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NEWSFLASH · TAX

Economic Recovery Bill: the key points of Colombia’s new tax reform

Investment protection, lower corporate income tax, a heavier burden on individuals

31%

corporate income tax rate from 2028 (35% today)

39%

top individual rate for taxable income from COP 454 million (today COP 1,624 million)

19%

single VAT rate from 2028: the 5% rate is abolished

Bogotá D.C. · Colombia

October 30, 2026

BACKGROUND

A two-sided fiscal adjustment: less spending and new taxes

On October 29, 2026, the Ministry of Finance filed the Economic Recovery Bill with the House of Representatives. According to the Government, most of the adjustment would come from cutting public spending and, to a lesser extent, from tax changes that seek to lower corporate income tax, increase the burden on high-income individuals, broaden the VAT base and strengthen health and environmental taxes.

The bill has just begun its passage through Congress and may change. Below we summarize the most relevant changes for companies, investors and individuals.

KEY FIGURES

70%

of the fiscal adjustment would come from cutting government spending

18.9

million people would no longer bear VAT thanks to the new EfectIVA refund (from 2028)

97%

of the revenue borne by households would come from the top 10% of earners

Government figures from the bill's explanatory statement. A further 16.3 million people would receive a partial refund of up to 50% of VAT paid.

TIMELINE

When would each change take effect?

Oct 29, 2026
Bill filed with the House

Enactment
VAT on spirits, EVs and hybrids, imports under USD 200 and cloud services; single-use plastics tax repealed

Jan 1, 2027
33% corporate rate, new individual and wealth tax tables; payroll, health and carbon changes

Jun 30, 2027
Deadline for penalty relief, payment plans and tax normalization

Jan 1, 2028
31% corporate rate; 5% VAT abolished; EfectIVA and new beverage tax begin

2030
Last year of the wealth tax and of the financial-sector surcharge

Dates subject to the law being passed and enacted.

Note on figures: all peso amounts in this document were calculated using the 2026 tax value unit (UVT, COP 52,374) and the 2026 monthly minimum wage (COP 1,750,905). Because the bill sets most amounts in UVT or minimum wages, peso values will be updated each year.

AT A GLANCE

The nine changes that matter most

▲ higher tax burden ▼ lower tax burden

▼	**Corporate income tax** 33% in 2027 and 31% from 2028.	p. 4
▲	**Individual income tax** New 9% bracket; 39% rate from COP 454 million of taxable income.	p. 6
▼	**Wealth tax** Threshold rises to COP 5,002 million, top rate of 1%, and only for 2027–2030.	p. 8
▲	**VAT** 5% rate abolished and more goods and services move to 19%; EfectIVA refund for vulnerable households.	p. 9
▲	**Health taxes** Higher taxes on spirits, beer, cigarettes and vapes; sweetened drinks from 2028.	p. 10
▲	**Carbon tax** Rises from COP 29,070 to COP 83,275 per tonne of CO_2 by 2029.	p. 10
▲	**Payroll cost** Exemption from payroll contributions limited to salaries of up to COP 3.5 million.	p. 11
▼	**Single Regime for Business Stability (RUGE)** Legal stability and a 20% income tax rate for new investments.	p. 5
▼	**Relief** 60% penalty reduction until June 2027.	p. 12

