TAX EXPENDITURES COUNTRY REPORT

Colombia

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List of abbreviations

AFC	Ahorro para el fomento de la construcción [Savings account for housing acquisition]
AVC	Ahorro voluntario contractual [Contractual voluntary savings scheme for housing]
bn	Billion
CEBT	Comisión de Expertos en Beneficios Tributarios [Committee of Experts on Tax Benefits]
COP	Colombian peso(s)
CPC	Central Product Classification
DIAN	Dirección de Impuestos y Aduanas Nacionales [Colombian National Directorate of Taxes and Customs]
DNP	Departamento Nacional de Planeación [Colombian National Planning Department]
ETR	Effective tax rate
FVP	Aportes a fondos voluntarios de pensiones [Contributions to voluntary pension funds]
GDP	Gross domestic product
GTED	Global Tax Expenditure Database
GTETI	Global Tax Expenditures Transparency Index
MFMP	Marco Fiscal de Mediano Plazo [Medium-Term Fiscal Framework]
MinHacienda	Ministerio de Hacienda y Crédito Público [Colombian Ministry of Finance and Public Credit]
OECD	Organisation for Economic Co-operation and Development
TE(s)	Tax expenditure(s)
tn	Trillion
USD	US dollar(s)
UVT	Unidad de Valor Tributario/unidades de valor tributario [Tax value unit(s)]
VAT	Value added tax
ZESE	Zonas Económicas y Sociales Especiales [Special Economic and Social Zones]
ZOMAC	Zonas Más Afectadas por el Conflicto Armado en Colombia [Zones Most Affected by the Armed Conflict in Colombia]

Executive summary

Tax expenditures (TEs) in Colombia accounted for approximately 7.8% of Gross Domestic Product (GDP) in 2022, broken down as follows: the fiscal cost of this expenditure was 0.6% in terms of personal income tax and 1.5% in terms of corporate income tax. The remaining 5.6% corresponded to VAT. In total, this represents a four-percentage-point increase on the previous year.

This report stresses the need to review TEs. Such an evaluation was already crucial before the pandemic, but has now become all the more urgent in the wake of COVID-19 and its impact on inequality and state revenue.

Transparency: there is no comprehensive data available on TEs in Colombia and the data that does exist is not accessible to researchers or the general public. In several cases, information is patchy or aggregated, making it difficult to evaluate.

Complex fiscal landscape: the Colombian tax system is complex, due in part to the numerous special exemptions, exclusions and deductions inherent in the regulatory framework. This complicates matters in terms of tax compliance, oversight and auditing.

Evaluation challenges: Colombia had no defined benchmark for determining its TE. While initial work was undertaken in mid-2024 to define a benchmark for income tax and VAT, the disaggregated report is not available at the time of writing this analysis. Additionally, the absence of effective and ongoing assessment to determine the appropriateness of tax benefits has led to an accumulation of incentives, many of them unjustified, and an increase in the country's TE.

Fiscal sustainability: limited tax collection is impinging on the ability of the Colombian state to maintain healthy public finances and comply with its fiscal rule. This is not only the result of a stagnating economy, but also stems from numerous tax benefits that drive up TE. These benefits already corresponded to 7.4% and 7.8% of GDP in 2021 and 2022 respectively.

Policy recommendations: there is a need to restructure the Colombian tax system to make it more efficient, sustainable and equitable. Tax benefits must be reviewed and, in some cases, progressively removed in order to help achieve tax justice and streamline the system.

Colombia at a glance (2022)

Population

52

(million)

GDP

COP 1,469.8

(trillion)

USD 305.6 (bn)

GDP/capita

COP 26,677

(thousand)

USD 6,979.7

18%

(of GDP)

Total national taxes

34.1%

(of GDP)

Public expenditure

69.9%

(of GDP)

Public debt

TAX STRUCTURE

Revenue from taxes, 2022

Type of tax	COP trillion	USD billion	% total
Direct taxes	150.36	31.26	53.9%
Indirect taxes	128.25	26.66	46.0%
Unclassified	0.31	0.06	0.1%
Total taxes	**278.92**	**57.98**	**100%**

Source: OECD (2024); own calculations based on DIAN (2024a)

Note: official fixing rate at year end 2022: USD 1 equals COP 4,810.20

Tax expenditures key figures (2022)

Annual reporting
since
2004

173
Reported provisions

COP 114.3
(trillion)
USD 28.3 (bn)
Total revenue forgone

7.8%
Total TEs as % of GDP

56.9%
Total TEs as % of tax revenue

69.9%
Total TEs as % of public expenditure

Source: Redonda et al. (2024a)

The fiscal year in Colombia runs from 1 January to 31 December of each year. The taxes for the period, such as income tax, are declared and paid for the previous year, in accordance with the calendar established by the tax authority. The government sets out fiscal objectives and economic policies in the Medium-Term Fiscal Framework (MFMP), a three- or five-year plan, which includes the financial plan with income, expenditure and public-debt forecasts. The MFMP contains a section listing the aggregated TEs for the previous two years.

The fiscal cost of the TEs is primarily incurred for income tax and VAT, reaching COP 87.7 billion in the 2021 fiscal year and COP 113.5 billion in the 2022 fiscal year, equivalent to 6% and 7.7% of GDP respectively.

Key governance and institutional features

To understand how Colombia's tax system operates in general and, more specifically, in relation to TEs, it is essential to first examine the features of the country's institutional and governance systems. TEs include exemptions, special deductions, tax rebates and rate reductions that impact the economy and encourage economic agents to behave in particular ways. Creating and monitoring these expenditures requires cooperation between different government bodies, each of which plays a specific role in the process.

In Colombia, TEs are created and modified as part of a legislative process governed by the country's regulatory framework. This process comprises the following stages:

- **Legislative proposal:** bills containing proposals for TEs are introduced by the national government (primarily via the Ministry of Finance and Public Credit)[1] or members of the Colombian Congress.
- **Legislative debate:** bills containing TEs proposals are debated by the economic committees of the Colombian Congress and, subsequently, during the plenary sessions of the House of Representatives and the Senate. As part of this process, an analysis is conducted of the economic and social objectives of the proposed TE.
- **Approval and enactment:** if the bill is approved, it is then enacted into law by the Colombian President.
- **Regulation:** the Ministry of Finance and Public Credit is responsible for issuing regulatory decrees with specific information on how the approved TEs are to be implemented.

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[1] Nonetheless, other Colombian government ministries advocate for legislation to promote the development and growth of specific sectors, including agriculture, trade, tourism, industry, culture and technology, and one of the most common strategies employed to this end is to create tax benefits.

The Colombian Tax Code (Estatuto Tributario) is the principal regulatory framework in this context. It specifies the legal foundation for implementing and regulating national TEs and establishes basic guidelines for their application.

Primary responsibility for monitoring and reporting on the TEs lies with the following government bodies:

- **Ministry of Finance and Public Credit (MinHacienda):** the central authority tasked with formulating fiscal policy and monitoring TEs. It publishes the Medium-Term Fiscal Framework (MFMP) on an annual basis. This key document contains a dedicated section on tax expenditures which analyses the tax benefits, their cost to the state and their impact on public finances.
- **National Directorate of Taxes and Customs (DIAN):** responsible for tax and customs administration. DIAN is involved in drafting technical reports on tax benefits. Working with the Organisation for Economic Co-operation and Development (OECD), it publishes reports based on the recommendations of the Committee of Experts on Tax Benefits (CEBT), which analyses the effectiveness, transparency and fiscal sustainability of tax benefits.
- **National Planning Department (DNP):** analyses the effectiveness and fiscal sustainability of public policy, adopting a territorial approach to evaluating the impact of tax benefits on economic and social development. Its research is designed to promote transparency and efficient management of TEs.
- **Comptroller General of the Republic of Colombia:** oversees the management of resources associated with TEs by means of audits and specialist reports. These documents assess whether the tax incentives are achieving their intended objectives and whether they are being administered transparently and efficiently. The Comptroller General also issues recommendations for strengthening fiscal oversight, promoting accountability and minimising the risks associated with the improper use of public funds.

Although these four bodies operate autonomously, they are linked to the executive branch and must coordinate their activities in order to fulfil their duties in relation to TEs, including their publication, monitoring and evaluation. While these bodies are established and have been tasked with overseeing TEs, it should be pointed out that, in practice, there is insufficient information publicly available to determine whether they are conducting the relevant evaluations and what the findings of those evaluations are.

