its benefits.*
v. *Likewise, the Free Trade Agreement with South Korea has expanded Colombia's presence in the Asian market, establishing gradual tariff reductions and rules of origin that favor the use of domestic raw materials.*

Together, the agreements form a trade integration network that positions Colombia in the Americas, Europe and Asia, expanding its access to strategic markets, strengthening business competitiveness and consolidating its integration into the global economy under clear and predictable rules.

4.2. Authorities, roles and responsibilities in customs matters (DIAN, MinCIT, etc.)

The National Government, in order to ensure compliance with legal control provisions regarding importation, exportation and customs transit, determined the intervening authorities, their roles and responsibilities, as highlighted below:

AUTHORITIES	ROLE PERFORMED	RESPONSIBILITIES
NATIONAL TAX AND CUSTOMS DIRECTORATE (DIAN)	Administers and controls compliance with tax, customs and foreign exchange obligations.	• Control the entry and exit of goods under import, export or customs transit regimes. • Exercise inspection and control over goods in the customs territory. • Collect customs duties and other foreign trade taxes. • Ensure compliance with tax, customs and foreign exchange obligations.

AUTHORITIES	ROLE PERFORMED	RESPONSIBILITIES
MINISTRY OF COMMERCE, INDUSTRY AND TOURISM (MINCIT)	Regulates, formulates and manages foreign trade policy for the country's competitiveness and integration.	• Control the entry and exit of goods under import, export or customs transit regimes. • Exercise inspection and control over goods in the customs territory. • Collect customs duties and other foreign trade taxes. • Ensure compliance with tax, customs and foreign exchange obligations.
NATIONAL FOOD AND DRUG SURVEILLANCE INSTITUTE (INVIMA)	Carries out sanitary inspection, surveillance and control to guarantee public health.	• Direct matters related to free trade agreements, integration agreements, trade remedy measures, special import-export systems, free trade zones and foreign trade policies. • Process imports registrations and licenses for products that require them. • Chair the Committee on Customs, Tariff and Foreign Trade Affairs.
MINISTRY OF JUSTICE AND LAW	Regulates and controls controlled chemical substances.	• Issue certificates of absence of records and grant approvals for the importation and distribution (exportation) of controlled chemical substances and/or products. • Grant seed licenses for sowing and grain, and licenses for the cultivation of psychoactive and non-psychoactive cannabis plants.

AUTHORITIES	ROLE PERFORMED	RESPONSIBILITIES
COLOMBIAN AGRICULTURAL INSTITUTE (ICA)	Exercises sanitary and phytosanitary control.	• Technically control the importation of animals, plants, agricultural inputs and agricultural products. • Prevent the entry of pests and diseases that affect agriculture and livestock. • Certify the sanitary and phytosanitary quality required by destination countries. • Authorize the exportation of animals, plants and agricultural inputs.
MINISTRY OF ENVIRONMENT AND SUSTAINABLE DEVELOPMENT	Controls the impact on the environment or biodiversity.	• Issue licenses, approvals and permits for goods that affect the environment or biodiversity.
SUPERINTENDENCE OF INDUSTRY AND COMMERCE (SIC)	Protects consumers and verifies compliance with technical regulations.	• Issue import registrations and approvals when required. • Verify applicable safety, quality and technical regulation requirements.

4.3. Key concepts: origin, tariff classification, customs valuation

To import goods into Colombia, it is necessary to correctly identify their tariff classification, verify their origin in order to access benefits under trade agreements, and determine their customs value, which is the basis for calculating taxes and duties.

i. ***Origin:*** *determined through rules established in each trade agreement to identify whether a good may access tariff benefits.*
ii. ***Tariff classification:*** *system that assigns a uniform numerical code to all goods based on the Harmonized System of the World Customs Organization (WCO). This coding places each product under a specific tariff subheading, allowing its correct identification and treatment in international trade, as it defines applicable tariffs, requirements and measures. An incorrect classification may generate contingencies.*
iii. ***Customs valuation:*** *determines the value of the imported good, which is the tax base. It is based, in principle, on the transaction value and, in its absence, on successive methods defined by the WTO. The Valuation Agreement of the World Trade Organization (WTO) defines as a basic principle that customs valuation, as a general rule, must be based on the transaction value. In the absence thereof, the valuation methods defined by the WTO are applied in the order provided by the regulations.*

Taken together, their identification and understanding are decisive for accessing tariff benefits, defining the applicable requirements and correctly calculating import taxes and duties, ensuring compliance with customs regulations.

