

LEGAL GUIDELINES

TO INVEST IN
COLOMBIA

SELECTED
RELEVANT
ISSUES
FOR FOREIGN
INVESTORS



MEDELLÍN / COLOMBIA
2023

CMA | CORREA
MERINO
AGUDELO

 **ACI**
Medellín

AGENCIA DE COOPERACIÓN E INVERSIÓN
DE MEDELLÍN Y EL ÁREA METROPOLITANA

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INTRODUCTION

The purpose of this document is to inform foreign investors on selected important legal issues to be taken into consideration when investing in Colombia.

This document does not imply a professional or legal advice. If you are interested in implementing the information herein set forth, please seek professional counsel on the matter. Therefore, Correa Merino Agudelo has no liability whatsoever for decisions solely based on the information contained in this document.

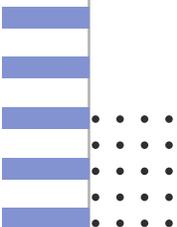
CORPORATE ASPECTS

Colombian legislation provides several investment vehicles alternatives to develop businesses in the Colombian territory, including companies and branches of foreign companies, all of which are based on constitutional principles such as freedom of enterprise, freedom of association and the right to equality.

Hereunder, we present the overview of the main key features and legal aspects of companies and foreign branches, as well as the special and ongoing corporate obligations they must comply with:

1.1. Main vehicles for foreign investment in Colombia

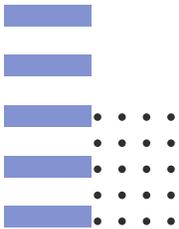
1.1.1. Companies



Type of corporate structure	Number of shareholders	Shareholders' liability	General aspects	Board of directors / fiscal auditor
Simplified Stock Corporation (S.A.S.) <i>- Sociedad por acciones simplificada (S.A.S.)</i>	It is incorporated by a minimum of one shareholder (whether corporate or natural individual, foreign or domestic).	They are liable up to the amounts contributed, and will never be liable for the labour, tax or any other kind of obligations incurred by the company, except in cases where the company was used for the purpose of committing fraud, legal regulations are abused, or when third parties' rights are affected, in which cases the corporate veil may be pierced.	There is flexibility for shareholders to set forth the terms, conditions, functions, and internal structure of the corporation. Unless real estate is involved (in which case a public deed is required), incorporation and bylaws amendments are made through private documents registered before the corresponding chamber of commerce.	It does not require to have a board of directors. No need of appointing a fiscal auditor, unless the company reported, as of December 31 st of the prior year, gross assets equal to or exceeding 5,000 minimum monthly wages (smlmv) or gross revenue equal to or exceeding 3,000 smlmv.
Anonymous Corporation - Sociedad Anónima (S.A.)	It is incorporated by a minimum of five shareholders (whether corporate or natural individuals, foreign or domestic).	They are liable up to the amounts contributed, and will never be liable for the labour, tax or any other kind of obligations incurred by the company, except in cases where the company was used for the purpose of committing fraud, legal regulations are abused, or when third parties' rights are affected, in which cases the corporate veil may be pierced.	Less flexibility - when compared to the S.A.S. - to establish the terms, conditions, functions, and internal structure of the corporation. Incorporation and bylaws amendments require a public deed, which subsequently must be registered before the corresponding chamber of commerce. Furthermore, this is the only corporate structure that allows the corporation to go public by means of having its stock or any other security registered on the National Registry of Securities and Issuers (RNVE, for its initials in Spanish) and listed on a stock exchange.	Board of directors and fiscal auditor are mandatory corporate bodies.

Colombian legislation also provides other types of companies such as a “limited liability company” (sociedad de responsabilidad limitada) and a form of limited partnership (sociedad en comandita). However, in general terms they are no longer used on a common basis given the advantages offered by the Simplified Stock Corporation (S.A.S.) in terms of shareholders’ liability and flexibility for its incorporation and functioning.

