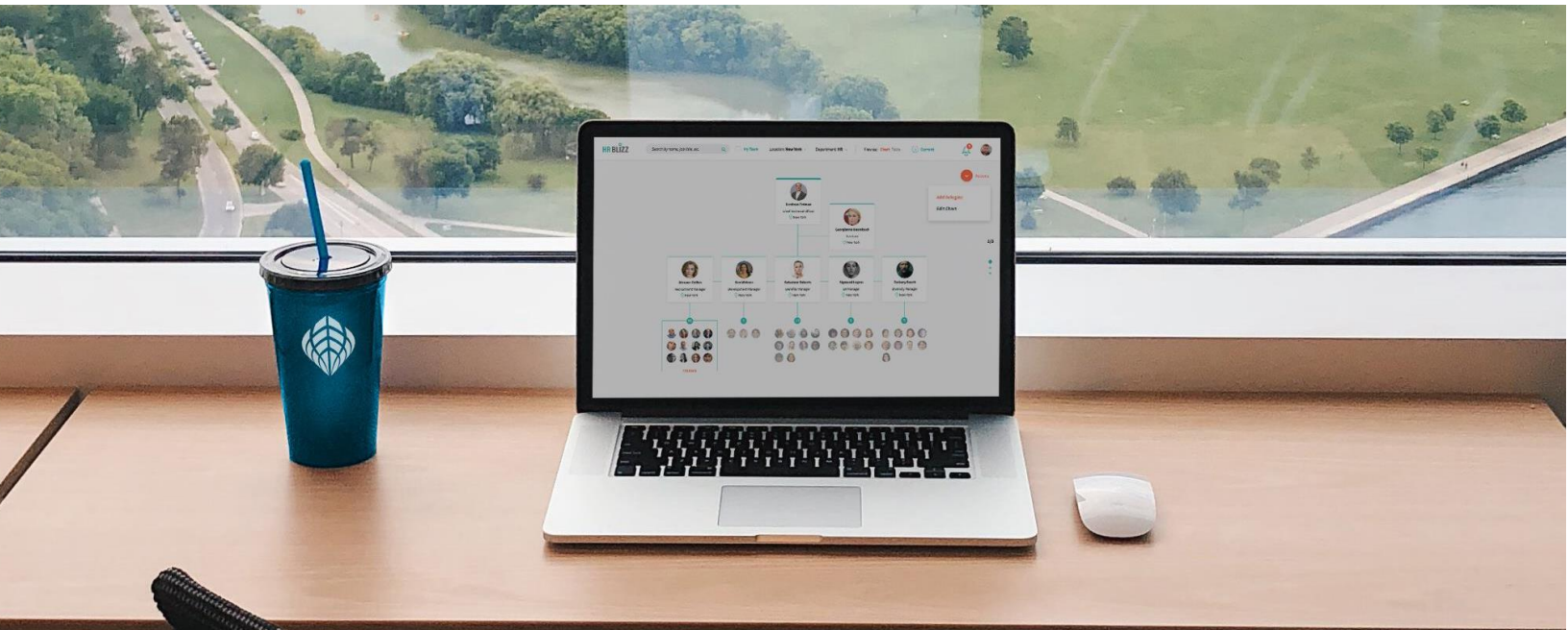




Simplifying Employment  
Tasks Worldwide

# Payroll & Tax Highlights

## 2020 Global Payroll Country Guide for Colombia



### COLOMBIA



1 August 2020



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# We help you achieve your global ambitions

Thank you for trusting Mercans to outsource your HR and Payroll functions. We propose HR consulting services, actionable solutions, and cost-effective global payroll processing tools to energize your human capital management in real-time and augment your performance. We are dedicated to becoming your business growth facilitator.



## **Global Payroll Solutions – Boost your HR brand and employee satisfaction**

Rationalize your HR budgets, monitor your data, and optimize your global payroll tasks in real-time. Systematize processes and streamline HRM lifecycles with HR Blizz™, our unified SaaS platform, to ensure your employees are paid accurately and on time.



## **PEO/GEO Services – Easily hire, deploy and manage your workforce abroad**

A reliable Professional Employer Organization (PEO), Mercans is your trusted employer of record to globally select, engage, and manage highly-qualified personnel on your behalf, through integrated Global Employment Outsourcing (GEO).



## **Global Talent Acquisition – Quickly fill vacancies with only the best candidates**

Mercans supports you in designing/deploying long-term HR strategies and processing full-cycle recruitment. Our ATS Suite Mesar™ and our hiring experts help to screen, select, attract the right candidates for your organization, and populate your pipeline of prequalified talents.



## **BPO Services – Reclaim the focus on your core activities to expand your business**

Concentrate on the essentials: outsource non-primary activities and your front- and back-office functions to Mercans. Save the time, money, and energy needed to refine the value chain engagement of your customers and suppliers, and increase revenue.



## **HR Management SaaS – Access customizable cloud-based online platforms**

Centralize your HR function on an all-in-one user-friendly and self-service platform. Combined with the expertise of our consultants, the Mesar SaaS offers a built-in applicant tracking system and easy-integration features to improve internal processes.



## **Local Statutory Compliance – Forget the hassle of setting up branches abroad**

Mercans seasoned HR advisory team are compliance experts specialized in local cultures, business protocols, and tax and legal specificities. They are committed to ensure quick go-to-market abroad and achieve a compliant global expansion, risk-free from A to Z.



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## Mercans at a Glance

**140+**

Countries

**20**

Years of Success

**500+**

Specialists

**5k+**

Customers Worldwide

**97%**

Client Retention Rate

**1.5X**

Annual Revenue Growth

**25k+**

Largest Single Payroll

**2.5M+**

Pay Slips per Annum

**0**

Security Breaches

**Number one** for outsourced payroll services, we are endorsed by international authorities.



Mercans has the highest industry quality and IT security certifications.





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## Colombia – strong rebound expected.

Colombia has received a massive and accelerating inflow of migrants from Venezuela. Approximately 1.8 million Venezuelans have arrived in Colombia as of December 2019, according to Colombian official statistics. Colombia has taken a leading role in adopting an open borders policy and implementing good practices in the provision of services to Venezuelan migrants and returned Colombians in areas such as education to health, services of employment and humanitarian aid.

Colombia has a track record of prudent macroeconomic and fiscal management, and despite economic downturns has maintained its investment grade rating since 2013.

After slowing down to 1.4 percent in 2017, economic growth accelerated to 3.3 percent in 2019, driven by robust private consumption and stronger investment. Growth was on track to accelerate further in 2020, but the COVID-19 pandemic is expected to significantly affect private consumption and investment.

In response to the crisis, the Colombian government also announced a sizable fiscal stimulus package (COP 14.8 trillion or 1.4% of GDP, with potential to increase to up to 48 trillion) that would provide additional resources for the health system, special lines of credit for businesses in certain sectors, and increased transfers for vulnerable groups.

Strong rebound in growth is expected for 2021-2022, provided that the pandemic is short-lived. The low interest rate environment, facilitated by the central bank, is expected to boost private consumption growth once domestic containment measures have been eased, and facilitate a gradual rebound in investment as major infrastructure projects such as the 4G road and the Bogota metro projects resume fully.

Colombia continues to maintain a solid macroeconomic framework. Key components of Colombia's macroeconomic framework include the adoption of a full-fledged inflation-targeting regime, a flexible exchange rate, a Fiscal Rule (2011) for the central government, and a Medium-Term Fiscal Framework.