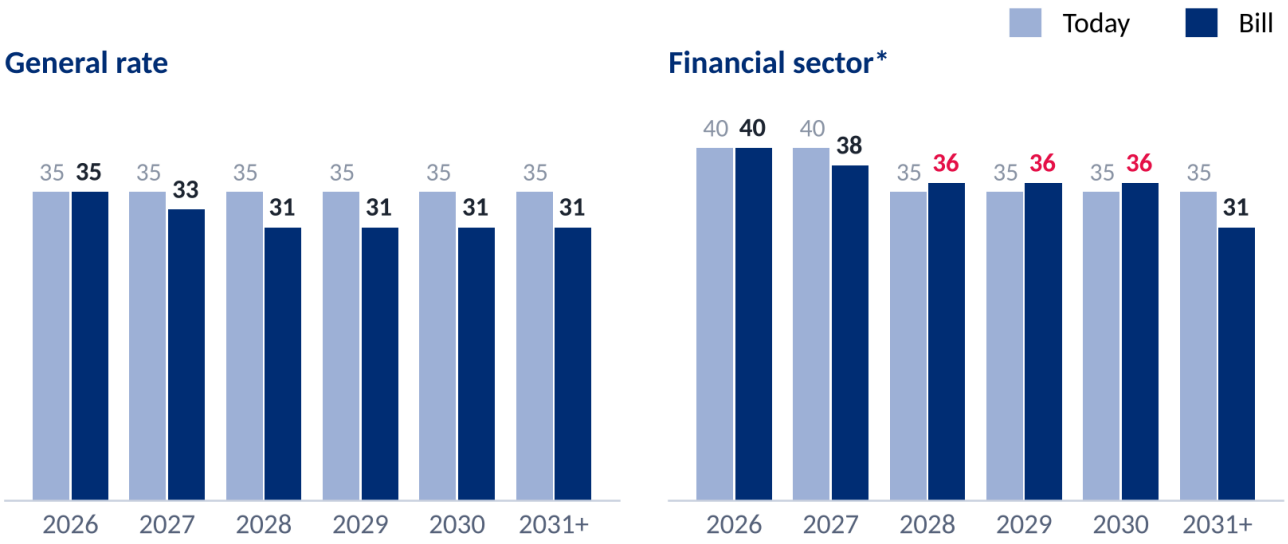
INCOME TAX · COMPANIES

Corporate income tax rate goes down

• General rate

The general corporate income tax rate would drop to 33% in 2027 and to 31% from 2028.

Corporate income tax rate (%)



*Financial institutions, insurers, brokerage firms and similar entities with taxable income of at least COP 6,285 million Red marks the years in which the proposed rate exceeds the current one.

WHAT CHANGES?		
	TODAY	35% for most companies.
	BILL	33% in 2027 and 31% from 2028.

• Financial sector

It would keep a 5-point surcharge through 2030 (38% in 2027 and 36% from 2028 to 2030), only for entities with taxable income of at least COP 6,285 million.

WHAT CHANGES?		
	TODAY	40% through 2027 and 35% from 2028.
	BILL	38% in 2027 and 36% in 2028–2030: **one point higher than today** in those three years. From 2031, 31%.

• Minimum tax rate (TTD)

The 15% rate is kept, but it would be aligned with the OECD global minimum tax.

WHAT CHANGES?		
	TODAY	Applies to most taxpayers under the ordinary regime.
	BILL	Only to entities of multinational groups with consolidated revenue of EUR 750 million or more.

INVESTMENT

RUGE: reduced rate and stability for large investments

The bill creates the Single Regime for Business Stability (RUGE), an optional regime for new investment projects that offers tax and customs incentives and legal stability in exchange for verifiable commitments and an annual premium equal to 0.1% of the accumulated value of the investment executed.

20%
income tax for projects starting in 2027 or 2028 (26% from 2029).

8%
on dividends paid to non-residents, as a final tax

16 years
of stability; applications until December 31, 2029

Minimum investment per sector to qualify for RUGE · in 2026 pesos



• Conditions

It requires an exclusive-purpose vehicle, executing at least 40% of the investment within two years, domestic purchasing, a guarantee and an annual premium. It also allows accelerated depreciation (up to 50% per year for machinery and equipment) and exempts the vehicle from wealth tax. It does not apply to retail, financial or real estate activities.

WHAT CHANGES?		
	TODAY	General 35% rate and 20% on dividends to non-residents, with no stability.
	BILL	Fixed 20% or 26% for 16 years and 8% on dividends.