Once the corporate structure to carry out businesses in Colombia has been chosen, shareholders or partners must agree and execute the company’s bylaws in compliance with the requirements established for the chosen corporate structure, and afterward the document must be registered before the chamber of commerce with jurisdiction in the company’s domicile.



Some businesses in Colombia, such as those involving financial activities, can only be carried out with prior state authorisation or require a specific type of company. Therefore, before incorporating a local vehicle, it is recommended to seek advice on whether the business to be developed requires state authorisation.

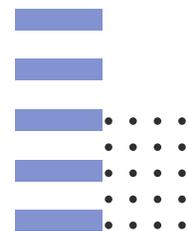
In order to start activities, the company must be registered before the national tax authority (DIAN, for its initials in Spanish) so it can get its tax I.D. (NIT, for its initials in Spanish). This request is filed before the corresponding chamber of commerce. Additionally, once the bylaws are registered before such entity, the company must request registration of its stock or units' ledger and record books for its highest decision-making corporate body.

1.1.2. Branch of a foreign company

A branch of a foreign company is a business establishment owned by a foreign company and registered before a local chamber of commerce with the purpose of developing ongoing activities in Colombia. Branches share the legal personality of their foreign parent company; accordingly, they do not have shareholders or members, and the parent company is liable for the liabilities incurred by its branch. However, the branch must have an assigned capital, to be fully paid once created, for purposes of assuring payment of liabilities incurred within the territory.

It must also have a general agent, with one or more alternates, for purposes of representing the foreign corporation in all businesses to be developed within the country. If the foreign company is engaged in activities of exploitation or management of a public service or activities declared by the government as of national security interest, their agents and alternates must be Colombian citizens.

In order for a foreign company to undertake permanent businesses in Colombia, it must establish a branch with domicile within the national territory. For this purpose, the foreign company must notarize in a public deed, authentic copies of its incorporation document, bylaws, and the resolution adopting the creation of the branch, as well as proof of its existence and the capacity of its legal representatives. This procedure must be done before a notary public with jurisdiction in the place chosen for the branch's domicile in the country. Subsequently, the public deed must be registered before the local chamber of commerce.



A branch of a foreign company must have a fiscal auditor, and, in order to start activities in the country, it must be registered before the national tax authority (DIAN, for its initials in Spanish) so it can get its Tax I.D. (NIT, for its initials in Spanish).

For purposes of verifying advantages and disadvantages of this corporate structure, there are some features and particularities of the branches of foreign corporations, which can be summarized as follows:

Scope of application and legal reserve	Amendments and their registration	Liability and penalties
<ul style="list-style-type: none"> ▪ For the legal framework concerning branches of foreign companies to be applicable, the company must be engaged in any of the activities classified as permanent pursuant to section 474 of the Commerce Code. ▪ Foreign companies with permanent businesses in Colombia must set aside the mandatory legal reserve applicable to S.A. 	<ul style="list-style-type: none"> ▪ Amendments to corporate affairs concerning the branch (including the appointment and removal of agents within the country) must be executed by means of a public deed that must be subsequently registered before the chamber of commerce with jurisdiction in its domicile, and submitted before the Superintendence of Companies, should the branch be subject to its surveillance. 	<ul style="list-style-type: none"> ▪ The foreign company shall be held liable for the liabilities incurred within the Colombian territory. ▪ The capital assigned to the branch of the foreign company may not be reduced by 50% or more. Otherwise, the Superintendence of Companies may require the legal representative to refund the missing amount and impose administrative penalties. ▪ Should the capital assigned to the branch not be invested in the development of the branch's own activities, the Superintendence of Companies may impose successive fines of up to 200 smlmv against the legal representative, as well as order the corresponding measures.

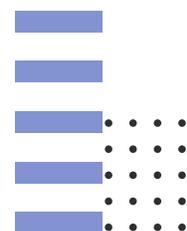
1.2. Special and periodic obligations applicable to commercial companies

1.2.1. Registration of corporate control status and business groups

If a corporate control status or a business group situation arises, the controlling party must declare and register such status before the chambers of commerce with jurisdiction on the domiciles of the entities involved.