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## Doing Business in Colombia

Colombia is as an emerging economic power in Latin America. It is the third largest economy in Latin America, Colombia is poised for drastic modernization and technological innovation. The country's developing business environment offers valuable opportunities for foreign companies looking to do business in Colombia into the foreseeable future.

Colombia's natural riches make it one of the most biodiverse in the world, and this is reflected in its trade. The country's main exports include coffee, petroleum, and cut flowers. Colombia benefits from free trade with the US thanks to a solid partnership, and the US is also its largest import partner.

Compared with other countries in the region that continue to struggle with political and economic unrest, Colombia is a relatively stable and reliable market for multinationals looking to move into the area.

Great potential lies in Colombia's technology and innovation, which is supported by its recently introduced Orange Economy initiative. This initiative aims to facilitate the growth of the nation's 'creative' industries, which include media, culture, visual arts, and software development. This push for greater creativity and innovation has seen Colombia rise to become one of the largest tech hubs in Latin America.

Another key area for commercial potential lies in the modernization of Colombia's mining and agriculture sectors. Though it's one of the most diverse countries on the planet, Colombian agribusiness or mining actors do not necessarily have the most effective or efficient methods of operation. Colombia is ready to introduce new technologies to support its farming families and mining companies implement sustainable, efficient business practices.

There is a great potential for foreign companies doing business in Colombia across a range of traditional and emerging sectors.

Successive Colombian governments are taking steps to weed out corruption. Complex bureaucratic procedures are therefore commonplace in Colombia, and the legal frameworks behind setting up a company, obtaining visas and bank accounts, and tax procedures are not all straightforward.

To incorporate a company in Colombia, you must engage a local lawyer to ensure you comply with the law. Avoid unexpected hurdles and administrative delays with the right support to save time and cost. Many of the required procedures for doing business in Colombia involve physical interaction with agencies, including the Public Notary who apostilles or 'notarizes' company and personal documents. Most of the official documentation for yourself and your company must also be translated into Spanish.



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Colombia boasts a population size of almost 50 million people. Colombia's capital, Bogotá, holds a workforce of 4.6 million alone that are young, skilled, and educated. That number is only rising as higher education institutions also see sustained, continued enrollment. The working age population accounts for approximately 80% of the overall population.

## Basic Facts

<b>Official State Name</b>	Republic of Colombia
<b>Population</b>	50.4 million (2020)
<b>Capital</b>	Bogotá
<b>Major Languages</b>	Spanish and English
<b>Currency</b>	Peso (COP)
<b>Main Industries &amp; Export Articles</b>	Agriculture, industry, mining and financial services
<b>GDP Growth</b>	3.3% (2019)
<b>Internet Domain</b>	.co
<b>International Dialing Code</b>	+57
<b>Date &amp; Number Format</b>	dd-mm-yyyy 999.999.999,99





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## Entity Registration & Incorporation Requirements

### Type of Business

Under Colombian law, there are five types of commercial entities that can be incorporated:

#### *General partnership (Sociedad Colectiva)*

Partners have subsidiary personal liability and the partnership board is the highest corporate body. A minimum of two partners are required at all times. General Partnerships are closed companies, where partners must manage the company themselves or unanimously authorize a third person to do so, as well as unanimously authorize total or partial assignment of participation in the company, or the possibility for partners to carry out similar lines of business on their own.

The requirements for entity setup are the following:

- Minimum of two partners and there is no maximum
- Partners have subsidiary personal liability; creditors must first pursue the General Partnership's patrimony
- At a corporate level, general partnerships are taxed based on their earnings; at a natural person's level, partners are taxed based on distributed dividends
- Private companies, meaning partners must manage the company themselves or unanimously authorize a third person to do so, as well as unanimously authorize total or partial assignment of participation in the company, or the possibility for partners to carry out similar lines of business on their own
- Incorporation must be through public deed registered by the Registry of Commerce
- Partnership board has overall management responsibility
- Partners have a veto right and can oppose any proposal, and such opposition suspends the proposed activity or project until majority vote is obtained
- Partnership board must meet by the end of every business activity and approve the company's financial statements at least once a year
- Colombian law requires any foreign investment to be declared through the Colombian Central Bank
- Colombian law does not require general partnerships to have a statutory auditor, unless the company exceeds a certain amount of assets

#### *Limited partnership (Sociedad en Comandita Simple y por Acciones)*

A hybrid type of company, where partners can either be managing partners or limited partners. Each type of partner has different levels of liability, functions, voting rights and participation in the company. There are also two types of limited partnerships under Colombian law. The



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simple limited partnership, where partner's contributions are established as participation quota; and the share limited partnership, where partner's contributions are established as shares.

The requirements for entity setup are the following:

- Two types of partners: managing partners (one or more) and a limited partner (one or more). In case of a share limited partnership, there must be at least five share limited partners
- Managing partners have personal liability and limited partners have limited liability
- At a corporate level, limited partnerships are taxed based on their earnings; at a personal level, partners are taxed based on distributed dividends
- Limited partnerships are hybrid companies, meaning that to transfer participation of a managing partner, partners of the company must agree unanimously and amend company's bylaws. On the other hand, to transfer participation of a limited partner, rest of limited partners must agree unanimously and amend company's bylaws
- Incorporation must be through public deed registered by the Registry of Commerce
- Partnership board is the highest corporate body; managing partners have the responsibility of managing and legally representing the company
- Company's capital is composed by the limited partner's contribution. However, managing partners may also contribute to the company's capital
- Managing partners each have a vote in the partnership board. Limited partners have a number of votes that proportionally corresponds to their ownership in the company
- Partnership board must meet and approve the company's financial statements at least once a year
- Colombian law requires any foreign investment to be declared through the Colombian Central Bank
- Colombian law does not require limited partnerships to have a statutory auditor, unless the company exceeds certain amount of assets

### *Limited liability company (Sociedad de Responsabilidad Limitada)*

The limited liability company is a hybrid type of company where partners can limit their responsibility to the amount of their contributions as a general rule, but there are certain exceptions, such as responsibility regarding taxation, labor regulation or if such extended responsibility is included in the company's bylaws. Limited liability companies must have a minimum of two partners and a maximum of 25.

The requirements for entity setup are the following:

- Must be at least two partners and no more than 25 partners
- Partners have no personal liability



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- At a corporate level, limited liability companies are taxed based on their earnings; at a personal level, partners are taxed based on distributed dividends
- In a limited liability company, transfer of participation must be carried out through a bylaw reform, following procedures regarding preemptive rights
- Incorporation must be through public deed registered by the Registry of Commerce
- Partnership board is the highest corporate body
- Company's capital must be totally paid by the time of incorporation, and any modification of the capital must be established through a registered amendment to the bylaws of the company
- Partners' votes proportionally correspond to their participation in the company
- Partnership Board must meet and approve the company's financial statements at least once a year
- Colombian law requires any foreign investment to be declared through the Colombian Central Bank
- Colombian law does not require a Limited liability company to have a statutory auditor, unless the company exceeds certain amount of assets

### *Corporation (Sociedad Anónima)*

Shareholders have no personal liability. A corporation must have the Shareholders General Assembly as the highest corporate body, a board of directors, a legal representative designated by the board of directors and a statutory auditor. A minimum of five shareholders is required, and it is generally used for large enterprises or financial institutions that are subject to control and surveillance of the Colombian Superintendence of Finance.