Up until 2019, DIAN published a report on tax benefits in its “Cuadernos de trabajo” [“Working paper]” portal[2]. These reports contained an assessment of TEs, primarily for VAT and income tax. From 2020 onwards, the reports have been replaced by a single section in the MFMP published by the Ministry of Finance and Public Credit. In its 2024 MFMP, the Ministry introduced something approximating to a system of reference for these two specific taxes, though it has still not provided any detailed information about the methodology used for the calculations.

The aforementioned conditions demonstrate that there is still significant potential for improving transparency in regard to the administration of TEs in Colombia.

Tax expenditure and transparency

The Global Tax Expenditures Transparency Index (GTETI) ranks Colombia 35th out of 105 countries when it comes to transparency in the administration of TEs. Ranking is based on a number of aspects essential for guaranteeing

[2]The full reports are available on DIAN’s Cuadernos de Trabajo website.

transparency and effectiveness in TEs, including: (i) public availability of information, (ii) institutional framework, (iii) methodology and scope, (iv) descriptive TE data, and (v) TE assessment.

While Colombia has made significant progress in measuring and reporting on TEs, especially in response to the CEBT's recommendations in 2021, significant challenges remain when it comes to identifying, clarifying and accessing detailed data on these expenditures. With no well-developed tax system of reference in place and no disaggregated reports available, it is difficult to establish a comprehensive understanding of the impact of TEs on tax revenues and different social groups.

The confidential nature of tax declarations and other tax documents presents a major obstacle to improving transparency concerning TEs. While this principle is upheld by the Constitutional Court, for instance in decisions such as C-981 (2005) and C-489 (1995), international experience shows that it is possible to develop mechanisms that guarantee access to disaggregated data for detailed analysis without compromising taxpayer confidentiality. The United States, Sweden and South Africa, for instance, have implemented systems that allow researchers to access anonymised tax records under strict terms of confidentiality and thus to conduct more comprehensive analysis of TEs and their impact on the economy.

A lack of transparency concerning TEs can engender mistrust among taxpayers and disincentivise tax compliance. If taxpayers have confidence in the tax system and the tax authorities, then they will be more willing to pay their taxes and will do so more honestly (Gangl et al., 2019). A lack of confidence can create incentives for individuals and companies to evade formal tax payments (Dom et al., 2022), resulting in revenue losses. This is especially relevant in Colombia, where losses from evasion amount to almost 6% of GDP (La República, 2024).

A significant lack of transparency can make it impossible to determine who is really benefiting from these incentives, raising questions around inequality in the tax burden. As the OECD and DIAN (2021) have pointed out, periodic and detailed reporting on TEs is essential for strengthening accountability and improving public resource allocation to ensure that tax incentives are aligned with policy objectives. As Megersa (2021) proposes, governments should establish a sufficiently strong link between taxation, public expenditure and achievement of the fundamental objectives of obtaining the support of tax-paying citizens.

From a cost-benefit perspective, it is necessary to point out that TEs are a significant instrument of public policy-making. However, a lack of transparency surrounding their allocation and evaluation makes it impossible to identify the tax concessions that generate positive economic and social returns and those that represent an unjustifiable fiscal cost. It also prevents any assessment of whether it would be more efficient to employ direct budget execution or to utilise TEs to achieve state objectives, as proposed by Mikesell (2003).

One specific example of the need for greater transparency is the system of free trade zones (*zonas francas*). These areas benefit from tax incentives such as reduced rates of income tax (20%, or even 15% under legal stability contracts), tariff exemptions and VAT deferral. According to the MFMP (2023), this system had an associated fiscal cost of COP 641 billion in 2021, rising to COP 1,085 billion in 2022. However, with no means of obtaining detailed information about the tax benefits afforded to companies located in these special development zones, it is difficult to assess whether these exemptions are justified from an economic and social perspective. This system was created with the objective of stimulating exports and promoting job creation and investment, but there is insufficient information available to evaluate whether this objective is being fulfilled.

In order to work towards greater transparency in the system, it is necessary to establish reporting mechanisms that detail the costs and results of the TEs and make this information accessible and comprehensible to researchers, decision-makers and the general public. Publishing disaggregated information on TEs on a regular basis, as is customary in a number of other countries, would help to boost confidence in the tax system and foster a more informed public debate about the fairness and efficiency of these tax policies.

52.3/100

The overall GTETI score

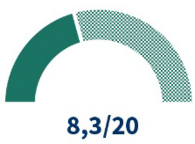
Tax expenditures transparency

The quality and scope of TE reporting in Colombia is reflected in the GTETI where it ranks **35th out of 105** assessed countries.

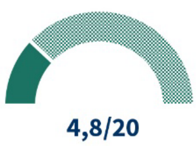
Dimension 1 – **Public Availability**
This dimension captures the extent to which TE reports are made available to the public. It considers the regularity of reporting, the timeliness of data, the online accessibility, and the reader-friendliness of the document.

Dimension 2 – **Institutional Framework**
This dimension evaluates how well the institutional framework promotes transparency and accountability in TE policymaking. It assesses the legal basis for TE reporting, the requirement to submit reports to parliament, the assignment of the responsibility to report to a specific public authority, and the consideration of TEs in the country's budget cycle and medium-term strategy.

Dimension 3 – **Methodology and Scope**
This dimension analyses the extent to which TE reports cover all TEs available at the national level, the level of specification of the reference benchmark system against which TEs are assessed, and the method(s) used to calculate revenue forgone.



Dimension 4 – **Descriptive TE Data**
This dimension assesses the information available in the report to identify and explain the nature of different TEs. It evaluates the extent to which the report specifies the policy objective(s) of TEs. Also, it analyses the availability of TE data regarding the type of TE (tax credit, deduction etc.), beneficiaries, time frames, and the legal basis under which TEs are granted.



Dimension 5 – **TE Assessments**
This dimension analyses the extent to which revenue forgone estimates are provided in the report, including levels of (dis)aggregation and the time span of revenue forgone estimates (previous years and forecasts). Further, it assesses the availability of information on TE evaluations, considering both the existence of ex-ante and ex-post evaluation frameworks, and the scope of publicly available evaluations.

Source: Redonda et al. (2024b)

Benchmark

In 2021, the CEBT stressed the pressing need to establish a clear benchmark system for measuring TEs in Colombia. Initial steps have been taken to create such a system and these were presented in the MFMP in mid-2024. While the benchmark has not yet been fully developed, Colombia's current tax system can still be used as a starting point for calculating TEs, as it establishes key rules for taxes applicable to natural and legal persons.

Income tax

Unlike other countries, Colombia does not levy a dedicated corporation tax. Instead, it applies income tax to both legal persons (hereinafter referred to as corporate income tax (CIT)) and natural persons (hereinafter referred to as personal income tax (PIT)). The standard rate of CIT is set at 35%, with a surtax imposed on specific economic activities associated with the financial and mining sectors where taxable income exceeds certain thresholds. The main TEs associated with CIT include income exemptions, tax rebates, fixed-asset investment deductions and rate reductions. During the 2022 fiscal year, income exemption claims for CIT amounted to COP 23,000 billion (1.6% of GDP), with an estimated fiscal cost of COP 8,100 billion (0.6% of GDP) (Annex 1).

Personal income is taxed according to the source of income generation, including employment income (subdivided into salaried and non-salaried), capital income, non-employment income, pensions, dividends and shares, and capital gains. These rates are included in the declaration under different income categories known as *cédulas*. The first category, a general one, comprises employment income, capital income and non-employment income. The taxable income in this category is subject to progressive marginal rates of between 0% and 39%. These same rates apply to the second category, which covers income from pensions. Pension incomes are only taxed if they exceed 1,000 tax value units (UVT) per month (COP 49,799,000 in 2025), otherwise they are tax exempt.

The third category pertains to dividends and shares. A combination of rates is applied here, ranging from 0% to 39%, depending on whether the dividends are distributed as taxable or non-taxable. The final category is dedicated to capital gains. While it is not a *cédula* as such, it is adjusted as if it were. This category is for declaration of income derived by exceptional means and has two general tax rates – 20% for lotteries, sweepstakes, gambling or similar activities and 15% for all other capital gains, including inheritances and gains derived from donations and the sale of assets.

The most significant TEs for PIT in 2022 were income exemptions and deductions, which amounted to approximately COP 127,300 billion in total, COP 107,300 billion (84.3%) of which corresponded to income exemptions and the remaining COP 19,968 billion (15.7%) to deductions.