INCOME TAX · INDIVIDUALS

More taxpayers, and the top rate kicks in at lower incomes

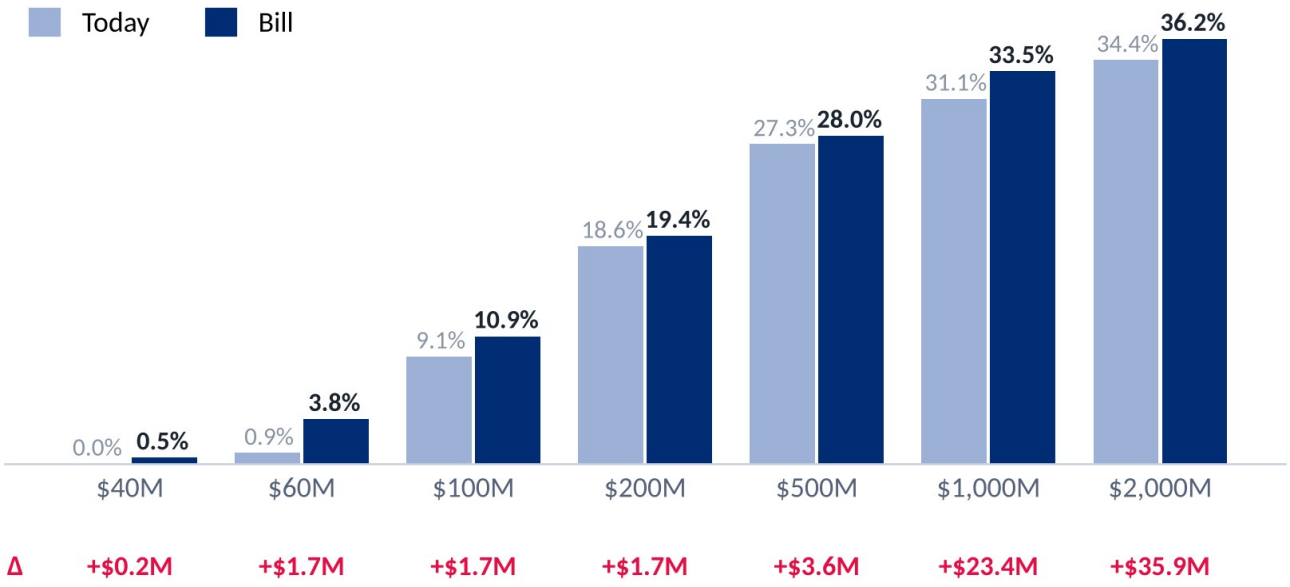
• New rate schedule

Tax would start at a lower taxable income, with a new 9% bracket. The 35% and 37% brackets disappear and the 39% rate would apply from COP 454 million.

Annual taxable income · Today	Rate
Up to $57.1M	0%
$57.1M – $89.0M	19%
$89.0M – $214.7M	28%
$214.7M – $454.1M	33%
$454.1M – $993.5M	35%
$993.5M – $1,623.6M	37%
Over $1,623.6M	39%

Annual taxable income · Bill	Rate
Up to $37.7M	0%
$37.7M – $57.1M	9%
$57.1M – $89.0M	19%
$89.0M – $214.7M	28%
$214.7M – $454.1M	33%
Over $454.1M	39%

Effective rate for the same annual taxable income · Δ: additional tax per year, in pesos



Illustrative calculation on net taxable income, before the effect of the new caps on exempt income and deductions, which would increase the base further.

WHAT CHANGES?

TODAY Tax starts at COP 57.1 million of taxable income; 39% applies from COP 1,623.6 million.

BILL Tax would start at COP 37.7 million and 39% would apply from COP 454.1 million.

INCOME TAX · INDIVIDUALS

Fewer tax benefits and higher withholding

25% exempt employment income

The 25% stays, but with a lower annual cap.

WHAT CHANGES?

TODAY Cap of COP 41.4 million.

BILL Cap of COP 33.0 million.

Cap on exemptions and deductions

The 40%-of-income limit stays, with a lower peso cap.

WHAT CHANGES?

TODAY Up to COP 70.2 million per year.

BILL Up to COP 61.8 million per year.

Dependants

The additional deduction per dependant is eliminated.

WHAT CHANGES?

TODAY COP 3.8 million per dependant (up to four).

BILL Would no longer exist.

Lotteries, raffles and betting

The capital-gains rate on prizes increases. Inheritances and gifts remain at 15%.

WHAT CHANGES?

TODAY 20%

BILL 30%

Financial returns

The treatment of the inflationary component of financial returns as non-taxable income is eliminated.

WHAT CHANGES?

TODAY The inflationary portion of interest is not taxed.

BILL The full return would be taxed.

Representation allowances

The exemption for magistrates, judges, prosecutors, rectors and public-university professors is eliminated.

Withholding tax on salaries

New schedule with rates of 0%, 9%, 19%, 28%, 33% and 39%. It would also apply to self-employed workers who do not deduct costs or expenses.