The requirements for entity setup are the following:

- Must have a minimum of five shareholders and no maximum requirements
- Shareholders have no personal liability
- At a corporate level, corporations are taxed based on their earnings; at a personal level, shareholders are taxed based on distributed dividends
- Shareholders have preemptive rights to subscribe and pay shares if the Shareholders General Assembly agrees to increase its capital
- The incorporation must be through public deed registered by the Registry of Commerce
- Shareholders General Assembly is the highest corporate body, and the board of directors is the managing body. Corporations must also have a legal representative and a statutory auditor
- Company's capital is divided into stock
- Shareholders typically incorporate a corporation or may purchase shares from existing shareholders
- Shareholders of a corporation may execute a shareholders' agreement or determine certain provisions in the company's bylaws like certain rights and obligations regarding negotiation of shares, vote rights, majorities for decision-making, drag-along and tag-



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along rights, put and call options, deadlock solution procedures, issuance of non-voting shares, etc.

- Shareholders General Assembly must meet and approve the company's financial statements at least once a year
- Colombian law requires any foreign investment to be declared through the Colombian Central Bank
- Colombian law does require a corporation to have a statutory auditor

### *Simplified stock company (Sociedad por Acciones Simplificada)*

Most recent and flexible type of the commercial entity created under Colombian legislation. Shareholders have no personal liability. A simplified stock company must have a Shareholders General Assembly as the highest corporate body and a legal representative. It can have a board of directors if shareholders require it. A minimum of one shareholder is required and there is no maximum requirement.

The requirements for entity setup are the following:

- Must have a minimum of one shareholder and no maximum requirements
- Shareholders have no personal liability
- At a corporate level, simplified stock companies are taxed based on their earnings; at a personal level, shareholders are taxed based on distributed dividends
- Shareholders have preemptive rights to subscribe and pay shares if the Shareholders General Assembly approves to increase its capital
- The incorporation must be through public deed registered by the Registry of Commerce
- Shareholders General Assembly is the highest corporate body. A simplified stock company must have a legal representative and can have board of directors if shareholders prefer to
- Company's capital is divided in stock
- Shareholders typically incorporate simplified stock company or may purchase shares from existing shareholders
- Shareholders of a corporation may execute a shareholders' agreement or determine certain provisions in the company's bylaws, such as certain rights and obligations regarding negotiation of shares, vote right, majorities for decisions, drag-along and tag-along rights, put and call options, deadlock solution procedures, issuance of non-voting shares, etc.
- Shareholders General Assembly must meet and approve the company's financial statements at least once a year
- Colombian law requires any foreign investment to be declared through the Colombian Central Bank
- Colombian law does not require a simplified stock company to have a statutory auditor, unless the company exceeds certain amount of assets



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## Business Setup Steps

For all entity types:

- Name search
- Drafting and approval of bylaws and articles of incorporation
- Formalization of documents with a Colombian Notary Public and
- Registration of the public deed with Registry of Commerce. As an exception, an entity can be incorporated through private documents when they satisfy the characteristics of a micro-enterprise under Colombian law

Simplified stock company (Sociedad por Acciones Simplificada):

- Homonymy search
- Drafting and approval of bylaws and articles of incorporation and
- Registration of the private document before the Registry of Commerce

The standard legal entity incorporation steps for Colombia have been summarized below:

No.	Procedures	Time to Complete
1	<b>Register with the Registry of Commerce and obtain a taxpayer ID (RUT)</b>	3 days

Agency: Chamber of Commerce of Bogota

A Sociedad por Acciones Simplificada (SAS) is incorporated by the parties (or by a lawyer) through a private document that is submitted to the Chamber of Commerce. It is not required to have a public deed. However, if the procedure includes the transfer of real property, it is mandatory to set up the company by public deed (Notary Public).

It is also necessary to submit the following documents: (i) Acceptance letters to the corporate positions of the company (i.e. legal representative, members of the Board of Directors and Statutory Auditor), with a copy of each of their ID, (ii) Legalized and/or apostilled POA if the incorporation procedure is going to be done by a lawyer or a third person, (iii) "Pre-RUT" form issued and downloaded by the National Tax Authority's (DIAN) website, and (iv) "RUES" form issued and downloaded by the Chamber of Commerce of Bogota website.

Applicants can also use the online service to register the documents regarding the consolidation of a Pre-Rut through the DIAN website



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No.	Procedures	Time to Complete
	<p><a href="http://www.dian.gov.co">www.dian.gov.co</a>. Therefore, documents regarding the incorporation of the company must be registered in the Chamber of Commerce, procedure that can be fulfilled online by accessing the following portal: <a href="https://linea.ccb.org.co/SAS/index.html#/">https://linea.ccb.org.co/SAS/index.html#/</a>. The portal provides access to information and speeds up the process of starting a business.</p> <p>At the end of the process, a Business certificate (Matricula) and a Taxpayer's ID (RUT) from the Tax Authorities are provided.</p>	
<b>2</b>	<b>Obtain an authorization for invoices and an electronic signature</b>	1 day
	<p>Agency: Tax Authorities (Dirección de Impuestos y Aduanas Nacionales, DIAN)</p> <p>Business founders must visit DIAN's offices to obtain an electronic signature for the company's legal representatives, along with an authorization for the company's invoices (Autorización de numeración de facturación). The authorization for invoices can also be requested online, by filing a form with the company information. Information is available at <a href="http://www.dian.gov.co/contenidos/otros/Facturacion_Numeracion.html">http://www.dian.gov.co/contenidos/otros/Facturacion_Numeracion.html</a>.</p>	
<b>3</b>	<b>Register with the Family Compensation Fund (Caja de Compensación Familiar), the National Training Service (Servicio Nacional de Aprendizaje, SENA) and the Colombian Family Welfare Institute (Instituto Colombiano de Bienestar Familiar, ICBF)</b>	5 days
	<p>Article 3 of Decree 1362 of 2011 created a unified form to self-assess and pay social security and payroll contribution. The unified form can be submitted electronically but not in person to the National Training Service (Servicio Nacional de Aprendizaje, or SENA), the Colombian Family Welfare Institute (Instituto Colombiano de Bienestar Familiar, or ICBF) and the Family Compensation Fund (Caja de Compensación Familiar). To register for the Family Compensation Fund, the company must consult the Family Compensation Funds available in the market and apply for the membership, in general this process is available online.</p> <p>The term for payment of the monthly contributions to the Family Compensation Fund expires within the first thirteen business days of each month depending on the last number of the Tax Identification Number (NIT) of the company.</p>	