5. IMPORT/EXPORT REGIMES AND PROCEDURES (GOODS AND SERVICES)

5.1. Registrations/users and import steps

In order to carry out imports or exports of goods, it is necessary to follow certain provisions and parameters established by the National Government and DIAN.

A customs user is the individual, legal entity or branch of a foreign company that participates in foreign trade operations (importer, exporter, declarant, consortium or temporary union). In order to import, it must be registered in the RUT with such capacity. Other authorized actors also participate in these operations, such as customs agencies, carriers, freight forwarders, warehouses, postal traffic intermediaries and authorized ports or airports, which make up the logistics chain.

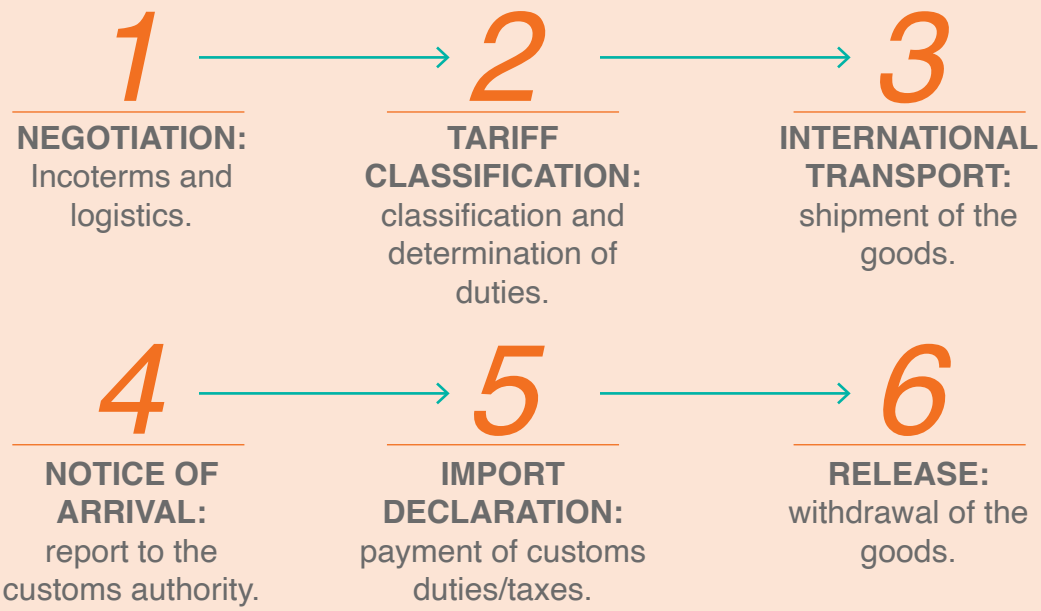
5.1.1. Steps to carry out an import

1. ***Negotiation:*** *the parties will agree on the relevant aspects associated with the purchase and sale of the goods to be imported, including delivery conditions, the applicable INCOTERMS term, negotiation terms and logistics.*
2. ***Identification of the tariff subheading:*** *this allows the proper classification of the goods before the authorities, and thus the determination of the customs duties and taxes to be paid, the legal and/or administrative restrictions to be complied with, relevant contingencies, among other aspects.*
3. ***Transport of the goods between countries:*** *once the goods have been loaded onto the maritime, air or land means of transport in the country of origin of the good and before their arrival in Colombia, the cargo must be manifested[25] in compliance with the terms established by customs regulations depending on the means of transport and the type of route (long or short).*
4. ***Notice of arrival of the good in Colombia:*** *once the means of transport arrives in the National Customs Territory, the carrier has the obligation to report such situation so that the unloading of the goods from the means of transport may be authorized.*
5. ***Filing of the import declaration:*** *once the cargo has been unloaded, the import declaration is filed before the Customs Authority. Once the import declaration has been accepted, the applicable customs duties and taxes are paid.*
6. ***Inspection of the goods:*** *the goods enter a random selection process carried out by the Administration and, according to the selectivity results generated by the systems, the goods may be subject to physical and/or documentary inspection by the Customs Authority, in order to grant the customs release of the goods[26].*
7. ***Removal:*** *once the goods have completed their import process and all customs procedures have been completed, they may be removed from the primary zone, free trade zone or warehouse.*

[25] It is a customs document prepared by the international carrier, which is transmitted to DIAN. Pursuant to article 144 of Decree 1165 of 2019, it must contain, at a minimum: identification of the means of transport, travel data, weight and total number of cargo units to be transported, the numbers of the transport documents, as applicable according to the means and mode of transport, number of packages, weight and generic identification of the goods and/or the indication of consolidated cargo, where applicable, indicating in such case the number of the master document.