Monthly base subject to withholding	Withholding today	Withholding under the bill
$3,500,000	$0	**$8,612**
$5,000,000	$4,649	**$161,771**
$8,000,000	$564,032	**$721,154**
$20,000,000	$3,991,775	**$4,148,897**
$40,000,000	$10,752,812	**$11,116,786**

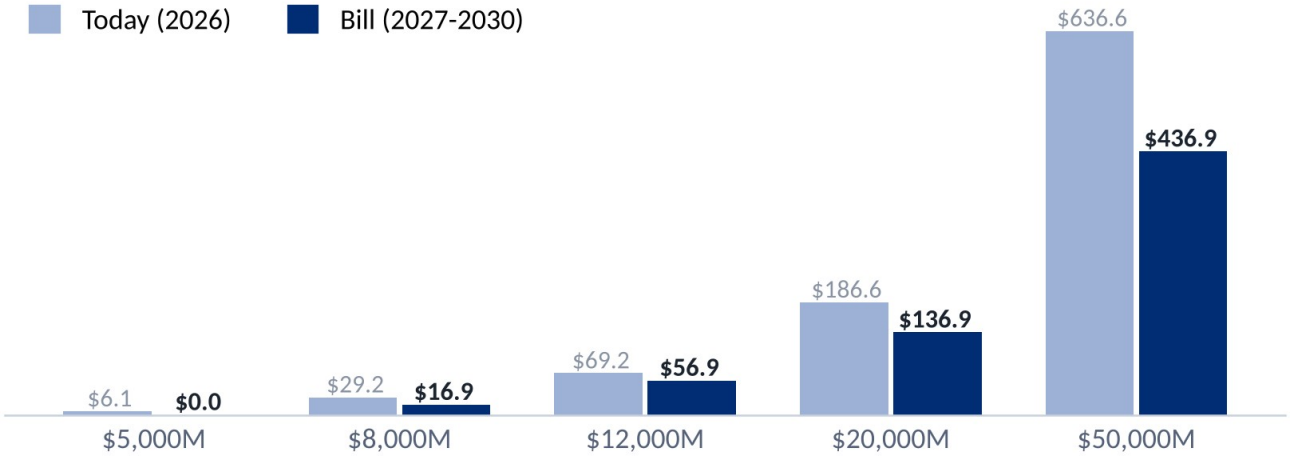
WEALTH TAX AND NORMALIZATION

Wealth tax: fewer taxpayers, a lower rate and an end date

• Wealth tax

It would only apply from 2027 to 2030, on net worth of at least COP 5,002 million. Rate of 0.5% up to COP 7,620 million and 1% on the excess.

Annual wealth tax by net worth · COP million



Illustrative calculation using the 2026 UVT. The current 1.5% rate for the largest estates was set on a temporary basis until 2026.

WHAT CHANGES?

TODAY Permanent tax from COP 3,771 million, with rates of 0.5%, 1% and 1.5%.

BILL Only 2027–2030, from COP 5,002 million, with rates of 0.5% and 1%.

• Tax normalization at 15%

Taxpayers with omitted assets or non-existent liabilities as of January 1, 2027 could regularize them by paying 15% of their value. Assets may also be stepped up to market value. Deadline: June 30, 2027.

WHAT CHANGES?

TODAY No normalization program currently in force.

BILL One-off 15% tax for 2027.

• Crypto-assets at 5%

On a one-time basis, omitted digital assets could be regularized by paying 5% of their market value, which would become their tax cost, with disclosure of accounts, wallets and positions. Deadline: June 30, 2027.

WHAT CHANGES?

TODAY No special regime for crypto-assets.

BILL 5% rate, with full disclosure.

• Rules for crypto-assets

Tokens representing another asset would follow that asset's tax treatment. Their sale would not be Colombian-source income, and changes in value would only have tax effects on disposal.

VALUE ADDED TAX (VAT)

A single 19% rate and refunds for vulnerable households

• The 5% rate is abolished

From 2028 VAT would have a single general rate of 19%, and exclusions and exemptions would be reorganized. Some examples (not an exhaustive list):

Good or service	Today	Bill	From
Electric and hybrid vehicles	5%	19%	On enactment
Spirits, wines and aperitifs	5%	19%	On enactment
Imports of up to USD 200	No VAT	19%	On enactment
Hosting, cloud and software for digital content	Excluded	19%	On enactment
Tourism services to non-residents	Exempt	Taxable	On enactment
Computers and mobile phones	Excluded	19%	2028
Fresh cheese and farmed shrimp	Zero-rated	19%	2028
Gasoline (producer income)	5%	19%	2028
Diesel (producer income and sale)	5%	Excluded	2028
Butifarra sausage and mortadella	5%	Zero-rated	2028
Supplementary health plans	5%	Excluded	2028

• EfectIVA refund

From 2028, people in extreme poverty, poverty or economic vulnerability would receive between 30% and 100% of the VAT they pay, depending on income, capped at COP 288,057 per person per month. The DIAN would calculate VAT based on electronic invoices.