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No.	Procedures	Time to Complete
4	<p data-bbox="310 422 976 453"><b>Register the employees for public health coverage</b></p> <p data-bbox="310 485 464 516">Agency: EPS</p> <p data-bbox="310 558 1227 804">To register employees for health coverage, the company must submit a form that indicates the affiliation of its employees to the national health system (Plan Obligatorio de Salud, POS), be it through the public entity) or through a private "promoter of health" (EPS). Each employee has the right to choose a provider, and the company is obliged to submit the respective form to the provider designated by the employee. Normally, each company must make its submissions to at least one provider.</p> <p data-bbox="310 846 1227 1020">In practice, it can take longer than assumed here, because the providers normally do not accept affiliations immediately. The employer is obligated to complete and present different forms, enclosing the documents requested by each entity (which may vary), including the administrator of professional risks.</p>	6 days
5	<p data-bbox="310 1062 1219 1129"><b>Register the employer and employees for pension with Colpensiones or one of the private funds</b></p> <p data-bbox="310 1171 1081 1203">Agency: Public fund (Colpensiones) or one of the private funds</p> <p data-bbox="310 1245 1227 1491">The company must affiliate itself with a pension system. The company must then submit a form that indicates employee affiliation to the pension system (affiliation either to the public pension fund through Colpensiones or to a private pension and compensation fund). The employer cannot choose the pension fund on behalf of the employee. Each employee has the right to choose between the public or private pension fund, and the company must complete the respective submissions to the pension funds.</p>	1 day
6	<p data-bbox="310 1535 1073 1602"><b>Register the company with the Labor Risks Administrator (Administradora de Riesgos Laborales, ARL)</b></p> <p data-bbox="310 1644 1211 1711">Agency: Labor Risks Administrator (Administradora de Riesgos Laborales, ARL)</p> <p data-bbox="310 1753 1227 1892">The company must submit a form listing its affiliation and its employees to an administrator of labor risks (ARL), which covers workplace injury and professional illness. The employer chooses the ARL to which it affiliates all employees and pays the monthly contributions. Coverage begins 24 hours</p>	1 day



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No.	Procedures	Time to Complete
	after submitting the form. Before affiliating employees, some administrators of professional risks request that they attend a short course.	
<b>7</b>	<b>Register the company with the Labor Risks Administrator (Administradora de Riesgos Laborales, ARL)</b>  Agency: Register the employees with a severance fund  The company is required to present a form that indicates employee affiliation to the severance fund. Each employee has the right to freely choose the severance fund. Consequently, the company is obliged to complete the respective submission to the severance fund requested by the employee. Although 1 day is typically required to affiliate an employee to a severance fund, the time frame may vary depending on the number of entities chosen by the employees. The employer must deposit the employee's severance payment annually before February 15th.	1 day

## Financial Statements

It is mandatory for branches and companies incorporated in Colombia to keep their accounting records in Colombian pesos and in Spanish, as well as to comply with the regulations and reporting requirements by the Colombian authorities.

As of 2015, the International Financial reporting Standards (IFRS) have been adopted in Colombia.

## Audit Requirement

It is mandatory for Stock Companies and Foreign Branches to name a statutory auditor. Other legal entities should name a Statutory Auditor if their gross annual income exceeds 3,000 Salario Mínimo Mensual Legal Vigente/Minimum Legal Monthly Salary (SMMLV) and/or if their gross assets are equal or greater than 5,000 SMMLV.

A private trader does not have to perform an audit.

Audit is mandatory for a limited liability company, a limited partnership, a general partnership or a cooperative, and if the company meets two of the following conditions during the concluded financial year and the financial year before that:





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## New Hires

In principle, in order to comply with social security obligations a foreign entity cannot directly engage employees in Colombia without setting up a branch or subsidiary. Proper payroll registrations are required (both employer and employees). Social Security (in respect of health, pension and labor risks – see benefits and pensions), payroll taxes, and union contribution withholdings may apply (if employees are unionized) and withholding tax may apply depending on the employee's income.



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## Banking

When selecting a bank, it is advisable to open an account with a larger and well-known bank in Colombia. The biggest banks in Colombia are, Banco de la República, Banco Occidente, Credencial, Bancoldex. There are also international banks such as HSBC Colombia and Citibank Colombia.

To open an account, you will need to book an appointment with the bank and will need to bring with you your passport, visa and Cédula de Extranjería (Foreigner Identification Card) and your address details. You will not be able to open an account without your Cédula de Extranjería.

It will take around a week for the account to become active and you will receive a letter confirming this. Normally, your bank card will be available for collection at the bank where you opened the account.

Banks are open Monday through Friday from 9 a.m. to 4 p.m. in Bogota and 8 a.m. to 11:30 a.m. and 2 p.m. to 4:30 p.m. in the rest of the country. On the last workday of each month, banks close at noon.

## Labor Law

There are several sources of labor and employment law in Colombia including the following: (1) the Constitution which establishes core labor principles and obligations; (2) the Substantive Labor Code which establishes the laws applicable to employment agreements, wage and hour, collective bargaining agreements, vacation and sick time, and employment benefits; and (3) the regulations and decisions issued by the Ministry of Labor, labor courts and the Constitutional Court.

Under Colombian legislation, an employment agreement exists, regardless of the name given to the relationship, when the following three elements are present: (i) a personal activity performed by the employee; (ii) the subordination of the employee to the employer, which allows the employer to demand from the employee compliance with orders at any time, with respect to the manner, time or quantity of the work to be performed, and to impose regulations in connection therewith; and (iii) the payment of a remuneration.

## Employment Agreement

Employment Agreements in Colombia, known as "Contrato de Trabajo," can be written or oral; however, certain provisions including any trial period, the designation of a fixed duration employment, and designation of fair termination causes, other than those set forth by law, will



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only be valid if in writing and signed by both the employer and employee. At a minimum, all employment agreements should include the nature of the work, the place of work, the hourly rate or salary, and the duration of the job, whether the term is fixed or indefinite. Fixed term agreements cannot exceed a period of three years. Additionally, fixed term agreements providing a term of employment of less than one year can only be renewed for three equal or lesser terms. Fixed term agreements that provide for a term of one to three years can be renewed indefinitely.

Employees hired under an indefinite employment agreement can be subject to a probationary period of up to 2 months. Employees hired under a fixed-term employment agreement can be subject to a probationary period of up to 1/5 of the fixed term agreed upon (without exceeding 2 months).

## Policies

Depending on the number of employees, internal working regulations and health and safety policies will be mandatory. Internal Regulations (Reglamento Interno de Trabajo – RIT) are mandatory under Article 105 of Colombian Labor Code for employers with more than 5 permanent employees in commercial business, or more than 10 employees in industrial companies, or more than 20 employees in agricultural, forestry or cattle companies. Health and Safety Regulations (Reglamento de Seguridad y Salud en el Trabajo) are mandatory under the Article 349 of Colombian Labor Code for employers with more than 10 permanent employees. Occupational Health and Safety management system (Sistema de Gestión de Seguridad y Salud en el Trabajo) and labor harassment and data privacy policies are mandatory. Additional corporate policies are permitted.

There are no statutory requirements with respect to the language of HR and payroll documentation, however Spanish is recommended as the Colombian authorities will require any employment document to be in Spanish or translated into Spanish.

## Overtime

Day or night overtime may not exceed two (2) hours per day and twelve (12) hours per week.

The remuneration for overtime work is calculated as follows:

- Day overtime from 6:00 a.m. to 9:00 p.m. with a 25% surcharge over standard hourly salary.
- Night overtime hour between 9:00 p.m. to 6:00 a.m. with a 75% surcharge.
- Night shift work, but not under overtime work, is remunerated with a surcharge of 35% over standard hourly rate.



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# Tax & Social Security

## Corporate Income Tax (CIT)

National companies (i.e. incorporated in Colombia under Colombian law) are taxed on worldwide income. Foreign non-residents are taxed on their Colombian-source income only. The current general CIT rate is 32% for FY 2020, it will decrease to 30% in 2022 in a progressive way (31% for FY 2021). This rate is applied upon taxable income.