[26] Considering that it is a conditional administrative act, the customs authority, in the exercise of its inspection powers, may cancel the customs release of the goods for the purpose of determining their legal introduction into the national customs territory.

Steps to Carry Out an Import



5.1.2. Import modalities

The purpose of an import depends on the importer determining the reason why the goods enter the country and whether their stay will be temporary or definitive. Depending on the function that the goods will perform, whether to provide a service, fulfill a specific task or be commercialized, the importer must define the appropriate import modality. These modalities include:

1. *Ordinary*
2. *With exemption*
3. *Reimportation in the same condition.*
4. *Reimportation after outward processing*
5. *In compliance with a warranty*
6. *Temporary importation for reexportation in the same condition*
7. *Temporary importation for inward processing: capital goods, under Special Import-Export Systems and for industrial processing*
8. *For transformation and/or assembly*
9. *Postal traffic and urgent shipments*
10. *Urgent deliveries*
11. *Travelers*
12. *Samples with no commercial value*

Taking into account the aforementioned modalities, the imports most frequently used include:

1. ***Ordinary import:*** *allows the definitive entry of goods in free disposal, upon payment of duties and taxes.*

2. ***Reimportation in the same condition:*** *applies to exported goods that return without substantial modifications, requiring the reimbursement of benefits obtained and internal taxes that may have been exempted. These goods remain in free disposal once the import process is completed.*
3. ***Reimportation after outward processing:*** *for goods temporarily exported that were repaired or transformed abroad and are intended to be imported again into Colombia. Duties and taxes are assessed on the value added abroad.*
4. ***Temporary importation for reexportation in the same condition:*** *allows entry for a determined period without modifications, with suspension or deferred payment of duties and taxes:*

i. *Short-term, for a period of 6 months extendable, with suspension of customs duties and taxes, meaning that they are not paid for the duration of the importation.*
ii. *Long-term, used for capital goods, their necessary parts and accessories[27], for a period of up to 5 years. For the payment of customs duties and taxes, these are assessed and paid in equal semiannual installments for the duration of the goods' stay in the country, taking into account the exchange rate in force for customs purposes at the time each installment is paid.*

5. ***Temporary importation for inward processing:*** *this modality allows goods to be imported temporarily in order to export them once they have undergone transformation, processing or repair. There are three types of importation:*

i. *Temporary importation for inward processing of capital goods.*
ii. *Temporary importation under Special Import-Export Systems known as Plan Vallejo.*
iii. *Temporary importation for industrial processing.*

6. ***Postal traffic and urgent shipments:*** *related to correspondence shipments of packages or online purchases that arrive in Colombia through the Official Postal Operator Network, which acts as intermediary. This modality is used to import goods of up to USD 2,000, 50 kg and subject to volume specifications.*

5.2. Export

Export is the departure of goods from the customs territory. The process includes shipment authorization, shipment, certification and export declaration.

It allows companies to access international markets and includes benefits such as:

i. *No taxes imposed upon departure from the country, except for specific contributions depending on the type of product;*
ii. *Support mechanisms such as CERT, Supplier Certificate, Special Export Programs and Plan Vallejo.*

5.3. Export modalities

When an exporter plans to send goods abroad, it must define the export modality according to the purpose of the shipment, the time the goods will remain abroad and whether or not they will

be returned. Based on these criteria, it may select the most appropriate export modality among the following:

1. *Definitive.*
2. *Temporary for outward processing.*
3. *Temporary for reimportation in the same condition.*
4. *Reexportation.*
5. *Reshipment.*
6. *Postal traffic and urgent shipments.*
7. *Samples with no commercial value.*
8. *Temporary exports carried out by travelers.*
9. *Household gods.*
10. *Special Export Programs.*

Each modality has a series of requirements and obligations that must be fulfilled considering the modality. However, among the most commonly used are:

1. ***Definitive export:*** *allows the departure of goods from the national customs territory to another country for definitive use or consumption, to a free trade zone or bonded warehouse.*
2. ***Temporary export for outward processing:*** *is the temporary departure of national or nationalized goods from the national customs territory to be subject to transformation, processing or repair abroad or in a free trade zone, which must be reimported within the term granted.*
3. ***Temporary export for reimportation in the same condition:*** *is the temporary departure of national or nationalized goods from the national customs territory to fulfill a specific purpose abroad, within a determined term, which must be reimported without having undergone any modification, except for normal deterioration arising from use.*
4. ***Re-exportation:*** *corresponds to the definitive departure from the national customs territory of goods that were subject to a temporary import regime or to the transformation and assembly regime.*
5. ***Export of samples with no commercial value:*** *samples with no commercial value are goods declared as such where the total FOB value does not exceed the amount determined by DIAN. There are products that cannot be exported under this modality, such as emeralds, gold, platinum, goldsmithing ashes, among others.*

5.4. Export of Services

It is configured when a service is provided to a non-resident and is linked to abroad, either because it is used outside Colombia or because the user travels to receive it. The most common services include software, BPO, call centers, health tourism, audiovisual services and outsourcing.

The export of services may fall under different modalities, such as:

i. *When the service is produced in Colombia or in the country of origin and the exporter does not have to travel because the service is what moves.*
ii. *Presence of Colombian companies abroad through a subsidiary, branch or representative office to serve consumers directly.*
iii. *When the consumer located in Colombia travels to receive a service in another country.*
iv. *When a person providing a service on their own behalf or on behalf of an employer in Colombia temporarily travels to the consumer's country to provide their services.*

The export of services may access VAT and withholding tax benefits if the documentary requirements are met (RUT, contracts, invoicing and certifications evidencing exclusive provision abroad).

6. SPECIAL PROGRAMS/REGIMES AND ADVANTAGES

Colombia has mechanisms to promote investment and foreign trade, among which free trade zones, Plan Vallejo and international trading companies stand out, offering tax, customs and operational benefits.

6.1. Free trade zones

Free trade zones are geographically delimited areas within the national territory where industrial activities involving goods and services, as well as commercial activities, are carried out under special regulations on tax, customs and foreign trade matters.

Their purpose is to attract investment and improve competitiveness through benefits, in exchange for compliance with investment, employment and development commitments.



In Colombia there are three types of free trade zones: i) permanent free trade zones, made up of several companies; ii) special permanent free trade zones, authorized for a single company; and iii) temporary free trade zones, intended for fairs, congresses or economic events. These may operate in sectors such as goods, services, health, logistics, agribusiness, technology and popular economy, among others.

6.2. Special programs

There are mechanisms to facilitate foreign trade, among which Plan Vallejo, international trading companies and the Authorized Economic Operator (AEO) stand out, allowing costs, processes and compliance to be optimized.

6.2.1. Special Import-Export Systems (SEIEX) – Plan Vallejo

The Special Import–Export Systems, also known as Plan Vallejo, seeks to promote the export of goods and services by allowing the importation of raw materials, capital goods and spare parts with full or partial exemption or suspension of customs duties and taxes, provided that the export commitments of the holder are met.

Main modalities:

i. *Raw materials and inputs intended for the production of exportable goods.*
ii. *Capital goods and spare parts.*
iii. *Goods used to provide exportable services.*
iv. *Replacement of goods to renew inventories or equipment.*

It may operate directly or indirectly, depending on whether the importer is the party that exports.

6.2.2. International Trading Company

These are national or mixed companies authorized to market Colombian products abroad. To obtain authorization, they must submit an export plan, prove experience, define target markets and provide guarantees.

Main benefits:

i. *Purchase of goods in the domestic market exempt from VAT, if exported within 6 months.*
ii. *Bimonthly VAT refund on exported goods.*
iii. *Issuance of the Supplier Certificate (CP), which allows the supplier to request a VAT refund.*

6.3. Authorized Economic Operator (AEO)

This is the authorization granted by DIAN to importers, exporters and customs agencies that demonstrate high security standards in the international logistics chain. This qualification recognizes them as reliable operators and grants them benefits such as:

i. *Reduction of logistics times due to fewer physical and documentary inspections.*
ii. *Consolidated payment of customs duties and taxes within the first 5 days of the following month.*
iii. *They are not required to provide guarantees to secure customs obligations.*
iv. *National and international recognition for complying with security standards.*
v. *VAT refunds within a period of 30 days.*
vi. *Authorization to carry out inspections at the exporter's facilities or at authorized warehouses.*

To obtain it, requirements such as security standards, foreign trade track record, absence of relevant penalties, registration in the RUT and representation in Colombia must be met.