WHAT CHANGES?		
	TODAY	Fixed VAT compensation per household.
	BILL	Individual refund based on VAT actually paid; replaces the compensation.

• Online gambling

VAT would be charged on deposits (including crypto-assets), including foreign operators with users in Colombia.

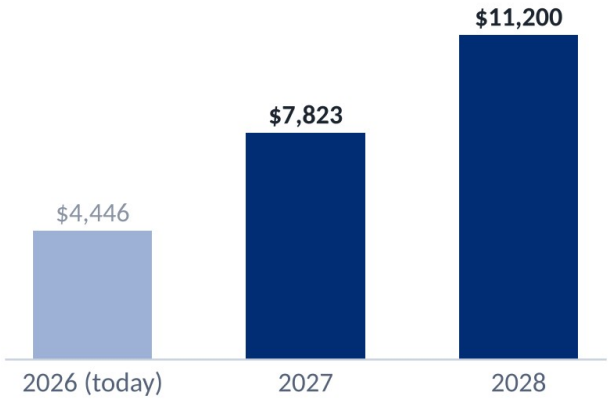
HEALTH AND ENVIRONMENTAL TAXES

Higher taxes on alcohol, tobacco and carbon

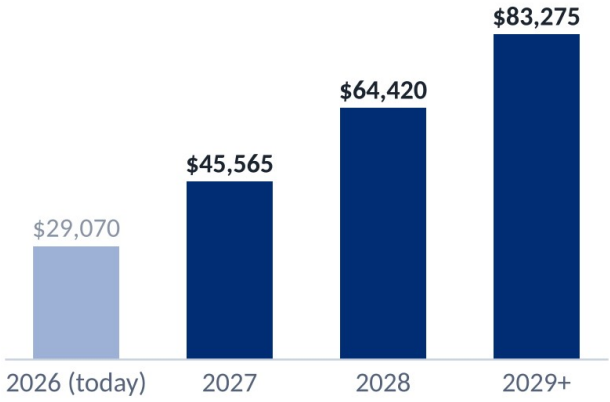
Product	Today	Bill
Spirits, wines and aperitifs	25% + COP 512 per degree per litre · 5% VAT	35% + COP 1,000 per degree per litre · 19% VAT
Beer	48% of price	10% + COP 1,000 per degree per litre (production tax)
Cigarettes (pack of 20)	COP 4,446 + 10%	COP 7,823 in 2027 and COP 11,200 from 2028 + 10%
Vapes and e-liquids	No specific tax	COP 1,000 per ml in 2027 and COP 2,000 from 2028 + 30%
Sweetened drinks (from 2028)	Sugar only; sweeteners not taxed	COP 45 per 100 ml (under 9 g or with sweeteners) and COP 76 (9 g or more)

2026 or 2027 values per the explanatory statement. Specific components would be indexed each year to inflation plus 4 points.

Cigarettes: specific component · COP per pack



Carbon tax · COP per tonne of CO_2



• National carbon tax

The rate would rise in stages to roughly COP 83,000 per tonne by 2029 (almost three times today's rate), and the relief for carbon-neutral certification would be halved.

WHAT CHANGES?	TODAY	COP 29,070 per tonne; carbon-neutral certification avoids up to 50% of the tax.
	BILL	COP 45,565 in 2027, COP 64,420 in 2028 and COP 83,275 from 2029; relief falls to 25%.

• Single-use plastics

This tax would be repealed upon enactment. Obligations accrued until then remain.

WHAT CHANGES?	TODAY	Tax in force on single-use plastic containers and packaging.
	BILL	Repealed.