Corporate control occurs when a company's decision-making authority is subject to control by one or more entities or individuals (parent or controlling party) either directly (in which case the controlled company is a first-tier subsidiary) or through one or more first-tier subsidiaries (in which case the controlled company is a second-tier subsidiary). In Colombia, both legal entities and natural individuals can exercise control, and thus have the status of a parent or controller.

Business groups arise if, besides a corporate control status, there is common purpose and direction among the entities. Applicable law recognizes this commonality if the existence and activities of all companies pursue the fulfilment of a common purpose determined by the parent company by virtue of its direction over the group.



In order to avoid sanctions from the Superintendence of Companies, both the corporate control status and the business group situations must be registered before the chamber of commerce within 30 days of their occurrence. Moreover, rules requiring registration of these situations and penalties for non-compliance are also applicable to foreign parent companies.

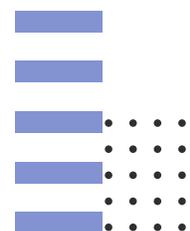
1.2.2. Special obligations upon inspection, surveillance and control

All corporate entities are subject to inspection by the Superintendence of Companies, and only under given circumstances, to its surveillance and control. Some of the particularities of this legal regime and the obligations under each degree of intervention are the following:

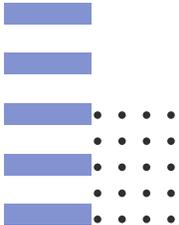
Status	Corporate entities to which it applies	Description
Inspection	Companies and branches of foreign companies.	It is carried out by the Superintendence of Companies, which may request, confirm, and analyse information of legal, economic, accounting and administrative matters of the company.
Surveillance	Mainly, to companies and branches of foreign companies that reported, as of December 31 st of the prior year, assets exceeding 30,000 smlmv or total revenues exceeding 30,000 smlmv.	It is a further level of intervention by the Superintendence of Companies, and, without limiting to, requires corporate entities to report financial information, and request authorization to carry out certain operations such as bylaws amendments.
Control	Company and local branches of foreign companies that, according to the Superintendence of Companies, require the correction of a critical legal, accounting, economic or administrative situation.	This is the most demanding level of intervention by the Superintendence of Companies, which is empowered to control corporate entities.

1.2.3. Ongoing obligations

- **Ordinary meetings:** unless otherwise provided by company’s bylaws, ordinary meetings of the highest decision-making body (general meeting of shareholders in the case of corporations) must take place within the first three months of each year, with the purpose of examining the company’s situation and its financial statements, deciding on profits distribution, approving the management report and appointing directors and legal representatives.
- **Annual deposit of financial statements in the local chamber of commerce:** unless the company is under the obligation to submit its financial statements to the Superintendence of Companies, it must deposit them in the chamber of commerce of its domicile, within the month following their approval by the competent corporate body.



- **Annual report of financial statements for entities subject to surveillance or control by the Superintendence of Companies.**
- **Renew the registration before the chamber of commerce:** within the first three months of each year, natural individuals, companies, and business establishments must renew their registration before the corresponding chamber of commerce, as a condition to develop their businesses in Colombia.
- **Renew the Sole Register of Bidders (Registro Único de Proponentes-RUP for its name in Spanish):** All natural or legal persons who aspire to contract with the State must register in the RUP and must renew their registration no later than the fifth working day of April of each year.
- **Appointment of fiscal auditor, after the company’s incorporation, under given circumstances:** the company must appoint a fiscal auditor if required by their bylaws or if it reported, as of December 31st of the prior year, gross assets equal to or exceeding 5,000 smlmv or gross revenue equal to or exceeding 3,000 smlmv. The Anonymous Corporation - Sociedad Anónima (S.A.) and branches of foreign companies must comply with the appointment of the fiscal auditor irrespective of the amount of their assets and income.
- **Anti-money laundering and prevention of terrorist financing risk:** in accordance with current regulations and depending on the case, some entities must comply with obligations regarding the adoption of risk management and control systems for money laundering and terrorist financing prevention and the applicable reports to the respective supervisor and the Financial Information and Analysis Unit (UIAF, for its initials in Spanish).
- **Transparency and corporate governance programs:** special and rigorous implementation obligations on corporate governance might apply for companies that are subject to the supervision of the Financial Superintendence.
- **Transnational anti-bribery and business ethics programs:** under given circumstances, companies supervised by the Superintendence of Companies that in the previous year regularly carried out businesses of any nature with foreign individuals or legal persons (whether of governmental nature or not) are under the obligation to implement a business ethics program to prevent transnational bribery.