Taxable income is generally defined as the excess of all operating and non-operating revenue over deductible costs and expenses. The customary costs and expenses of a business are generally acceptable as deductible expenditure for CIT purposes, provided they are necessary, reasonable, and have been realised during the relevant tax year under the accrual or cash method of accounting.

The current general capital gains tax rate is 10%.

Qualifying businesses located in Free Trade Zones (FTZs) enjoy a reduced rate of 20% (while subject to capital gains tax at 10%, where applicable).

Worldwide income earned by non-resident entities that is attributable to branches and PEs will be taxed at 32% for FY 2020 or 10%, depending on whether the income is to be treated as ordinary income or capital gain.

## Personal Income Tax

### Tax Residency

Resident individuals are subject to income tax in Colombia on their worldwide income.

For tax purposes in Colombia, the individuals (Colombians or foreigners) who fulfil the following condition will be considered Colombian tax residents:

Staying continuously or intermittently in Colombia for more than 183 calendar days (including entrance and exit days of the country), during any period of 365 consecutive calendar days. When the continuous or discontinuous stay in the country falls on more than one tax year or period, the individual will be considered as resident as of the second tax year or period.

In the case of Colombian nationals who have not fulfilled the above condition, the law establishes additional conditions, which will have to be analyzed during the relevant tax year, to define the tax residence:



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1. Their spouse or permanent partner not legally separated or dependent children under the age of 18, have tax residence in the country.
2. 50% or more of their income are from national source.
3. 50% or more of their properties are managed in the country.
4. 50% or more of their assets are understood to be owned in the country.
5. Have been required by the Tax Authorities for it, but do not prove their condition as residents abroad for tax purposes.
6. Have tax residence in a jurisdiction qualified by the National Governments as tax heaven.

Notwithstanding the foregoing, those Colombians who do not fulfil the physical presence condition in Colombia, and who having fulfilled one of the above requirements, additionally fulfil one of the following conditions, are considered as Colombian tax residents:

1. 50% or more of their income has its source in their place of residence.
2. 50% or more of their assets are in their place of residence.

## Income Classification

Individual's income tax determination, will depend on the different type of revenue obtained as a result of the performance of different activities, which will be classified as "baskets" and are grouped as follows: i) general basket (which includes labor income, rental income and non-labor income); ii) pensions income; and iii) dividends.

According to the above, individuals will have to compute the "baskets" independently every tax year. Thus, a special calculation is proposed for each "basket" type, limiting the simultaneous recognition of costs, expenses, benefits, exempt income, non-taxable income, and deductions between the different "baskets".

The following are the types of income included in the general income basket:

- **Employment income:** Income received for services performed in Colombia, no matter where the payment was received, salaries, wages, fringe benefits, commissions, and all income arising from the labor relationship.
- **Capital income:** Includes interest, financial income, royalties, rentals, and intellectual property (IP) income.
- **Non-employment income:** All type of income that cannot be classified in other baskets.

As a general rule, all income is considered to be taxable income, unless the law expressly states that the particular type of income is not subject to tax.



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A foreign resident is taxed on employment income earned for services performed in Colombia no matter where payment is made. Employment income includes salary and non-salary items, such as bonuses, living allowances, housing allowances, tax reimbursements, benefits in kind, and certain payments that must be made under Colombian labor law.

All employees, including those who have agreed to receive an integral salary (i.e. without social benefits of the legal bonus and severance compensations), can treat up to 25% of the total annual employment income as exempt income. This 25% is limited to a maximum cap of COP 8,546,000 (FY 2020) per month. Although some payments derived from a labor relationship may be agreed as not being salary, they are deemed to be income and subject to income tax.

## Income Tax Rate – General Income Basket (Employment Income)

The rates for fiscal residents (nationals or foreign) applicable to the general income basket and pension income basket (see below) are:

Annual Taxable Income (UVT)		Marginal Tax Rate	Cumulative Tax on Previous Tax Brackets (in UVT)	Annual Tax Liability Calculation (in UVT)
More Than	Less Than			
0	1,090	0%	0	0
1,090	1,700	19%	0	Covert taxable income into UVT deduct UVT 1,090 apply 19%
1,700	4,100	28%	116	Covert taxable income into UVT deduct UVT 1,700 apply 28% add the Cumulative Tax on Previous Tax Bracket of UVT 116
4,100	8,670	33%	788	Covert taxable income into UVT deduct UVT 4,100 apply 33% add the Cumulative Tax on Previous Tax Bracket of UVT 788
8,670	18,970	35%	2,296	Covert taxable income into UVT deduct UVT 8,670 apply 35% add the Cumulative Tax on Previous Tax Bracket of UVT 2,296
18,970	31,000	37%	5,901	Covert taxable income into UVT deduct UVT 18,970 apply 37% add the Cumulative Tax on Previous Tax Bracket of UVT 5,901



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31,000	+	39%	10,352	Covert taxable income into UVT deduct UVT 31,000 apply 39% add the Cumulative Tax on Previous Tax Bracket of UVT 10,352
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## Pension Contributions

Mandatory contributions made to the Colombian pension system funds by an employee are not deemed to constitute income or capital gains for the employee and are not part of the withholding tax (WHT) basis. Additionally, along with mandatory contributions to the health system, these mandatory pension contributions are considered non-taxable income.

Voluntary contributions made by the employee or the employer to mandatory pension funds are considered non-taxable income for the employee and are not part of the WHT basis, provided these amounts do not exceed 25% of the employee's employment or taxable annual income nor UVT 2,500.

Notwithstanding the above, contributions to the voluntary pension fund or AFC accounts will be taxed if they are withdrawn from the fund by the employee within ten years of having been deposited into the fund. Also, even if the deposit is withdrawn within ten years, it would continue to be treated as exempt income if it is used to pay for a housing acquisition.

Contributions made to foreign pension systems are deemed to be taxable for the expatriate or employee and are part of the WHT basis.

## Deductions

The tax code indicates a series of exempt income for individuals, which are listed below:

- Voluntary contributions to private pension and voluntary pension funds
- Contributions to AFC accounts
- Compensation for work accident or illness
- Compensation related to maternity
- Received for worker burial expenses
- The severance and the interests on severance
- Retirement, disability, old-age, survivor and Occupational Risk pensions
- Pension Replacement Compensations or pension savings balance returns
- Death insurance, and death compensation for members of the Military Forces and the National Police
- The expenses of representation of Magistrates of the Courts and their Prosecutors
- The expenses of representation of rectors and professors of official universities



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- The excess of the basic salary received by officers and non-commissioned officers of the Military Forces and of the National Police and of the latter's agents
- Twenty-five percent (25%) of the total value of labour payments or 240 UVT per month (2,880 UVT per year)

The total amount of exempt income and deductions cannot exceed 40% of the taxed income or 5,040 UVT.

### *Special Savings Account Deposits (AFC)*

Deposits made to special savings accounts to support the purchase of housing (AFC) are considered exempt income, provided these amounts, added to the mandatory and voluntary contributions to the pension system, do not exceed 30% of the employee's labor income for the year or UVT 3,800 and that the employee does not withdraw them before ten years from the date of deposit. However, even if the deposit is withdrawn within ten years, it would continue to be treated as exempt income if it is used to pay for a housing acquisition.

### *Charitable Contributions*

Some donations are allowed as discounts, provided they are made to certain institutions dedicated to development of health, education, culture, religion, sports, scientific and technological research, ecology and the protection of the environment, or to social development programs of general interest. Most of these donations are limited with respect to their deduction.