Value added tax (VAT)

In Colombia, VAT is levied on the distribution and sale of goods and the provision of taxable services. Each product or service is subject to a VAT rate, which may be general (19%) or differential (5%). There is also a 0% rate that is applied to exempted goods and services, and a final category of goods and services excluded from VAT.

Exempted goods and services are subject to a 0% rate, which means that no VAT value is calculated for them. Nonetheless, the regulations stipulate that VAT paid on purchases of other goods used in production can be refunded in certain specific cases. VAT is not calculated for excluded goods and services. Unlike exempted goods and services, excluded goods and services do not give rise to VAT refunds (Observatorio Fiscal, 2024b).

The most significant TEs associated with VAT in 2022 were exclusions, which totalled COP 62,565 billion in value. These were primarily distributed in three areas: agricultural and horticultural products; accommodation services, provision of food and beverages; buildings. Together, these three areas accounted for 41.7% of the total (see Annex 5). At the same time, the fiscal cost of goods and services exemptions rose to COP 20,563 billion, with pharmaceutical products having the largest fiscal impact at COP 4,500 billion (21.9% of the total).

Other taxes

The MFMP also presents TEs for the national carbon tax and the national gasoline and diesel tax. According to the figures presented in the 2024 MFMP, the TE associated with the carbon tax amounted to COP 320 billion (0.02% of GDP) in 2023, a decrease of COP 124 billion relative to 2022. For its part, the TE on the gasoline and diesel tax stood at COP 386 billion in 2023 and COP 341 billion in 2022, corresponding to 0.02% of GDP in both years.

TE reporting in Colombia takes no account of other taxes, nor does it disaggregate the assessed taxes any further. With its current structure, the benchmark system only allows for preliminary evaluation of the TEs associated with different tax rates, exemptions and deductions. This highlights the need to move towards defining a benchmark that allows for more accurate and transparent measurement of TEs.

Revenue foregone

TEs are preferential tax treatments that reduce the tax burden on taxpayers and constitute revenue foregone on the part of the government. TEs have come under the spotlight and been debated in Colombia on account of their impact on public finances and the questions they raise regarding fairness in the tax system. According to the IMF (2019), the Colombian tax system contains numerous exemptions and preferential arrangements. However, there are also other reasons that explain why tax revenue measured as a percentage of GDP is low, including a high rate of tax evasion, a large informal sector within the labour market and issues related to the country's economic structure. Additionally, the tax system and transfer system in Colombia have not had a significant impact on reducing inequality (OECD and DIAN, 2021).

TEs play a key role in this context, as preferential tax treatments for income tax, VAT and other tariffs reduce the potential for tax revenue, thereby limiting the ability of the state to meet its revenue targets. In the 2023 and 2024 MFMPs, the current government illustrates some of these preferential tax treatments for different taxes such as income tax, VAT and carbon tax, acknowledging at the same time several limitations in these calculations. Table 1 shows the calculations derived from these tax treatments.

Figures to date indicate that the government's efforts to reduce TE have been unsuccessful and that inequality within the tax system remains high, due in large part to the existence of numerous tax benefits that reduce the tax burden on some taxpayers while at the same time leaving other taxpayers with equal or similar economic capacity to bear a higher burden. These benefits also have a direct negative impact on state revenues.

Table 1. Summary of the fiscal cost of tax revenues at national level. Figures in COP billion and USD billion

Tax/year	Fiscal cost		Percentage variation	As percentage of GDP		Variation in COP
	2021	2022		2021	2022	
Corporate income tax (CIT)	16,926 (USD 3.52)	22,353 (USD 4.65)	32.10%	1.40%	1.50%	5,427 (USD 1.12)
Personal income tax (PIT)	7,643 (USD 1.59)	9,373 (USD 1.95)	22.60%	0.60%	0.60%	1,730 (USD 0.35)
VAT	63,096 (USD 13.12)	81,749 (USD 17.00)	29.56%	5.30%	5.60%	18,653 (USD 3.88)
Carbon	445 (USD 0.09)	444 (USD 0.09)	-0.22%	0.00%	0.00%	-1 (USD 0.00)
Gasoline and petrodiesel	266 (USD 0.06)	341 (USD 0.07)	28.20%	0.00%	0.00%	75 (USD 0.02)
Total	**88,376 (USD 18.37)**	**114,260 (USD 23.75)**	**29.30%**	**7.40%**	**7.80%**	

Source: MFMP (2023)
Note: Official fixing rate for 2022: USD 1 equals COP 4,810.20

Table 1 shows a significant increase in TE in 2022 relative to 2021. This increase pertained to two key areas: VAT, which rose by COP 18,653 billion (29.6%), and CIT, which rose by COP 5,427 billion (32.1%). The MFMP (2023, p. 214) explains that tax expenditure on VAT "is driven primarily by the 'accommodation services, provision of food and beverages' sector (in line with the trend in 2021 related to a rise in economic activity in 2022), the measures associated with the Tourism Law and the exclusion of restaurants (which are subject to the national consumption tax). From an income tax point of view, it is also important to note the rise in the fiscal cost associated with income exemptions, which increased by 21.0% relative to 2021, with CIT rebates and with the increase in the number of companies that paid the tax at reduced rates".

A key goal of these incentives was to promote economic recovery in the wake of COVID-19. However, as the economy recovers and there is a return to something close to pre-pandemic trends, it becomes necessary to evaluate the relevance of various tax benefits and the fiscal cost they represent.

Fiscal cost of income tax

In Colombia, income tax applies to companies and natural persons. While the assessment structure for corporate income tax (CIT) and personal income tax (PIT) differs, the basic principle is the same, namely that the tax is levied on income that contributes to a net increase in assets, unless this income is specifically exempted. Taxpayers can enjoy a number of tax benefits that reduce their tax liability, including non-taxable income, general and special deductions, income exemptions and tax rebates

Table 2 provides a breakdown of the fiscal cost associated with the main TEs for CIT and PIT. It shows the negative impact of income exemptions on tax revenue, for both income taxes. As can be seen, CIT accounts for 70% of tax expenditure and PIT for 30%.

Table 2. Summary of the fiscal cost of primary tax expenditures for income tax. Figures in COP billion and USD billion

Category	2021				2022				2022/21	2022	2022
	TE amount (COP)	TE amount (as % of GDP)	Fiscal cost	Cost (as % of GDP)	TE amount (COP)	TE amount (as % of GDP)	Fiscal cost	Cost (as % of GDP)	Variation in fiscal cost (%)	Share of fiscal cost (%)	% of total fiscal cost
Income exemptions	21,548 (USD 4.48)	1.8%	6,793 (USD 1.41)	0.6%	22,962 (USD 4.77)	1.6%	8,105 (USD 1.68)	0.6%	19.3%	36.3%	27%
Tax rebates	7,411 (USD 1.54)	0.6%	7,411 (USD 1.54)	0.6%	10,104 (USD 2.10)	0.7%	10,104 (USD 2.10)	0.7%	36.4%	45.2%	31%
Fixed-asset investment deductions	3,782 (USD 0.79)	0.3%	1,191 (USD 0.25)	0.1%	4,165 (USD 0.87)	0.3%	1,490 (USD 0.31)	0.1%	25.0%	6.7%	4.5%
Rate reductions	1,531 (USD 0.32)	0.1%	1,531 (USD 0.32)	0.1%	2,654 (USD 0.55)	0.2%	2,654 (USD 0.55)	0.2%	73.3%	11.9%	9%
Total for CIT	34,271 (USD 7.12)	2.9%	16,929 (USD 3.52)	1.4%	39,885 (USD 8.29)	2.7%	22,353 (USD 4.65)	1.5%	32.1%	100.0%	71.5%
Income exemptions and applicable deductions	103,804 (USD 21.58)	8.7%	7,417 (USD 1.54)	0.6%	127,295 (USD 26.46)	8.7%	9,096 (USD 1.89)	0.6%	22.6%	97.0%	28.5%
Tax rebates	226 (USD 0.06)	0.0%	226 (USD 0.06)	0.0%	277 (USD 0.06)	0.0%	277 (USD 0.06)	0.0%	4.1%	3.0%	0.00%
Total for PIT	104,030 (USD 21.64)	8.7%	7,643 (USD 1.60)	0.6%	127,572 (USD 26.52)	8.7%	9,373 (USD 1.95)	0.6%	22.0%	100.0%	28.5%
TOTAL	**138,301 (USD 28.76)**	**11.6%**	**24,569 (USD 5.12)**	**2.1%**	**167,456 (USD 34.81)**	**11.4%**	**31,725 (USD 6.59)**	**2.2%**	**29.1%**	**100%**	**100%**

Source: Own compilation, based on MFMP (2023)
Note: The fiscal cost is always less than or equal to the rebate amount granted. Official fixing rate for 2022: USD 1 equals COP 4,810.20

Fiscal cost of corporate income tax (CIT)

The main tax benefits for companies pertain to wages paid to specific population groups, to investment in the film industry, to income generated from non-conventional sources of energy generation, to the creative sectors and to the provision of hotel services. Similarly, tax rebates are granted for investment in scientific research, technology and innovation, for donations to non-profit organisations under the special tax regime, and for VAT paid while building or buying real productive fixed assets. These benefits reduce the effective tax rate (ETR) for companies (see Figure 1) and become TEs that significantly reduce the country's tax revenue.