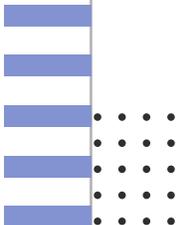
FOREIGN EXCHANGE REGIME

The foreign exchange regime can be divided in two types of markets:

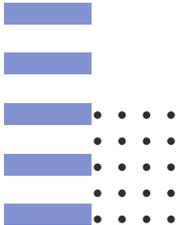
Foreign exchange market, composed of exchange operations that must be channeled through the foreign exchange market or the exchange operation holder's compensation accounts, such as:

- Import and export of goods.
- External indebtedness operations.
- Investment of foreign capital in the country.
- Investment of Colombian capital abroad.
- Granting of guarantees in foreign currency.
- Derivatives operations.
- Financial investments in securities issued abroad and in assets registered abroad, and the returns associated therewith, except where the investments are made with foreign currencies from operations that are not required to be channeled through the exchange market.

Free or non-regulated market, composed of those operations that mustn't be channeled through the foreign exchange market, such as: the provision of services, tourism, royalties, subscriptions, amongst others.



Import and export of goods	
Import of goods	Export of goods
<p>Residents must channel payments for imports through the foreign exchange market. In order to do so, they must provide the exchange intermediaries with the minimum data required for such operations (exchange form). It is necessary to account for the form and term of payment of the imported goods as well as the import modality.</p> <p>If the operation is channeled through a compensation account, the necessary information for the exchange operation must be provided through exchange form no. 10.</p> <p>The currency of the payments for imports must be channeled by the person who imported the goods. The payment must be made directly to creditor, its assignees or any foreign company in charge of collecting or issuing payments abroad, whether they are residents or non-residents. Residents will not be able to channel payments for imports that have been made by others.</p>	<p>Residents must channel through the foreign exchange market currency that comes from their exports, including currency received in cash from a buyer abroad, within the six months following the receipt of the goods. This applies both to exports that have already taken place as to advance payments for future exports.</p> <p>Furthermore, residents must channel through the exchange market the currency corresponding to warranties granted for the exports.</p> <p>Exporters of goods must provide the exchange intermediaries with the minimum necessary information required for such operations (exchange form). It is necessary to account for the form and term of payment of the exported goods as well as the export modality.</p> <p>If the operation is channeled through a compensation account, the necessary information for the exchange operation must be provided through exchange form no. 10.</p>



Documents supporting the operation must be kept as they may be required by the surveillance and control authorities.

If payment for imports is not legally possible, the operation won't require channeling through the foreign exchange market.

Importers may channel payments for imports through the foreign exchange market for different amounts than the value of the nationalized merchandise according to the respective import declaration, provided that these differences are legally supported, in accordance with current regulations on the matter.

In any case, importers must keep the documents that justify the non-channeling of the payments for import or the differences in the paid amounts, as they may be required by the exchange surveillance and control authority.

When it comes to foreign trade operations, the compensation of obligations is not admissible.

The currency of payments for exports must be channeled by the person who exported the goods. Payment must be made by debtor, its assignees or any foreign company in charge of collecting or issuing payments abroad, whether they are residents or non-residents. Residents will not be able to channel payments for exports that have been made by others.

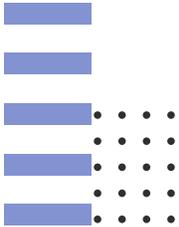
Documents supporting the operation must be kept as they may be required by the surveillance and control authorities.