### *Mortgage Interest Deduction*

For mortgage interest paid in Colombia, up to a maximum of UVT 1,200 is deductible annually.

### *Healthcare Expenses*

Healthcare payments (i.e. payments to companies who offer prepaid health and are monitored by the national health superintendent, payments for health insurance to insurance companies that are monitored by the financial superintendent) for the taxpayer, spouse, and children are deductible up to a maximum of UVT 16.

Note that the amount paid by the employee to the mandatory health system is deemed as non-taxable income (different from deductions).





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### *Dependent Deduction*

For dependent deduction, the deductible limit is 10% of gross labor income until a maximum of UVT 32 monthly.

Dependents are defined as:

- Children of the taxpayer until 18 years old.
- Children of the taxpayer between 18 and 23 years old who are studying in education institutions.
- Children of the taxpayer older than 23 years who have psychological and physical dependence.
- Spouse or living partner who has a psychological, physical, or economic dependence.
- Parents or siblings of the taxpayer who have a psychological, physical, or economic dependence.



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## Social Security

All employers have the obligation to enrol their employees with the social security entities of the employees' choice.

The integral social security system is established for pensions, healthcare, labour risks and parafiscal contributions conformed by the family compensation fund (Caja de Compensación Familiar), the National Learning Service (Servicio Nacional de Aprendizaje, SENA) and the Colombian Family Welfare Institute (Instituto Colombiano de Bienestar Familiar, ICBF).

The maximum limit on which the contributions to pensions system, and in general to healthcare and labour risks systems is twenty-five (25) minimum monthly legal salary. This limit does not apply to contributions for family compensation funds, SENA and ICBF.

Every employee whose work contract is governed by Colombian labor regulations (with the exception of some foreign employees who may become voluntarily affiliated to the pensions system) must be affiliated to the integral social security system, which includes the:

- general pensions system
- health social security system, and
- general system of professional risks.

The basis for contributions is determined by the monthly salary (excluding non-salary items) earned by the employee, which may not be, for ordinary salaried employees, less than the minimum legal monthly salary and may not exceed 25 minimum legal monthly salaries.

For employees who earn an integral salary, the basis for pension contributions will be the lower of 25 minimum legal monthly salaries or 70% of such integral salary.

In the two regimes (public and private), the contribution amounts are currently 28.5% of the monthly salary.

Out of this percentage, 75% (approximately 20.5% of the monthly salary) must be borne by the employer and 25% (approximately 8% of the monthly salary) must be borne by the employee.

As such, for the mandatory health system, the employee should contribute 4% and the employer 8.5%. Employees with salaries below ten minimum monthly wages, the mandatory contribution to the health system on behalf of the employer does not apply. As such, the 8.5% contribution applies only to salaries above ten minimum monthly wages.

Mandatory contribution to the pension system, the employer should contribute 12% over the basis and the employee 4%.



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The employees who earn more than four minimum legal monthly salaries must contribute an additional 1%, which will be destined to the pension solidarity fund, created by law to cover the risks of workers with scarce resources. Also, employees who earn more than 16 minimum monthly salaries must contribute an additional percentage (between 0.2% and 1%), depending on the amount of salary received.

For professional risks (Aportes de Riesgos Profesionales), the employer must pay a contribution ranging from 0.522% to 6.96% of the monthly salary, which is an insurance that covers risks of labour-related illnesses or accidents, permanent disability, death, and incapacity also derived from the employee's activity.

In addition, for employees with salaries higher than ten minimum monthly wages, employers must pay a 9% payroll tax on salary items only, the basis of which is 100% for ordinary salaried employees and 70% for integral salaried employees.

## Pension Plans

Pensions in Colombia cover old age, disability by ordinary risk (that is, not related to work accident or disease) and death. The affiliation is mandatory for all employees.

In Colombia there are two (2) pension systems:

1. Medium Premium with Definite Benefit or pay-as-you-go, which is assumed by Colpensiones;
2. Individual Saving with Solidarity, which consists on contributions to a pension fund selected by the employee.

Employees enrolled in the General Pension System may choose between the pensions regime they prefer. Once the initial selection is made, they can only change from one regime to another once each every five (5) years, counted from the initial selection. Enrolled employees cannot currently change pension system when ten (10) or less years remain to obtain the pension for old age.

Employers shall pay 75% and employees 25% of the total pension contribution. Contribution is equivalent to sixteen percent (16%) of employees' salary monthly base. Twelve percent (12%) is paid by the employer and four percent (4%) by the employee.

Employees, who earn more than 4 times of the monthly minimum wage, must pay an additional 1% to the mandatory Solidarity Fund of subsistence, created to subsidize pension contributions for the population that cannot access the social security system by their own means, as well as to support, with a monetary aid, population in extreme poverty conditions.



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An extra contribution is due whenever the employee earns more than sixteen (16) times the minimum monthly wage of solidarity, as follows:

- 16 to 17 minimum monthly wages: 0.2%
- 17 to 18 minimum monthly wages: 0.4%
- 18 to 19 minimum monthly wages: 0.6%
- 19 to 20 minimum monthly wages: 0.8%
- Over 20 minimum monthly wages: 1%

## Healthcare Coverage

Contributions to the social security system for healthcare coverage is equivalent to 12.5% of the monthly salary basis of calculation, which shall not be less than the minimum monthly legal salary, of which 8.5% is paid by employers and 4% by employees.

Employer is exempt of 8.5% healthcare contributions when an employee earns less than ten 10 times the minimum monthly wage.

## Professional Risks

Professionals Risks coverage related contributions are made employer and depend on the class and degree of risk assigned to the economic activity performed by employees. If employer fails to provide its employees with the Professional Risks coverage, the employer will become directly liable of all expenses arising from labour risks affecting the employee and will be subject to the administrative fines and penalties.

Professional Risks coverage includes death and disability risks.

Risk Class	Employer Contribution Rate	Activities
I	0.522%	Financial, office labours, administrative, educational centres, restaurants.
II	1.044%	Some manufacturing processes such as manufacture of rugs, fabrics, clothing and artificial flowers, department store, some agricultural work.
III	2.436%	Some manufacturing processes such as the manufacture of needles, alcohols and leather articles.
IV	4.350%	Manufacturing processes such as the manufacture of oils, beers, glasses, galvanizing processes, transportation, and private security services.



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Risk Class	Employer Contribution Rate	Activities
V	6.960%	Sands, asbestos management, firefighters, explosives management, construction and oil exploitation.

## Parafiscal Contributions

In Colombia there are three payments or parafiscal contributions that employers must make for their workers, which are:

- Contributions to the Family Compensation Fund (Caja de Compensación Familiar).
- Contributions to the Colombian Family Welfare Institute (Instituto Colombiano de Bienestar Familiar, ICBF).
- Contributions to the National Learning Service (Servicio Nacional de Aprendizaje, SENA).

These are the parafiscal contributions on the payroll, which are different from the contributions to the social security system.

The respective employer contributions are summarized below:

Employer Contribution Rate	Contributions	Applicability
4%	Family Compensation Fund (Caja de Compensación Familiar).	All Employees
3%	Colombian Family Welfare Institute (Instituto Colombiano de Bienestar Familiar, ICBF).	Employees with salary of at least 10 minimum wages
2%	National Learning Service (Servicio Nacional de Aprendizaje, SENA).	Employees with salary of at least 10 minimum wages

Every employer that has at least one employee must make the corresponding parafiscal contributions.



