

Wealth Tax

1. On the 23rd of December, 2014, the Colombian Congress enacted a tax reform including a new tax, related to wealth held in Colombia.
2. Foreign entities holding wealth higher than 1 billion pesos in Colombia, as of the **1st of January**, 2015 (Around USD\$417,980) were included amongst tax payers. Legal entities deemed as wealth tax payers must file a tax return for fiscal years 2015, 2016 and 2017.
3. Taxable base for the Wealth tax return to be filed for fiscal year 2016, must be determined as of the **1st of January**, 2016. “Wealth” is to be determined considering the total assets held by the entity in Colombia minus the debts in Colombia; please bear in mind that payables (such as loans granted to Colombian tax residents) are deemed as wealth held in Colombia.
4. Note that in order to be considered as a wealth tax payer for 2016, it is necessary to have been subject to file and/or pay wealth tax in 2015. Companies that had no assets in Colombia to January 1st 2015 and acquired after that date are not contributors to the wealth tax in 2016 .
5. The tax base for 2016 should be compared with the tax base for 2015, which must be reduced or increased, as appropriate, by 25% of the inflation rate of 2015.

6. Notwithstanding, the added value of shares held in Colombian entities can be deducted from the wealth tax taxable base. Hence, if the only assets in Colombia are shares, the foreign entity might be not subject to pay any amount related to wealth tax, but it would still be obliged to file the corresponding tax return, which is to be filed since **May 11th 2016**, considering the last digit of the tax identification number.

Last digit	Tax return and first payment	Second payment
0	May 11 th 2016	September 8 th 2016
9	May 12 th 2016	September 9 th 2016
8	May 13 th 2016	September 12 th 2016
7	May 16 th 2016	September 13 th 2016
6	May 17 th 2016	September 14 th 2016
5	May 18 th 2016	September 15 th 2016
4	May 19 th 2016	September 16 th 2016
3	May 20 th 2016	September 19 th 2016
2	May 23 rd 2016	September 20 th 2016
1	May 24 th 2016	September 21 st 2016

7. Note that for the filing of the wealth tax by foreign entities, foreign entities must be registered before the tax authorities by obtaining a Tax ID, as well as by appointing a representative in Colombia. If the foreign entity is not registered, or an update is required, the process may result in the signing of documents abroad (with the corresponding legalization - apostille or notarization), and its shipment to Colombia. If documents are granted in other language different than Spanish, an official translation of these documents shall be conducted . Please bear in mind that these proceedings before the Tax Authorities in Colombia, can take around 3 weeks.
8. Whereas the date for the filing of the wealth tax return starts from **May 11th 2016**, it is necessary to take all reasonable steps to comply with tax obligations in advance.

For the sake of clarity, please find an overview of the wealth tax.

CORPORATE WEALTH TAX

Taxpayers	Colombian companies, Colombian branches of foreign companies, Permanent Establishments ("PE") of Foreign Companies or individuals, and Foreign Companies with wealth held directly in Colombia. For Foreign Companies, Colombian branches of foreign companies and PE of foreign companies, the wealth to be considered is the wealth held in Colombia.						
Taxable Event	Holding taxable net equity (Total assets minus (-) debts)		at 01/01/2015		Value higher than \$1,000,000,000 Pesos		
Accrual	01/01/2015		01/01/2016		01/01/2017		
Taxable base (TB)	Total Assets (Foreign Companies, branches and P.E. of Foreign Companies only have to consider their assets in Colombia)						
	(-) debts						
	(-) net worth of shares or economic interest in Colombian Companies						
	Taxable base						
	Foreign financial institutions are allowed to deduct from their Colombian wealth the value of loans or international leaseings granted to Colombian tax residents, as well as the interests arising from those operations.						
Taxable base (TB)			If TB 2016 > TB 2015, then applicable TB for Y2016 = lower between (TB 2016) and (TB 2015 + 1,6925%)		If TB 2017 > TB 2015, then applicable TB for Y2017 = lower between (TB 2017) and (TB 2015 + 25% of the inflation rate).		
			If TB 2016 < TB 2015, then applicable TB for Y2016 = higher between (TB 2016) and (TB 2015 - 1,6925%).		If TB 2017 < TB 2015, then applicable TB for Y2017 = higher between (TB 2017) and (TB 2015 - 25% of the inflation rate).		
Tax Rates	2015		2016		2017		
	1	\$0 - \$2,000,000,000	0,20%	\$0 - \$2,000,000,000	0,15%	\$0 - \$2,000,000,000	0,05%
	Tax	Taxable base *0,20%		Taxable base *0,15%		Taxable base *0,05%	
	2	\$2,000,000,000 - \$3,000,000,000	0,35%	\$2,000,000,000 - \$3,000,000,000	0,25%	\$2,000,000,000 - \$3,000,000,000	0,10%
	Tax	((Taxable base - \$2,000,000,000) *0,35%) + \$4,000,000)		((Taxable base - \$2,000,000,000) *0,25%) + \$3,000,000)		((Taxable base - \$2,000,000,000) *0,10%) + \$1,000,000)	
	3	\$3,000,000,000 - \$5,000,000,000	0,75%	\$3,000,000,000 - \$5,000,000,000	0,50%	\$3,000,000,000 - \$5,000,000,000	0,20%
	Tax	((Taxable base - \$3,000,000,000) *0,75%) + \$7,500,000)		((Taxable base - \$3,000,000,000) *0,50%) + \$5,500,000)		((Taxable base - \$3,000,000,000) *0,20%) + \$2,000,000)	
	4	\$5,000,000,000 - above	1,15%	\$5,000,000,000 - above	1,00%	\$5,000,000,000 - above	0,40%
Tax	((Taxable base - \$5,000,000,000) *1,15%) + \$22,500,000)		((Taxable base - \$5,000,000,000) *1,00%) + \$15,500,000)		((Taxable base - \$5,000,000,000) *0,40%) + \$6,000,000)		