If payment for export is not legally possible, the operation won't require channeling through the foreign exchange market.

Exporters may channel payments for exports through the foreign exchange market for different amounts than the value of the nationalized merchandise according to the respective export declaration, provided that these differences are legally supported, in accordance with current regulations on the matter.

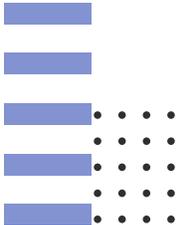
In any case, exporters must keep the documents that justify the non-channeling of the payments for export or the differences in the paid amounts, as they may be required by the exchange surveillance and control authority.

When it comes to foreign trade operations, the compensation of obligations is not admissible.



External indebtedness operations

Passive credits	Active credits
<p>These are granted in foreign currency by intermediaries of the foreign exchange market and by non-residents in favor of residents or intermediaries of the foreign exchange market. These credits may be stipulated, disbursed and paid in legal or foreign currency, as agreed by the parties.</p> <p>Passive credits must be reported to the Central Bank by filling exchange form no. 6 “Information of external debt granted to residents” prior to or simultaneously with the credit disbursement.</p> <p>In order to channel the disbursement, payments of credit and interest) that are made in foreign currency, residents must provide the minimum required information of the external debt operation (exchange form).</p> <p>Advances for future capitalizations done by non-resident in Colombian companies must be channeled through the foreign exchange market and registered as a passive credit before the Central Bank.</p> <p>Payments in Colombian currency must come from debtor’s account to the intermediary of the foreign exchange market or to the Colombian currency account of the non-resident creditor (which must comply with the requirements indicated in chapter 10 of the regulatory communication DCIN 83 of the Central Bank).</p>	<p>These are granted in foreign currency by intermediaries of the foreign exchange market and by residents to non-residents. These credits may be stipulated, disbursed and paid in legal or foreign currency, as agreed by the parties.</p> <p>Active credits must be reported to the Central Bank by filling exchange form no. 7 “Information of external debt granted to non-residents”.</p> <p>In order to channel the disbursement, payments of credit and interests that are made in foreign currency, residents must provide the required information of the external debt operation (exchange form).</p> <p>Payments in Colombian currency must come from the non-resident debtor’s account (and comply with the requirements indicated in chapter 10 of the regulatory communication DCIN 83 of the Central Bank) and be made to the intermediary of the foreign exchange market or to the account of the resident creditor. The resident creditor must provide the minimum required information of the external debt operation (exchange form) within 15 business days from the payment.</p> <p>Residents or intermediaries of the foreign exchange market may grant credits to non-residents disbursed in Colombian currency.</p>



Debtor resident must provide the minimum required information of the external debt operation (exchange form) within 15 business days from the payment.

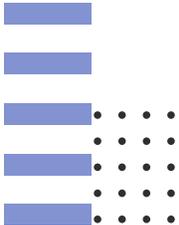
Residents and intermediaries of the foreign exchange market can obtain credits from non-residents other than natural persons disbursed in Colombian currency. These operations must be reported to the Central Bank, by filling the exchange form no. 6 "Information of external debt granted to residents", within 15 business days from the date of the disbursement.

Disbursement of the credit must be made from the Colombian currency account of the non-resident creditor (which must comply with the requirements indicated in chapter 10 of the regulatory communication DCIN 83 of the Central Bank). Debtor resident must provide the minimum required information of the external debt operation (exchange form), simultaneously with the report for its further submission before the Central Bank. These credits can be paid in foreign currency or in Colombian currency.

Disbursements of passive credits may be made abroad prior to the constitution of the deposit (when and if it is necessary, for example, when the purpose of the credit consists of an investment of Colombian capital abroad or when the credit is obtained to pay import credits).

Those granted by residents will not require to be informed to the Central Bank.