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## Payroll

In principle, in order to comply with social security obligations a foreign entity cannot directly engage employees in Colombia without setting up a branch or subsidiary. Proper payroll registrations are required (both employer and employees). Social Security (in respect of health, pension and labor risks), payroll taxes, and union contribution withholdings may apply (if employees are unionized) and withholding tax may apply depending on the employee's income.

If foreign employees are covered by the pension system in their home country, they are not obligated to be enrolled in the pension system and to pay monthly contributions to the Colombian pension system.



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# Employment Law

Every employment contract executed in Colombia is governed by Colombian labor law, regardless of the parties' nationalities. For this reason, foreign workers who have a working relationship with Colombian companies have the same duties and labor rights as Colombian workers. To conclude an employment contract with a foreign national, both the employer and the worker must comply with the required immigration procedures, such as applying for a work visa. The contract must also be reported to Migración Colombia via SIRE, the Information System for Reporting Foreign Nationals.

## Employee

Indefinite, fixed-term, or for the duration of a project.

Fixed-term agreements cannot exceed 3 years but can be extended indefinitely. If the duration of the contract is less than 1 year, it can be extended 3 times (with each renewal equal to or less than the initial term) but after the third renewal the contract can only be extended for periods of 1 year.

## Independent Contractor

Independent contractors may be engaged. Specific rules regarding direction and control, subordination and autonomy in how they perform the work must be followed in order to reduce misclassification exposure. Independent contractors are obliged to pay social security contributions monthly in arrears.

## Agency Worker

Staffing agencies or "temporary services agencies" are entities that provide services to third-party beneficiaries to temporarily assist in the development of their activities via individuals hired directly by the staffing agency (the agency acts as the individual's employer).

Agency workers can only be hired in 3 cases:

- For occasional or sporadic activities
- For replacement of employees on vacation, maternity or sick leave
- To support production increases, for a period of up to 6 months (which is extendable for 1 further period of 6 months after which the employer must either terminate the engagement or hire the worker directly)



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## Employment Agreement

Colombian labor law stipulates four forms of employment contract, defined by duration: indefinite term, in which the term is indeterminate; fixed term, no longer than three years; work or labor, where the duration is determined by the time required to execute the activity, and occasional, less than one month's duration with the objective of carrying out an activity differing from the company's usual activity.

Written employment agreements are only mandatory for fixed-term agreements or employment agreements for the duration of a project but are generally recommended.

## Probation Period

Employees hired under an indefinite employment agreement can be subject to a probationary period of up to 2 months. Employees hired under a fixed-term employment agreement can be subject to a probationary period of up to 1/5 of the fixed term agreed upon (without exceeding 2 months).

## Policies

Depending on the number of employees, internal working regulations and health and safety policies will be mandatory. Internal Regulations (Reglamento Interno de Trabajo – RIT) are mandatory under Article 105 of Colombian Labor Code for employers with more than 5 permanent employees in commercial business, or more than 10 employees in industrial companies, or more than 20 employees in agricultural, forestry or cattle companies. Health and Safety Regulations (Reglamento de Seguridad y Salud en el Trabajo) are mandatory under article 349 of Colombian Labor Code for employers with more than 10 permanent employees. Occupational Health and Safety management system (Sistema de Gestión de Seguridad y Salud en el Trabajo) and labor harassment and data privacy policies are mandatory. Additional corporate policies are permitted.

## Working Conditions

### Salary

The value of Colombia's current monthly legal minimum wage (S.M.L.M.V) is established every year and defines the minimum salary a person can receive for the work they undertake. The minimum wage is increased annually using the IPC (Consumer Price Index) as a reference.

Both parties can also agree on additional benefits that are not constitutive of salary, which may include food, clothing or extralegal bonuses. For these benefits to be considered constitutive of salary, they cannot be a direct compensation for the services the employee provides. Bonuses and commissions based on complying with individual goals are, therefore, mandatorily treated as salary payments.





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Similarly, workers who earn up to twice the legal minimum wage, regardless of their nationality, must receive transportation assistance and a supply of clothing and footwear suitable for the type of work they undertake.

Salaries in Colombia can be agreed under the ordinary or integrated salary scheme.

Employees under the ordinary salary scheme are entitled to the following mandatory fringe benefits and payments, in addition to the monthly remuneration:

- Severance aid. Equivalent to 30 days of salary for every year of service (proportionally for fractions of a year).
- Interest on severance. Equivalent to 12% of the severance payment per year (proportionally for fractions of a year).
- June and December service bonus. Equivalent to 15 days' salary, payable to the employee every calendar year. The first payment must be made on the last day of June and the second one must be made within the first 20 days of December, in proportion to the time worked during the respective calendar semester.
- Vacation. 15 working days of vacation for every year of service.
- Work clothes 3 times a year (April, August and December) to employees who earn less than twice the minimum wage.
- Transportation allowance for employees who earn less than twice the minimum wage.

The ordinary salary scheme is mandatory for salaries below 13 times the monthly minimum wage. If the proposed salary is equal or higher to that amount, an integrated salary scheme could be agreed.

The monthly integrated salary includes the legal, social or fringe benefits provided to the employees, except for vacations (employees are entitled to 15 business days of vacation per year of service). In particular this includes the following:

- Severance aid (auxilio de cesantías)
- Interest on severance aid (intereses a las cesantías)
- Legal service bonuses and extra-legal bonuses
- Any type of surcharge
- Sunday and holiday surcharge and days off
- Night work surcharge
- Subsidies and in-kind supplies
- Travel allowances, within Colombian territory or abroad
- Bonuses of all types and natures
- In general, any and all benefits that an employee receives in money or in kind, either regularly or sporadically, except for vacation



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The minimum monthly integrated salary must be equivalent to at least 13 times the minimum wage.

## Working Hours

Colombian labor law sets the maximum ordinary working hours as eight hours per day, and 48 hours per week, distributed Monday to Friday or Monday to Saturday depending on what the parties agree. Colombian labor legislation also allows for the agreement of flexible working days that adapt to workers' needs.

If employees work beyond the maximum working day permitted by law, they are entitled to the following: day overtime paid with an additional 25% and night overtime (9 pm to 6 am) paid with an additional 75%. Employees who hold positions of management, leadership or trust, according to the law, are excluded from this.

## Annual Leave

Employee is entitled to 15 business days of vacation per year and proportional to a fraction of a year.

## Sick Leave

If an employee cannot work due to illness or an accident, a medical authorization from a Colombian Social Security entity must be obtained in order for the employee to get paid for the days during which the employee could not attend work. The employer pays sick leave during the employee's absence (for an indefinite period) but, as from the third day of sick leave, the employer can claim the payment back from the social security system.

## Maternity & Paternity Leave

Paid maternity leave for every employed pregnant or adoptive mother in Colombia is granted for 18 weeks. Mothers are entitled to 1 week before childbirth and 17 weeks after. For medical reasons the mother can have 2 weeks before childbirth or can have the 2 weeks before childbirth postpartum, which means that the maternity leave will last 18 weeks after childbirth. Adoptive mothers, and fathers in charge of the newborn in case of sickness or death of the mother, are also entitled to this maternity leave.

A male employee is given 8 business days of paid paternity leave when his spouse or significant other gives birth or he adopts a child.