7. EPORTING AND ASSOCIATED FOREIGN EXCHANGE IMPLICATIONS

7.1. Foreign Exchange transactions and currency channeling duties

In Colombia, foreign currency inflows and outflows are generally permitted; however, certain transactions must be mandatorily channeled through the foreign exchange market, either through Foreign Exchange Market Intermediaries (IMC) or compensation accounts registered with the Central Bank of Colombia.

Transactions may be subject to mandatory or voluntary channeling. The former must be carried out exclusively through the foreign exchange market and may not be offset against each other or against other obligations.

Through the foreign exchange market, there is an obligation to channel certain transactions, such as:

i. *Imports and exports of goods.*
ii. *Foreign investment in Colombia and Colombian investment abroad and their returns.*
iii. *iActive and passive foreign indebtedness, as well as the financial costs of the transactions.*
iv. *Granting of foreign currency endorsements and guarantees.*
v. *Derivatives transactions.*
vi. *Financial investments and/or investments in assets located abroad, and their returns made with foreign currency from the foreign exchange market.*

7.2. Channeling of foreign currency derived from imports and repatriation of proceeds from exports of goods

Imports and exports of goods are transactions subject to mandatory foreign exchange channeling; therefore, they must be transferred through the foreign exchange market, either through foreign exchange market intermediaries (IMC) or compensation accounts. For imports, the Information on the minimum data of transactions for imports of goods (formerly Form No. 1) must be submitted to the IMC. To channel exports, the Information on the minimum data of foreign exchange transactions for exports of goods (Foreign Exchange Declaration) (formerly Form No. 2) must be submitted, using the foreign exchange code corresponding to the transaction.

If the payment of imports or the repatriation of proceeds from exports is made through a compensation account, the Report of movements of the compensation account before the Central Bank of Colombia serves as the foreign exchange declaration.

In any case, whether the channeling is carried out through an IMC or a compensation account, the transaction must be legalized with the customs documents (for example, the import declaration), pursuant to DIAN Resolution 204 of 2025.

7.3. Sanctioning risks and mitigations

Failure to comply, or late compliance, with foreign exchange obligations related to the filing, transmission or legalization of import or export transactions of goods may result in penalties imposed by DIAN. These penalties are imposed according to the nature of the obligation, pursuant to Decree Law 2245 of 2011.

8. TRADE DEFENSE MEASURES

Trade defense measures are intended to protect domestic production from imports that enter the market at artificially low prices or that benefit from subsidies granted by the exporting country. The main trade defense instruments are anti-dumping duties, countervailing measures, and safeguard measures.

8.1. Antidumping duties

They apply when an imported product is sold at a price lower than that of its country of origin and causes or threatens to cause injury to the domestic industry. To restore competitive conditions, the importing country may impose additional tariffs, whether ad valorem, specific or based on a minimum price.

8.2. Countervailing measures

They counteract subsidies granted by the government of the exporting country to its producers, such as transfers of funds, tax benefits or the supply of goods. These incentives generate undue competitive advantages in the international market, such as, for example, the subsidies received by exporters of fuel alcohol (ethanol) originating in the United States, which led to the imposition of a countervailing duty.

8.3. Safeguards

These are temporary measures that restrict imports when the significant increase of certain products causes or threatens to cause serious injury to a branch of domestic production. They may consist of additional tariffs or quantitative restrictions and seek to allow the affected industry to recover and adjust, as in the case of the safeguard request for iron wire rod with the purpose of imposing an additional 30% levy.

8.4. Warning signs and course of action (institutional and evidentiary)

These measures may be requested before the Ministry of Commerce, Industry and Tourism, the entity in charge of investigating and deciding on their application. For this purpose, the following may be taken into account:

i. If an industry considers that it faces injury derived from imports at lower prices and has elements showing the relationship between such injury and the prices charged, it may request the imposition of an anti-dumping measure.

ii. The request for a countervailing duty requires proving that the imported product receives a subsidy from the country of origin and that such benefit grants an undue advantage to the importer without consideration.

iii. To apply a safeguard, it must be proven that the measure is non-discriminatory, temporary in nature and does not imply an unjustified reduction of domestic consumption.