Tax rebates on CIT came to COP 10,104 billion in 2022, a 36.4% increase relative to 2021. Three economic subsectors (manufacturing industries; wholesale and retail trade; repair of motor vehicles and motorcycles, and exploitation of mines and quarries) accounted for COP 5,200 billion, that is, 51.7% of the total, between them (see Annex 2).

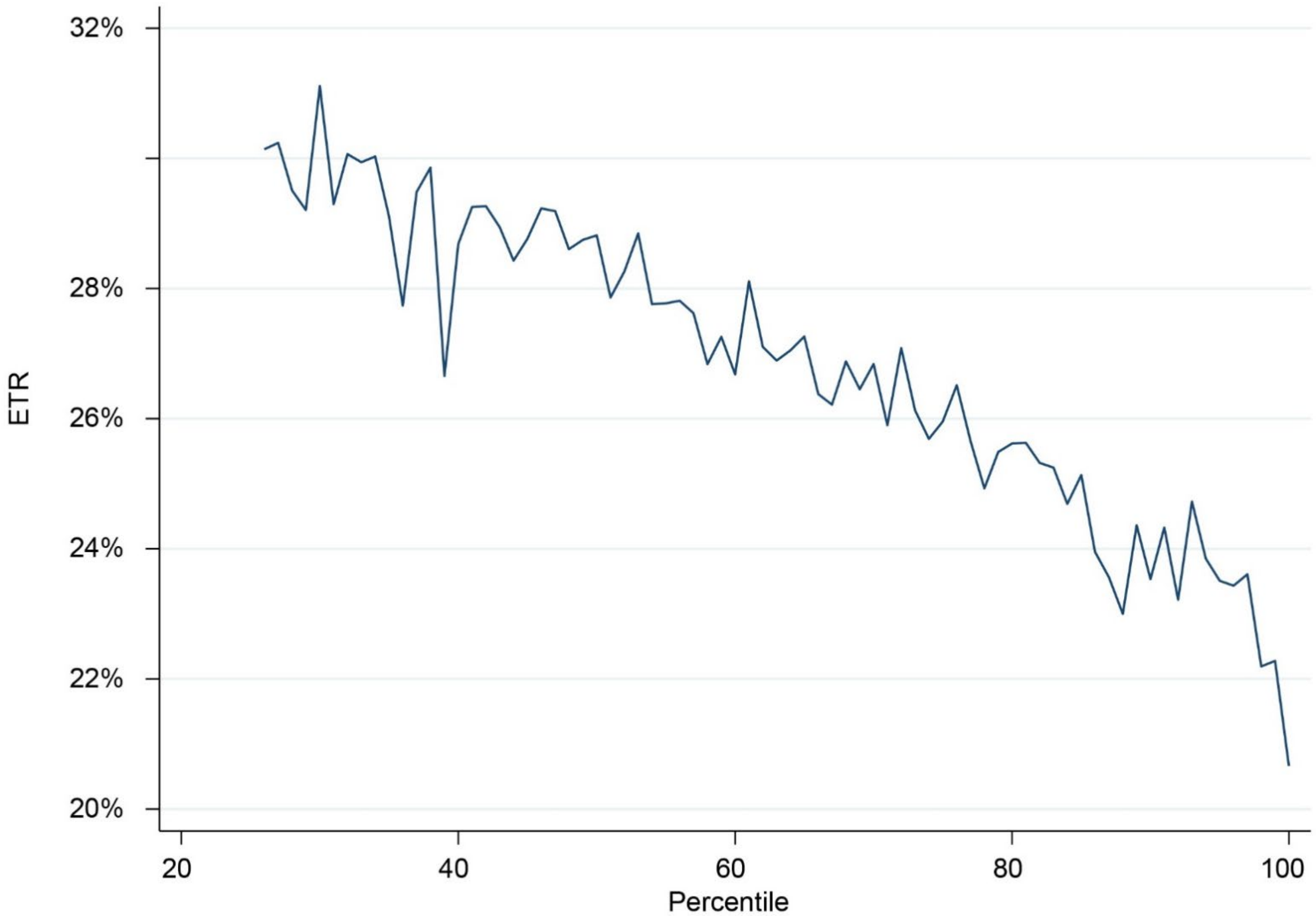
At the same time, deductions for investment in real productive fixed assets amounted to COP 4,200 billion in 2022, a 10.1% increase relative to 2021. The associated fiscal cost came to COP 1,490 billion, up 25% on the previous year. The fiscal cost is incurred in two main subsectors: information and communications (31.7%) and supply of electricity, gas, steam and air conditioning (27.4%) (see Annex 3).

Finally, the fiscal cost of rate reductions applied to CIT rose by 73.3% in 2022. This can be attributed primarily to the system of Special Economic and Social Zones (ZESE) and Free Trade Zones (*zonas francas*) (see Annex 4).

Figure 1 shows how the ETR varies for each percentile of gross income, making it possible to analyse how the tax burden is distributed based on company size. The y-axis shows the ETR, while the x-axis represents the income percentiles, with low percentiles corresponding to companies with lower incomes and high percentiles to companies with higher incomes.

Observed behaviour suggests that income tax is more costly for companies with lower incomes. This could be attributable to a number of reasons, including differing degrees of access to deductions and tax exemptions. Large companies tend to benefit from a wider range of specific tax benefits, including reduced rates for investment in research and development, special deductions and tax rebates, which are sometimes less accessible to smaller firms.

Figure 1. Effective tax rate by percentile of gross corporate income (2022 fiscal year)



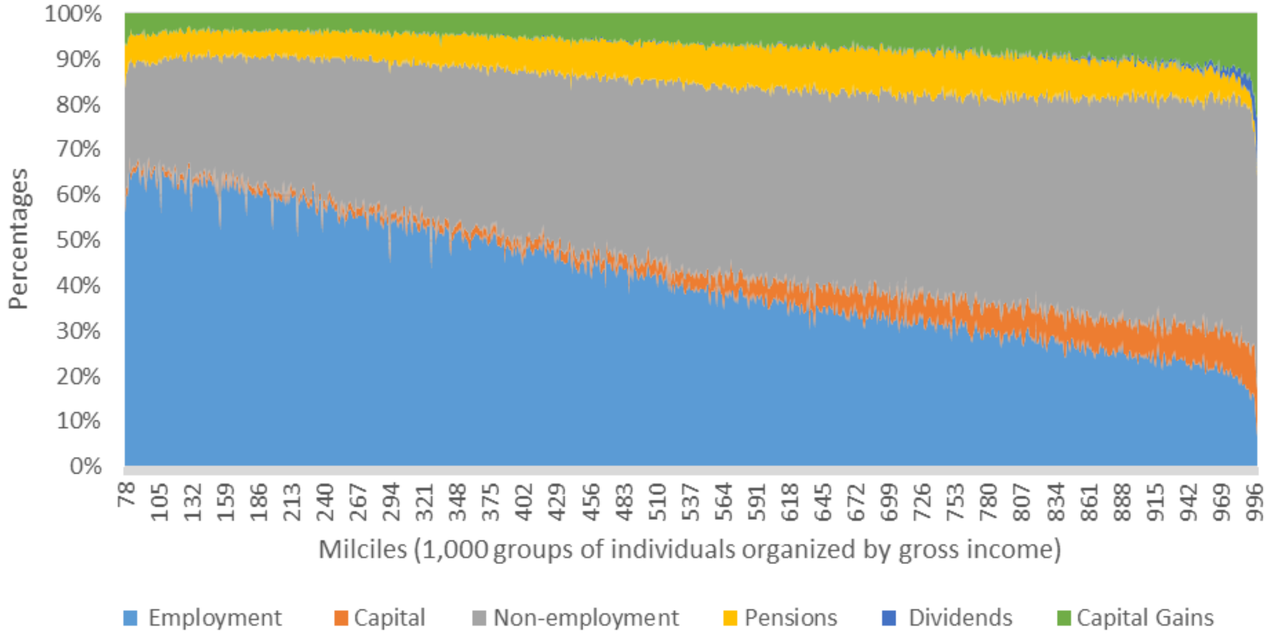
Source: Observatorio Fiscal (2024a)

Fiscal cost of personal income tax (PIT)

Tax declarations in Colombia include income tax and capital gains tax. While both are considered to be a single tax from a regulatory point of view, in practice they are treated as two taxes that are reported jointly, but adjusted independently.