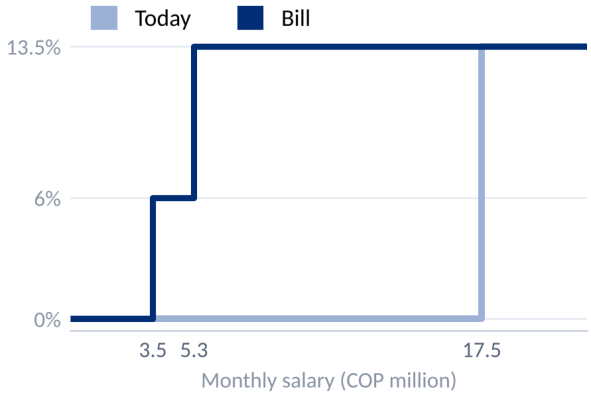
SOCIAL SECURITY AND PAYROLL

Narrower payroll exemption and progressive health contributions

• Exemption from health, SENA and ICBF contributions

From 2027 the full exemption would only apply to employees earning up to 2 minimum wages (COP 3.5 million). Between 2 and 3 minimum wages, the employer would pay 6% (1% SENA, 1% ICBF and 4% health), and above 3 minimum wages (COP 5.3 million) it would pay the full 13.5%.

Employer contributions · % of salary



EXAMPLE

Salary of COP 4 million	**+COP 240,000 / month**
Salary of COP 6 million	**+COP 810,000 / month**
Salary of COP 10 million	**+COP 1,350,000 / month**

Additional monthly cost to the employer per employee, compared with current rules.

WHAT CHANGES?

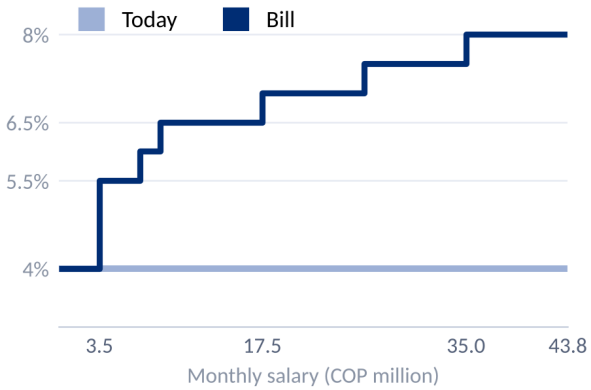
TODAY Full exemption for employees earning less than 10 minimum wages (COP 17.5 million).

BILL Full up to 2 minimum wages (COP 3.5 million), partial between 2 and 3, and none above.

• Employee health contribution

The employee's contribution would no longer be flat and would rise with salary, from 4% to 8%. For self-employed workers it would range from 12.5% to 15.5%. The employer's rate remains 8.5%.

Employee health contribution · % of salary



WHAT CHANGES?

TODAY 4% for all employees.

BILL 4% up to COP 3.5 million; 5.5% to 8% above that, depending on salary.

PROCEDURE AND ENFORCEMENT

Temporary relief and tougher penalties

• Relief until June 30, 2027

Taxpayers with debts or infractions as of September 30, 2026 could pay 100% of the tax with a 60% reduction in penalties and late-payment interest of 5% per year. This also covers unfiled or corrected returns, settlement of administrative proceedings and court conciliation.

WHAT CHANGES?	TODAY	Full penalties and late-payment interest at the ordinary rate.
	BILL	Only 40% of penalties paid, with 5% annual interest.

• Simplified payment plan

Up to 12 months for debts overdue as of September 30, 2026, with a 10% down payment and 5% annual interest. Default means losing the benefits.

• Electronic invoicing

The penalty for non-compliant invoices increases, with no cap for repeat offenses. Except in certain specific cases, failure to invoice would no longer lead to business closure: a fine of 5% of the previous month's income would apply (7% for repeat offenses), including for e-commerce.

WHAT CHANGES?	TODAY	1% of transactions, capped at COP 49.8 million; closure for failure to invoice.
	BILL	5% of transactions, capped at COP 183.3 million; fine instead of closure.

• Criminal matters

The crime of smuggling would apply from 25 minimum wages (COP 43.8 million) instead of 50. Criminal action for failing to remit withholdings would only proceed from COP 8.3 million.

WHAT CHANGES?	TODAY	Smuggling from COP 87.5 million; failure to remit withholdings with no minimum amount.
	BILL	Smuggling from COP 43.8 million; failure to remit only from COP 8.3 million.

Close support for every tax decision

This document is for information purposes only and does not constitute legal or tax advice. Our team is available to analyze the specific impact of this reform on your business.

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