9. CUSTOMS AND FOREIGN EXCHANGE COMPLIANCE CHECKLIST

9.1. Special regimes and benefits (FTZ, programs, AEO, etc.)

REGIME/PROGRAM	MAIN BENEFITS
FREE TRADE ZONES	• 20% income tax rate for export income and 35% for other income. • Foreign goods introduced into a free trade zone are deemed to be outside the national customs territory for customs duties and VAT purposes, while they remain in the free trade zone. • Indefinite stay of foreign goods without payment of taxes and duties while they remain in the free trade zone. • VAT exemption on sales from the national customs territory to industrial users of free trade zones linked to their corporate purpose. • Inclusion of the popular economy (Decree 1317 of 2025) with new special permanent free trade zones.
SEIEX – SPECIAL IMPORT–EXPORT SYSTEMS	• Importation of raw materials, capital goods and spare parts with full/partial exemption or suspension of customs duties and taxes. • Supports production processes intended for export. • Allows direct or indirect modalities depending on who produces/exports.
INTERNATIONAL TRADING COMPANIES	• Issuance of the Supplier Certificate (CP) for exports carried out. • Purchases in the domestic market exempt from VAT if exported within a maximum period of 6 months. • Purchases not subject to withholding tax.
AUTHORIZED ECONOMIC OPERATOR (AEO)	• Fewer physical and documentary inspections (expedites timing). • Consolidated payment of duties and taxes within the first 5 days of the following month. • No guarantees are required to secure customs obligations. • International recognition as a secure operator. • VAT refund within 30 days. • Possibility of carrying out inspections at its own facilities or authorized warehouses.

9.2. Foreign exchange obligations matrix (transaction – channeling – registration – support)

FOREIGN EXCHANGE OBLIGATIONS MATRIX				
TRANSACTION	**CHANNELING**	**CONTROL ENTITY**	**REGISTRATION**	**SUPPORT**
Export of goods	**Foreign exchange market**	**DIAN**	No prior registration with the Central Bank of Colombia is required. The Information on the minimum data of foreign exchange transactions for exports of goods (Foreign Exchange Declaration) (formerly Form No. 2) must be submitted before **the Foreign Exchange Market Intermediary (IMC) or through a compensation account.**	• Commercial invoice. • Transport document. • Export declaration. • Bank statement. • Foreign exchange declaration.
Import of goods	**Foreign exchange market**	**DIAN**	No prior registration with the Central Bank of Colombia is required. The Information on the minimum data of foreign exchange transactions for imports of goods (Foreign Exchange Declaration) (formerly Form No. 1) must be submitted before the **Foreign Exchange Market Intermediary (IMC)** or through a compensation account.	• Supplier invoice. • Transport document. • Import declaration. • Bank statement. • Foreign exchange declaration.
Services, transfers and other concepts	**Voluntary channeling**	**DIAN**	No prior registration with the Central Bank of Colombia is required. The Information on the minimum data of foreign exchange transactions for services, transfers and other concepts (Foreign Exchange Declaration) (formerly Form No. 5) must be submitted before **the Foreign Exchange Market Intermediary (IMC)** or through a compensation account.	• Agreement. • Invoice. • Accounting support. • Bank statement.

TRANSACTION	CHANNELING	CONTROL ENTITY	REGISTRATION	SUPPORT
Foreign indebtedness (for example, working capital)	**Foreign exchange market**	**Superintendence of Companies and DIAN if the purpose of indebtedness is associated with foreign trade transactions (for example, export financing).**	Prior registration is required. For this purpose, the Foreign Loan Report (formerly Form No. 6) must be submitted before the IMC.	• Loan agreement. • Loan registration. • Bank statements.
			The following must be submitted: first, the Foreign Loan Report granted to residents and non-residents (formerly Forms No. 6 and No. 7); and second, after registration of the foreign loan, the Information on the minimum data for foreign exchange transactions for foreign loans (Foreign Exchange Declaration) for the disbursement (formerly Form No. 3) must be submitted before the **Foreign Exchange Market Intermediary (IMC)** or through a compensation account.	
Foreign investment	**Foreign exchange market**	**Superintendence of Companies**	Mandatory registration with the Central Bank of Colombia is required.	• Capitalization minutes. • Investment registration. • Bank statements.
			It must be submitted in two cases: (i) when there is channeling of foreign currency, the Information on the minimum data of foreign exchange transactions for international investments (Foreign Exchange Declaration) (formerly Form No. 4) must be submitted before the **Foreign Exchange Market Intermediary (IMC)** or through a compensation account; and (ii) when there is no channeling of foreign currency, the Declaration of registration of international investments must be submitted through the Foreign Exchange Information System (SIC) of the Central Bank of Colombia.	

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