As mentioned earlier, there are different types of income in Colombia and these are taxed differently. Figure 2 shows the distribution of the different types of income in each of the quantiles. As can be seen, the category of non-employment income is significant, including as it does corporate income received by natural persons. These incomes give rise to the allocation of costs and expenditures, enabling taxpayers to reduce their tax liability and, thus their ETR, significantly. Nonetheless, these incomes are treated in a similar way to business activities carried out by companies.

Figure 2. Distribution by type of personal income



Source: Own calculations based on DIAN (2024b)

Income exemptions and deductions for PIT came to approximately COP 127,300 billion in 2022 (see Table 2 (column 6) and Table 3), of which COP 107,300 billion (84.3%) corresponds to income exemptions, chiefly in the general category (COP 64,186 billion) and the pension category (COP 43,075 billion), and COP 19,968 billion (15.7%) to deductions, all of them in the general category.

Table 3. Income exemptions and applicable deductions by category. Figures in COP billion and USD billion

Category	General category	Pension category	Dividends and shares category	Total
Income exemptions	64,186 (USD 13.34)	43,075 (USD 8.96)	65 (USD 0.01)	107,326 (USD 22.31)
Applicable deductions	19,968 (USD 4.15)	0	0	19,968 (USD 4.15)
Total income exemptions and applicable deductions	**84,155 (USD 17.50)**	**43,075 (USD 8.96)**	**65 (USD 0.01)**	**127,295 (USD 26.46)**

Source: MFMP (2023, p. 223)
Note: Official fixing rate for 2022: USD 1 equals COP 4,810.20

Table 4 shows that income exemptions account for 76.3% and deductions for 23.7% of TEs in the general category. An estimated 7.1% of these income exemptions and deductions are associated with the qualifying savings account for the purchase of housing (AFC), the contractual voluntary savings scheme for housing (AVC) and contributions to the voluntary pension funds (FVP). Additionally, deductions for interest on housing loans account for 5.4% of the total deductions.

Most of the tax benefits are applied to employment income, to which it is not possible to allocate expenditures associated with income-generating activities. The remaining benefits are shared out among other incomes and deductions not specified in the declaration. Since 2020, it has been possible to indicate the specific amount of these tax positions as a result of their inclusion in the income declaration forms. As the CEBT proposes, this more detailed information about a greater number of TEs could be used to conduct a more accurate and comprehensive analysis of these benefits.

Table 4. Income exemptions and applicable deductions in the general category Figures in COP billion and USD billion

Category	General category				Total
	Employment income	Salaried income and compensation for personal services	Capital income	Non-employment income	
Voluntary contributions (AFC, FVP and/or AVC)	5,422 (USD 1.13)	178 (USD 0.04)	219 (USD 0.05)	149 (USD 0.03)	5,968 (USD 1.24)
Other income exemptions	57,415 (USD 11.94)	423 (USD 0.09)	65 (USD 0.01)	316 (USD 0.07)	58,218 (USD 12.10)
Total income exemptions	62,837 (USD 13.06)	601 (USD 0.12)	284 (USD 0.06)	465 (USD 0.10)	64,186 (USD 13.34)
Interest on housing loans	3,728 (USD 0.78)	256 (USD 0.05)	178 (USD 0.04)	368 (USD 0.08)	4,531 (USD 0.94)
Other applicable deductions	14,119 (USD 2.94)	882 (USD 0.18)	136 (USD 0.03)	300 (USD 0.06)	15,437 (USD 3.21)
Total applicable deductions	17,847 (USD 3.71)	1,138 (USD 0.24)	315 (USD 0.07)	668 (USD 0.14)	19,968 (USD 4.15)
Total income exemptions and applicable deductions	**80,684 (USD 16.77)**	**1,739 (USD 0.36)**	**599 (USD 0.12)**	**1,133 (USD 0.24)**	**84,155 (USD 17.50)**

Source: MFMP (2023, p. 224)
Note: Official fixing rate for 2022: USD 1 equals COP 4,810.20

These benefits represent a key TE and understanding their distribution could be a first step towards validating their relevance. Specifically, the analyses conducted by the CEBT provided key input for making adjustments to the ceiling on income exemptions and deductions for PIT to prevent a situation whereby taxpayers with greater economic capacity end up enjoying more benefits than those with lower incomes and earnings. When applied and utilised correctly, these tax provisions should optimise individual taxation and promote greater equity in the tax system.

Fiscal cost of VAT

TEs associated with VAT in Colombia constitute revenue foregone for exemptions, exclusions and rate reductions for certain goods and services. These measures are designed to support specific sectors and stimulate consumption of essential products. They also reduce the total revenue from this tax and require ongoing evaluation to maintain a balance between providing sectoral support, protecting consumers with low incomes and safeguarding the financial capacity of the state.

The fiscal cost of preferential VAT treatments came to 5.6% of GDP in 2022, a 0.3-percentage-point increase relative to 2021, when these treatments amounted to 5.3% of GDP (Table 5). This cost is broken down into two key components:

i. **Preferential treatments:** these equate to a reduction in state revenue due to the application of rates lower than the general rate of 19%. They represent a positive tax expenditure in mathematical terms, but nonetheless reduce the government's tax revenue.
ii. **No recovery of VAT paid on GFCF:** the impossibility of recovering VAT paid on gross fixed capital formation (GFCF) results in revenue for the government. Though considered a negative tax expenditure in mathematical terms, this aspect adds up to an increase in tax revenue for the government.

Table 5. Fiscal cost of VAT (2021-2022). Figures in COP billion and USD billion

Category	2021		2022		Variation in % fiscal cost 2022/2021
	Fiscal cost	% GDP	Fiscal cost	% GDP	
Positive tax expenditure	69,186 (USD 14.38)	5.8%	89,912 (USD 18.69)	6.1%	30.0%
Negative tax expenditure	-6,090 (USD -1.27)	-0.5%	-8,163 (USD -1.70)	-0.6%	34.1%
Total	**63,096 (USD 13.12)**	**5.3%**	**81,749 (USD 17.00)**	**5.6%**	**29.6%**

Source: MFMP (2023, p. 231)
Note: Official fixing rate for 2022: USD 1 equals COP 4,810.20

Goods exempted and excluded from VAT generate tax expenditures and represent a significant loss to tax revenue, as the government no longer receives the VAT that would have been levied at the general rate. The fiscal cost of VAT exclusions came to COP 62,600 billion in 2022 and was primarily distributed in three areas: agricultural and horticultural products; accommodation services, provision of food and beverages; buildings. Together, these three areas accounted for 41.7% of the total (see Annex 5). At the same time, the fiscal cost of goods and services exemptions amounted to COP 20,600 billion, with pharmaceutical products having the largest fiscal impact within this group at COP 4,500 billion (21.9% of the total). Costs associated with other exempted goods, such as poultry meat, biodiesel, meat of bovine animals, swine and fish, accounted for 47% of total expenditure in this category (see Annex 6).

Finally, a number of goods are subject to a reduced rate of 5% instead of 19%, generating an additional tax expenditure. If the general rate of 19% were levied on these goods and services, this would provide COP 6,800 billion in additional tax revenue, equivalent to COP 485 billion for each rate point. The fiscal cost associated with this rate reduction pertains primarily to gasoline and diesel (COP 1,192 billion), preparations used in animal feed (COP 1,020 billion) and air transport (COP 828 billion), which together represent 44.8% of the total estimated fiscal cost for 2022 (see Annex 7).

Evaluation

Evaluation of TEs is fundamental to determining whether they are fulfilling their purpose in practice. Specifically, these TEs are only justified if their social benefit outweighs their social cost. Because they represent indirect public expenditure in the form of tax concessions, they need to be analysed to determine their appropriateness and efficiency.