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## Employment Termination

An employer may terminate their employment relationship with an employee without incurring liability if any of the justified causes established by law exist, which are mostly based on misconduct or poor performance. A disciplinary process should be conducted before any termination with cause. Terminations without cause are also valid but will trigger severance obligations. In a dismissal not for cause no notice is required, but the employee will be entitled to compensation (indemnification) for unilateral termination as set out below.

## Restrictions

There are special cases where it is not possible to terminate an employment agreement without the authorization of the Ministry of Labor or a Labor Judge, even with just cause:

- Employees who are pregnant or on maternity leave (this protection extends to a father/domestic partner who is an employee when the mother is unemployed and included as her beneficiary with the social security authorities)
- Employees who are on health leave or have restrictions that substantially limit them to comply with their labor duties
- Employees who are less than 3 years away from complying with the requirements to obtain a retirement pension
- Also, union leaders cannot not be terminated unless a labor judge authorizes it and only for the just causes established in Colombian Labor Code and the company's policies and/or procedures.

## Mass Layoffs

Depending on the number of employment agreements to be terminated, prior authorization from the Ministry of Labor may be required. This should take 2 months. However, usually the Ministry takes much longer.

If the requirement for a collective dismissal (mass redundancy) is met (see threshold triggers below), the above authorization is mandatory. If the company does not have such authorization, the terminations shall be void by operation of law and the company will be obliged to re-engage the employees.

Simultaneously, the employer has to notify its employees in writing regarding the authorization requested before the Ministry of Labor.

A collective dismissal occurs when it affects:

- In a company employing between 10 and 50 employees, 30% of employees in a period of 6 months



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- In a company employing between 50 and 100 employees, 20% of employees in a period of 6 months
- In a company employing between 100 and 200 employees, 15% of employees in a period of 6 months
- In a company employing between 200 and 500 employees, 9% of employees in a period of 6 months
- In a company employing between 500 and 1,000 employees, 7% of employees in a period of 6 months
- In a Company of more than 1,000 employees, 5% of employees in a period of 6 months

## Notices

At least 15 days' written notice is required in cases of poor performance. In cases of misconduct or termination without cause, no notice is required, and such terminations can be effective immediately.

For employees with a fixed term agreement, written notice is required at least 30 days prior to the agreement's expiration.

## Severance

Unilateral termination without cause is lawful but will trigger severance obligations.

If the termination is unilateral and without cause, the employee will be entitled to receive an indemnification, in addition to the final wages. For employees with an indefinite term agreement, such indemnification would be calculated as follows:

- For employees earning less than 10 minimum legal monthly wages, the compensation is 30 days of salary for the first year of service and 20 days of salary for each additional year of service (proportional to the fraction of a year)
- For employees earning 10 minimum legal wages or more, the compensation is 20 days of salary for the first year of service and 15 days of salary for each additional year of service (proportional to the fraction of a year)
- For employees with a fixed-term agreement, the severance would be equal to the salary owed to the employee until the term of the agreement expires.
- For employees who entered into agreements for the duration of a project, the severance would be the estimated salary owed to the employee until the project concludes, however in no case can severance be less than 15 days of salary.



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# Immigration

Travelling to Colombia may require a visa. The type of visa issued will depend on the nature of the visit and the length of the stay. The visa will fall into one of three categories:

Negocios - Business  
Temporal - Temporary  
Residente - Resident

The full list of visas for Colombia, what they entitle their holder to, and the requirements for obtaining a visa can be found on the website of the Ministry of Foreign Affairs.

A foreign national needs a temporary visa authorizing them to live and work in Colombia. Work Visas in Colombia (Migrant Visa or a Visitor Visa with a work permit) are granted for 1 to 3 years in the case of the Migrant Visa and for up to 2 years in the case of the Visitor Visa on a discretionary basis and are renewable indefinitely. After 5 years holding a Migrant Visa, it is possible to apply for a residency visa. The general rule is that the applicant themselves must file the visa application before the Ministry of Foreign Affairs in Bogotá, Colombia, or before a Colombian Consulate abroad. However, if the process is conducted before the Ministry of Foreign Affairs in Colombia, it is possible to file the visa application through a proxy.

## Work Permit

Foreigners wishing to work in Colombia must obtain permission to do so. This permission takes the form of a work permit. The particular work permit required depends on the type of work undertaken. As of June 2013, foreign nationals looking to work in Colombia are no longer required to have a valid work visa in place before travelling. If suitable for the candidate, it is possible to enter the country on a tourist visa and apply for the appropriate work visa internally.

Those wishing to engage in an employment relationship with a person or company domiciled in Colombia must apply for and have issued Visa Temporal TP-4. The permit is valid for the duration of the contract up to a maximum of three years and allows multiple entries to the country.

Those wishing to engage in independent working activities or start a business or to employ others need to fill out the Visa Temporal TP-7 which is valid for one year and requires annual renewal.

Until the middle of 2013, it was necessary to reside in Colombia under a TP-7 visa in order to operate any business. Since then, however, legislation has been passed allowing small business



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ventures (merchants) known as Persona Natura to be conducted with a tourist visa and a Certificado de matrícula mercantil (application is made via the Bogota Chamber of Commerce). As such, under this scheme, no work permit is required.

## Mercosur Visa

Citizens of Argentina, Brazil, Bolivia, Peru, Chile, Ecuador, Uruguay, Paraguay and Venezuela are eligible for a Mercosur Visa as part of a reciprocal agreement. The visa allows the holder to take residence in Colombia for up to two years with permission to work and study freely.

The Mercosur visa allows people to work on a contracted basis for a Colombian company, for a foreign company within Colombia or as self-employed individuals.



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## They already trust Mercans





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# What Makes Mercans your HR and Payroll Partner of Choice?

## We Simplify Employment Tasks Worldwide

### Everywhere for Everyone

We are a borderless people engagement enabler, driven by technology and innovation. We deliver bespoke human capital management services and global payroll solutions to empower businesses across 110+ countries regardless of their organizations' size and their industry. We pride ourselves on being global people experts with a striking local presence, committed to making your teams happy, and ensuring the consistent and sustainable growth of your organization.

### Local Presence. Regional Strategy. Global Success

Supported by 500+ payroll and HR specialists with in-depth local knowledge, Mercans operate globally. Our pioneering human resources consulting services and trailblazing SaaS platforms are already satisfying 5,000+ international clients, ensuring timely measurable results and bottom-line savings. Thanks to success-oriented teams striving for excellence and taking care of our clients' tasks within budget, we have gained the trust of major multinational companies.

### A Revolutionary Service Delivery System

Say goodbye to third-party service providers, offshore call centers, fragmented data, and endless chains of sub-contracts.

Mercans cloud-based SaaS Products, HR Blizz™ & Mesar™, combine the performance of proprietary technologies with a human touch. Cost-effective, they are fully-compliant self-service tools, packed with smart built-in features for your peace of mind. All your data are integrated into single interfaces accessible from everywhere and on any device.

### Trailblazing Cloud-Based SaaS Products

HR Blizz & Mesar, our Software-as-a-Service platforms, both propose a preconfigured API integration capability with all the major global HRMS platforms, including SuccessFactors, Workday, Oracle HCM, and MS Dynamics. All Mercans systems and processes are GDPR compliant, ISO 9001, 20000, 27001 certified, and SOC 1 and SOC 2 audited. A registered Finpro expert, Mercans is also a member of the Global Payroll Association and the Global Payroll Management Institute.





Simplifying Employment  
Tasks Worldwide

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