In Colombia, TEs are presented in an annex to the MFMP. This annex provides a summary of estimated revenue foregone and includes tables with a breakdown of this revenue by type of tax and type of tax expenditure (figures are provided in COP billion and percentage GDP). However, it is important to point out that not all TEs are quantifiable due to a lack of data and that changes in their design can affect how figures are interpreted. Additionally, the fiscal behaviour of taxpayers may change in response to modifications in TEs, something which should be taken into consideration in the evaluation (DIAN, 2020).

Despite containing the annexes mentioned, for a number of reasons, the MFMP fails to comply with international standards for the evaluation of TEs. The lack of disaggregated data limits detailed analysis of the impact of TEs on the economy. The methodology employed to estimate revenue foregone does not align with recommended best practice at international level, making it difficult to draw comparisons with other countries (ECLAC, 2023). The lack of periodic evaluation to measure the true impact of TEs on social and economic welfare contributes to a lack of transparency and accountability, two aspects of fundamental importance in global tax evaluation.

As a member of the OECD, Colombia has improved its methodology for estimating revenue foregone due to VAT exclusions and exemptions. Nonetheless, there is still room for improvement in the calculations, especially in relation to PIT and CIT. As the CEBT pointed out in 2021, the absence of a system of reference has resulted in an inconsistent list of TEs and led to difficulties in their measurement. For this reason, the CEBT issued a number of proposals, not least that a benchmark be defined and an annual tax expenditure report created in accordance with best practice in other OECD countries. Unlike the Colombian model, it is recommended that this report be issued independently, rather than presented as a mere component of the MFMP.

In spite of this, evaluations have still not been adjusted in line with the recommendations and TEs continue to be presented as part of the MFMP. Moreover, the detailed data is not accessible to researchers or the general public.

Political economy and reform

Unfortunately, Colombia's tax system is inequitable and regressive, a reality that can be seen clearly in the TEs. These expenditures, which include exemptions, deductions and other tax benefits, tend to disproportionately favour large enterprises and more affluent sectors of society, while small and medium-sized enterprises and individuals with lower incomes bear a larger tax burden, relatively speaking. This inequality in the distribution of tax benefits is one of the reasons that economic and social inequality persist in the country.

One way of improving efficiency and equality in the TE system would be to apply progressive marginal rates to CIT, ensuring that the tax burden is consistent with the economic capacity of the taxpayer. This measure should go hand-in-hand with a comprehensive analysis of tax benefits to determine their social and economic relevance, especially bearing in mind that Colombia is currently facing challenges with its public finance system. In the face of ever decreasing budgetary leeway, it is essential to identify and assess whether the level of revenue foregone as a result of the TEs is justified. The government must make this data available to the general public to enable researchers, non-governmental organisations and other interested parties to ascertain and evaluate how public resources are being managed. This is necessary to ensure greater transparency, efficiency and equity in public administration.

It is also advisable to conduct a rigorous tax audit of the costs of non-employment income for PIT, given that a number of deductions and preferential treatments can function as implicit TEs. These initiatives would not only help to increase tax revenues, but would also ensure that TEs achieve their objectives without generating unnecessary distortions in the tax system.

Finally, there is a need to further develop the benchmark system. This would make it possible to effectively evaluate the different TEs with a view to establishing whether they are justified or whether their societal benefit is outweighed by their negative impact on tax revenues and, by extension, on the availability of resources for the state.

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Annex 1

Income exemptions for CIT by economic sector. Figures in COP billion and USD billion.

Economic subsector	Taxpayers	Special regime	Total	Share %
Financial and insurance activities	9,156 (USD 1.90)	47 (USD 0.01)	9,203 (USD 1.91)	40.1%
Construction	1,875 (USD 0.39)	153 (USD 0.03)	2,028 (USD 0.42)	8.8%
Transport and storage	1,867 (USD 0.39)	26 (USD 0.01)	1,893 (USD 0.39)	8.2%
Wholesale and retail trade; repair of motor vehicles and motorcycles	1,054 (USD 0.22)	135 (USD 0.03)	1189 (USD 0.25)	5.2%
Manufacturing industries	1,055 (USD 0.22)	62 (USD 0.01)	1,117 (USD 0.23)	4.9%
Education	3 (USD 0.00)	988 (USD 0.21)	991 (USD 0.21)	4.3%
Exploitation of mines and quarries	974 (USD 0.20)	3 (USD 0.00)	977 (USD 0.20)	4.3%
Human health care and social assistance activities	25 (USD 0.01)	885 (USD 0.18)	910 (USD 0.19)	4.0%
Supply of electricity, gas, steam and air conditioning	795 (USD 0.17)	0 (USD 0.00)	795 (USD 0.17)	3.5%
Agriculture, livestock, hunting, forestry and fishing	468 (USD 0.10)	175 (USD 0.04)	643 (USD 0.13)	2.8%
Accommodation and food services	573 (USD 0.12)	47 (USD 0.01)	620 (USD 0.13)	2.7%
Professional, scientific, technical activities	410 (USD 0.09)	203 (USD 0.04)	613 (USD 0.13)	2.7%
Other service activities/activities of individual households as employers; undifferentiated activities of individual households as producers of goods and services for their own use	23 (USD 0.00)	556 (USD 0.12)	579 (USD 0.12)	2.5%
Public administration and defence; compulsory social security plans	232 (USD 0.05)	188 (USD 0.04)	420 (USD 0.09)	1.8%
Real estate activities	251 (USD 0.05)	147 (USD 0.03)	398 (USD 0.08)	1.7%
Information and communications	313 (USD 0.07)	18 (USD 0.00)	331 (USD 0.07)	1.4%
Artistic, entertainment and recreational activities	41 (USD 0.01)	76 (USD 0.02)	117 (USD 0.02)	0.5%

Economic subsector	Taxpayers	Special regime	Total	Share %
Administrative and support service activities	58 (USD 0.01)	36 (USD 0.01)	94 (USD 0.02)	0.4%
Water distribution; disposal and treatment of wastewater, waste management and environmental sanitation activities	9 (USD 0.00)	35 (USD 0.01)	44 (USD 0.01)	0.2%
Total	**19,184 (USD 3.99)**	**3,778 (USD 0.79)**	**22,962 (USD 4.77)**	**100.0%**

Source: MFMP (2023, p. 219)
Note: Official fixing rate for 2022: USD 1 equals COP 4,810.20

Annex 2

Corporate income tax rebates. Figures in COP billion and USD billion.

Economic subsector	Amount (COP billion)	Share	Rebates/ basic income tax (%)
Manufacturing industries	1,958 (USD 0.41)	19.4%	17.4%
Wholesale and retail trade; repair of motor vehicles and motorcycles	1,694 (USD 0.35)	16.8%	17.1%
Exploitation of mines and quarries	1,576 (USD 0.33)	15.6%	5.7%
Financial and insurance activities	1,494 (USD 0.31)	14.8%	19.0%
Supply of electricity, gas, steam and air conditioning	1,038 (USD 0.22)	10.3%	15.9%
Information and communications	699 (USD 0.15)	6.9%	35.3%
Transport and storage	365 (USD 0.08)	3.6%	6.7%
Administrative and support service activities	270 (USD 0.06)	2.7%	21.4%
Construction	248 (USD 0.05)	2.5%	14.3%
Agriculture, livestock, hunting, forestry and fishing	162 (USD 0.03)	1.6%	12.5%
Professional, scientific, technical activities	161 (USD 0.03)	1.6%	11.5%
Human health care and social assistance activities	128 (USD 0.03)	1.3%	10.5%
Accommodation and food services	92 (USD 0.02)	0.9%	25.8%
Water distribution; disposal and treatment of wastewater, waste management and environmental sanitation activities	81 (USD 0.02)	0.8%	11.4%
Real estate activities	57 (USD 0.01)	0.6%	9.3%
Artistic, entertainment and recreational activities	48 (USD 0.00)	0.5%	11.6%
Education	18 (USD 0.00)	0.2%	20.2%
Other service activities	14 (USD 0.00)	0.1%	23.6%
Public administration and defence; compulsory social security plans	1 (USD 0.00)	0.0%	0.8%
Total	**10,104 (USD 2.10)**	**100%**	**12.7%**

Source: MFMP (2023, p. 227)
Note: Official fixing rate for 2022: USD 1 equals COP 4,810.20

Annex 3

Deductions for investment in real productive fixed assets. Figures in COP billion and USD billion.

Economic subsector	Estimated investment	Deduction amount	Fiscal cost	Share of fiscal cost
Information and communications	4,362 (USD 0.91)	1,350 (USD 0.28)	473 (USD 0.10)	31.7%
Supply of electricity, gas, steam and air conditioning	2,996 (USD 0.62)	1,167 (USD 0.24)	408 (USD 0.08)	27.4%
Financial and insurance activities	2,729 (USD 0.57)	1,068 (USD 0.22)	406 (USD 0.08)	27.2%
Manufacturing industries	1,110 (USD 0.23)	439 (USD 0.09)	154 (USD 0.03)	10.3%
Rest of subsectors	351 (USD 0.07)	140 (USD 0.03)	49 (USD 0.01)	3.3%
Total	**11,548 (USD 2.40)**	**4,165 (USD 0.87)**	**1,490 (USD 0.31)**	**100%**

Source: MFMP (2023, p. 218)
Note: Official fixing rate for 2022: USD 1 equals COP 4,810.20

Annex 4

Fiscal cost of rate reductions incurred for CIT. Figures in COP billion and USD billion.

Category/fiscal year	Rate reduction	Fiscal cost 2021	Fiscal cost 2022	Number of companies 2021	Number of companies 2022
Free Trade Zones and users of Free Trade Zones	15% - 20%	641 (USD 0.13)	1,085 (USD 0.23)	515	551
ZESE	0.0%	391 (USD 0.08)	1,008 (USD 0.21)	1,255	2,194
ZOMAC		298 (USD 0.06)	213 (USD 0.04)	1,255	1,542
Companies paying income tax at 0% (2021) or 25% (2022) of the general rate	0.0% (2021) and 8.75% (2022)	293 (USD 0.06)	207 (USD 0.04)	1,233	1,496
Companies paying income tax at 50% (2021) or 75% (2022) of the general rate	15.5% (2021) and 26.25% (2022)	5 (USD 0.00)	6 (USD 0.00)	22	46
Cooperatives	20.0%	75 (USD 0.02)	117 (USD 0.02)	1,499	1,613
Hotels - theme parks	9.0%	22 (USD 0.00)	67 (USD 0.01)	324	401
Use of new late-yielding crops	9.0%	34 (USD 0.01)	56 (USD 0.01)	28	25
Industrial and commercial state enterprises associated with the monopolisation of liquor and gambling	9.0%	30 (USD 0.01)	47 (USD 0.01)	21	21
Editorials	9.0%	20 (USD 0.00)	28 (USD 0.00)	147	135
Non- profit entities	20.0%	19 (USD 0.00)	33 (USD 0.00)	2,975	3,191
Total		**1,531 (USD 0.32)**	**2,654 (USD 0.55)**	**8,019**	**9,673**

Source: MFMP (2023, p. 228)
Note: Official fixing rate for 2022: USD 1 equals COP 4,810.20

Annex 5

Fiscal impact of not applying the general 19% rate to excluded goods and services during the 2021 and 2022 fiscal years. Figures in COP billion and USD billion.

CPC division	Description	2021	2022
1	Agricultural and horticultural products	7,505 (USD 1.56)	10,881 (USD 2.26)
63	Accommodation; food and beverage supply services	6,506 (USD 1.35)	9,395 (USD 1.95)
53	Buildings	5,171 (USD 1.08)	5,785 (USD 1.20)
71	Financial and related services	4,171 (USD 0.87)	4,672 (USD 0.97)
86	Support services to agriculture, hunting, forestry, fishing, etc.	3,384 (USD 0.70)	4,438 (USD 0.92)
72	Real estate services	3,911 (USD 0.81)	4,284 (USD 0.89)
92	Education services	2,906 (USD 0.60)	3,292 (USD 0.68)
93	Human health care services	2,446 (USD 0.51)	2,837 (USD 0.59)
96	Recreational, cultural and sporting services	1,415 (USD 0.29)	2,293 (USD 0.48)
64+65+66	Passenger transportation services; load transport services; rental services of transport vehicles with operator	1,791 (USD 0.37)	2,220 (USD 0.46)
17	Electricity, gas, steam and hot water	1,234 (USD 0.26)	1,601 (USD 0.33)
85	Support services	1,290 (USD 0.27)	1,581 (USD 0.33)
69	Electricity, gas and water distribution services	1,183 (USD 0.25)	1,467 (USD 0.30)
23	Products from millers, starches and products derived from starch	830 (USD 0.17)	1,172 (USD 0.24)
94	Sewage, collection, treatment and disposal of waste and other environmental sanitation services	814 (USD 0.17)	931 (USD 0.19)
12+13	Crude oil and natural gas; uranium ores and concentrates	575 (USD 0.12)	924 (USD 0.19)
47	Radio, television and communication equipment and apparatus	704 (USD 0.15)	916 (USD 0.19)
34	Basic chemicals	661 (USD 0.14)	856 (USD 0.18)
48	Medical devices, optical and precision instruments, watches	521 (USD 0.11)	678 (USD 0.14)
67	Transportation support services	445 (USD 0.09)	647 (USD 0.13)

CPC division	Description	2021	2022
45	Office, accounting and computing machinery	407 (USD 0.08)	529 (USD 0.11)
73	Leasing or rental services	211 (USD 0.04)	254 (USD 0.05)
68	Postal and courier services	182 (USD 0.03)	210 (USD 0.04)
84	Telecommunications, transmission and information provision services	157 (USD 0.03)	196 (USD 0.04)
81	Research and development services	152 (USD 0.03)	181 (USD 0.04)
97	Other personal services	109 (USD 0.02)	180 (USD 0.04)
37	Glass and glass products and other non-metallic products n.e.c.	136 (USD 0.03)	173 (USD 0.04)
24	Beverages	136 (USD 0.03)	172 (USD 0.04)
49	Transport equipment	56 (USD 0.01)	84 (USD 0.02)
44	Machinery for special uses	46 (USD 0.01)	58 (USD 0.01)
38	Furniture; other transportable goods n.e.c.	24 (USD 0.00)	32 (USD 0.01)
21	Meat, fish, fruits, vegetables, oils and fats	23 (USD 0.00)	29 (USD 0.01)
4	Fish and other fishery products	11 (USD 0.00)	16 (USD 0.00)
27	Textile articles (except clothing)	11 (USD 0.00)	14 (USD 0.00)
43	Machinery for general use	9 (USD 0.00)	12 (USD 0.00)
16	Other minerals	11 (USD 0.00)	12 (USD 0.00)
18	Natural water	10 (USD 0.00)	12 (USD 0.00)
36	Rubber and plastic products	9 (USD 0.00)	11 (USD 0.00)
33	Coke oven products; oil refining products and nuclear fuel	-2 (USD 0.00)	1 (USD 0.00)
83	Other professional, scientific and technical services	0.8 (USD 0.00)	0.9 (USD 0.00)
3	Products from forestry and logging	0 (USD 0.00)	0 (USD 0.00)
14	Metallic minerals	0 (USD 0.00)	0 (USD 0.00)
15	Stone, sand and clay	0 (USD 0.00)	0 (USD 0.00)
22	Dairy products and egg products	0 (USD 0.00)	0 (USD 0.00)

CPC division	Description	2021	2022
25	Tobacco products	0 (USD 0.00)	0 (USD 0.00)
28	Knit or crochet fabric; clothing	0 (USD 0.00)	0 (USD 0.00)
29	Leather and leather products; footwear	0 (USD 0.00)	0 (USD 0.00)
31	Wood, cork, straw and plaiting materials products	0 (USD 0.00)	0 (USD 0.00)
35	Other chemicals; artificial fibres (or man-made industrial fibres)	0 (USD 0.00)	0 (USD 0.00)
39	Waste; waste and residues	0 (USD 0.00)	0 (USD 0.00)
41	Base metals	0 (USD 0.00)	0 (USD 0.00)
42	Processed metal products (except machinery and equipment)	0 (USD 0.00)	0 (USD 0.00)
46	Machinery and electrical appliances	0 (USD 0.00)	0 (USD 0.00)
54	Construction services	0 (USD 0.00)	0 (USD 0.00)
82	Legal and accounting services	0 (USD 0.00)	0 (USD 0.00)
87	Maintenance, repair and installation services (except construction services)	0 (USD 0.00)	0 (USD 0.00)
88	Manufacturing services of physical inputs owned by others	0 (USD 0.00)	0 (USD 0.00)
89	Editing, printing and reproduction services; material recovery services	0 (USD 0.00)	0 (USD 0.00)
91	Public administration services and other services	0 (USD 0.00)	0 (USD 0.00)
95	Association services	0 (USD 0.00)	0 (USD 0.00)
98	Domestic services	0 (USD 0.00)	0 (USD 0.00)
61+62	Trade services (wholesale and retail)	0 (USD 0.00)	0 (USD 0.00)
26	Yarns and threads; fabrics of textile fibres, including terry cloth	-0.24 (USD 0.00)	-0.32 (USD 0.00)
32	Paste or pulp, paper and paper products	-26 (USD -0.01)	-30 (USD -0.01)
11	Coal, lignite and peat	-84 (USD -0.02)	-135 (USD -0.03)
2	Live animals and animal products (except meat)	-239 (USD -0.05)	-319 (USD -0.07)
	Total	**48,813 (USD 10.15)**	**62,565 (USD 13.01)**

Source: MFMP (2023, pp. 234-236)
Note: Official fixing rate for 2022: USD 1 equals COP 4,810.20

Annex 6

Fiscal consequence of not levying the general 19% rate on exempted goods and services during the 2021 and 2022 fiscal years. Figures in COP billion and USD billion.

Products	2021	2022
1. Milk, meats, eggs	9,079 (USD 1.89)	11,932 (USD 2.48)
Meat and edible offal of poultry, fresh, chilled or frozen	2,049 (USD 0.43)	2,630 (USD 0.55)
Meat of bovine animals, fresh, chilled or frozen	1,521 (USD 0.32)	1,953 (USD 0.41)
Meat of swine, fresh, chilled or frozen	1,243 (USD 0.26)	1,599 (USD 0.33)
Fish, fresh, chilled or frozen, and fillets	1,064 (USD 0.22)	1,459 (USD 0.30)
Birds' eggs in shell, fresh, preserved or cooked	787 (USD 0.16)	1,041 (USD 0.22)
Rice for human consumption	694 (USD 0.14)	978 (USD 0.20)
Processed liquid milk, cream (fresh) and whey	570 (USD 0.12)	757 (USD 0.16)
Milk and cream in solid form; milk and cream, concentrated or containing added sugar or other sweetening matter (excl. in solid forms)	358 (USD 0.07)	475 (USD 0.10)
Fresh cheese	291 (USD 0.06)	387 (USD 0.08)
Edible offal of bovine animals, swine and others, fresh, chilled	236 (USD 0.05)	303 (USD 0.06)
Raw milk	206 (USD 0.04)	272 (USD 0.06)
Bovine animals other than cattle	37 (USD 0.01)	49 (USD 0.01)
Shrimps and prawns, frozen and non-frozen	12 (USD 0.00)	15 (USD 0.00)
Meat of sheep, goats and others, fresh, chilled or frozen	11 (USD 0.00)	14 (USD 0.00)

Products	2021	2022
2. Books and magazines	258 (USD 0.05)	379 (USD 0.08)
Printed books (textbooks, dictionaries, encyclopaedias, atlases, directories, scientific and technical books, flipbooks, colouring books, etc.)	151 (USD 0.03)	222 (USD 0.05)
Academic notebooks	57 (USD 0.01)	84 (USD 0.02)
Newspapers, journals and periodicals	50 (USD 0.01)	73 (USD 0.02)
3. Other goods	5,487 (USD 1.14)	7,284 (USD 1.51)
Pharmaceutical products	3,469 (USD 0.72)	4,495 (USD 0.93)
Blended biodiesel and B100 biodiesel	1,852 (USD 0.39)	2,561 (USD 0.53)
Towels and sanitary towels	116 (USD 0.02)	163 (USD 0.03)
Weapons and ammunition and parts thereof	51 (USD 0.01)	64 (USD 0.01)
E100 ethanol fuel	0 (USD 0.00)	0 (USD 0.00)
Services	720 (USD 0.15)	968 (USD 0.20)
Accommodation services*	480 (USD 0.10)	675 (USD 0.14)
Internet connection and access services strata 1 and 2	240 (USD 0.05)	293 (USD 0.06)
Total	**15,544 (USD 3.23)**	**20,563 (USD 4.28)**

Source: MFMP (2023, pp. 236-237)
Note: Official fixing rate for 2022: USD 1 equals COP 4,810.20

Annex 7

Fiscal impact of not applying the general 19% rate to goods and services currently subject to a 5% rate during the 2021 and 2022 fiscal years. Figures in COP billion and USD billion.

Product	2021	2022
1. Services taxed at 5%	890 (USD 0.19)	1,374 (USD 0.29)
Air transport	408 (USD 0.08)	828 (USD 0.17)
Prepaid health	469 (USD 0.10)	532 (USD 0.11)
Agrarian insurance	12 (USD 0.00)	13 (USD 0.00)
Storage of agricultural products	1 (USD 0.00)	1 (USD 0.00)
2. Goods taxed at 5%	3,942 (USD 0.82)	5,410 (USD 1.12)
Gasoline and petrodiesel	861 (USD 0.18)	1,192 (USD 0.25)
Preparations used in animal feed	725 (USD 0.15)	1,020 (USD 0.21)
Sugar	292 (USD 0.06)	404 (USD 0.08)
Table chocolate	246 (USD 0.05)	347 (USD 0.07)
Brandy and rum	270 (USD 0.06)	345 (USD 0.07)
Extracts, essences, concentrates and coffee preparations (freeze-dried coffee, instant coffee); coffee substitutes containing coffee	234 (USD 0.05)	300 (USD 0.06)
Wheat or meslin flour and other cereals	166 (USD 0.03)	234 (USD 0.05)
Uncooked pasta, stuffed with egg and others	149 (USD 0.03)	210 (USD 0.04)
Whiskey, brandy, vodka and their concentrates, mistelas and creams and other beverages	161 (USD 0.03)	204 (USD 0.04)
Decaffeinated, unroasted coffee; roasted coffee, whether or not ground, decaffeinated or not	147 (USD 0.03)	189 (USD 0.04)
Wooden logs (logs of coniferous and non-coniferous species) and other raw woods	120 (USD 0.02)	180 (USD 0.04)
Electric motor vehicles for the transport of persons	92 (USD 0.02)	138 (USD 0.03)
Wines and cider, perry, mead and other fermented beverages	63 (USD 0.01)	80 (USD 0.02)
Cotton waste; cakes and other residues from the extraction of vegetable fats or oils; flour and powder of seeds or oleaginous fruits	51 (USD 0.01)	69 (USD 0.01)

Product	2021	2022
Electric vehicle engines	52 (USD 0.01)	67 (USD 0.01)
Shovels, hoes, spades, rakes, blades and others	47 (USD 0.01)	61 (USD 0.01)
Electric passenger vehicles for public transport	36 (USD 0.01)	54 (0.01)
Corn for industrial use	37 (USD 0.01)	53 (USD 0.01)
Agricultural machinery	40 (USD 0.01)	50 (USD 0.01)
Bakery products based on sago, cassava and achira	30 (USD 0.01)	42 (USD 0.01)
Rice for industrial use	24 (USD 0.00)	34 (USD 0.01)
Grain wheat	20 (USD 0.00)	28 (USD 0.01)
Raw vegetable oils	17 (USD 0.00)	22 (USD 0.00)
Bicycles and electric bicycles (including delivery tricycles) whose value exceeds 50 UVT	14 (USD 0.00)	21 (USD 0.00)
Compressors for vehicular gas and parts thereof	10 (USD 0.00)	13 (USD 0.00)
Electric motorcycles (including mopeds) whose value exceeds 50 UVT	8 (USD 0.00)	12 (USD 0.00)
Walnut and palm fruit	8 (USD 0.00)	12 (USD 0.00)
Salami, sausage and bologna	8 (USD 0.00)	10 (USD 0.00)
Electric vehicles for the transport of goods	4 (USD 0.00)	6 (USD 0.00)
Cast iron or seamless steel containers for compressed or liquefied gas	4 (USD 0.00)	6 (USD 0.00)
Meal, powder and meat granules or offal, inedible	3 (USD 0.00)	4 (USD 0.00)
Sorghum, rye, oats, millet and other cereals n.e.c.	1 (USD 0.00)	1 (USD 0.00)
Barges and tugs	1 (USD 0.00)	1 (USD 0.00)
Honeys and molasses	1 (USD 0.00)	1 (USD 0.00)
Cotton lint	0 (USD 0.00)	0 (USD 0.00)
Total	**4,832 (USD 1.00)**	**6,784 (USD 1.41)**

Source: MFMP (2023, pp. 238-239)
Note: Official fixing rate for 2022: USD 1 equals COP 4,810.20