Disbursement and payment of credits granted in Colombian currency must be made through the account of the non-resident (which must comply with the requirements indicated in chapter 10 of the regulatory communication DCIN 83 of the Central Bank). When payment is made in foreign currency, resident may reimburse the resources by providing the minimum required information of the external debt operation (exchange form), using exchange number 4021 "Payments of external credits disbursed in legal currency".



Foreign investment in Colombia

Direct foreign investment

Direct foreign investment comprises the following:

- Purchase of shares or equity of a company, or bonds to be converted into stock.
- Purchase of rights or participations in financial agreements entered into with trust companies that are supervised by the Financial Superintendence of Colombia.
- Purchase of real estate, either directly or through the establishment of trusts, or as the result of a process that leads to ownership of real estate or of a real estate project.
- Contributions made by investor through deeds or contracts, such as association agreements, concessions, *inter alia*.
- Investments that are supplementary to the capital assigned to branches.
- Investments in private capital funds.

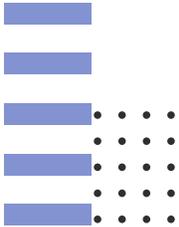
Foreign portfolio investment

Foreign portfolio investment comprises, among others, the following:

- Investment made in securities that are registered in the National Registry of Securities and Issuers (RNVE for its initials in Spanish).
- Purchase of interests in collective investment funds other than private equity funds.
- Purchase of securities listed in foreign securities trading systems.
- Registration of foreign portfolio investment made through channeling of foreign currency is made automatically after providing the minimum required information for the exchange operation (exchange form). Currency may also be channeled through the investment manager's compensation account.
- Registration of foreign portfolio investment that are made in certified programs of negotiable depository receipts (ADR/GDR/GDN, *inter alia*), must be made under the name of said programs through the exchange market at the time of re-entry of the currency.



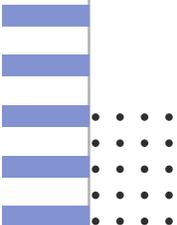
<p>Direct foreign investment made through import of foreign currency will be automatically registered after providing the minimum required information for these operations (exchange form) by investors or their attorneys, or by the legal representatives of the company receiving the investment.</p> <p>Direct foreign investment made through types different from currency, must be registered at any time by the investors or their attorneys, or by the legal representatives of the company receiving the investment, through the Exchange Information System.</p> <p>Direct foreign investment in Colombia may be substituted (substituting the holder of the investment by another non-resident or changing the destination of the investment) or cancelled. In any of those events, the appropriate exchange forms must be submitted to the Central Bank within six months following the date of the operation which led to the substitution or cancellation.</p>	<p>Registration of foreign portfolio investment made without channeling of foreign currency, is deemed to be made by the annotation in the account at the local centralized securities deposit, in the cases set out by the Central Bank.</p> <p>Changes in ownership or structure of the portfolio investment (substitutions) and cancelations, must be informed through the “Statistical Report of Foreign Capital Portfolio Investments in Colombia - IPEXT” in a consolidated manner. An individualized report is not required.</p>
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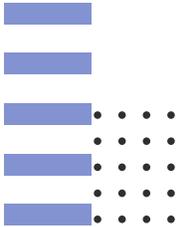
TAXES

There are both national and local taxes. Some of the most relevant taxes, applicable in Colombia, are set forth as follows:

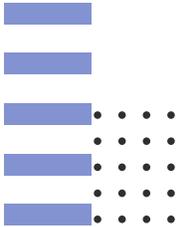
Tax	Description	Rate
<p>Corporate Income Tax ("CIT")</p>	<p>National tax on the profits of corporations or entities. Tax is levied on the net profits (gross income minus allowable tax reliefs).</p> <p>Colombian corporations and entities are taxed on their worldwide income. A permanent establishment (PE) shall determine its income tax based on its attributable worldwide income. Foreign companies are taxed only on their Colombia-source income.</p> <p>Financial institutions, insurance and reinsurance companies, are subject to an additional corporate income tax surcharge of 5 % on the taxable income exceeding approx. COP 5.089.440.000.</p>	<p>35%</p>



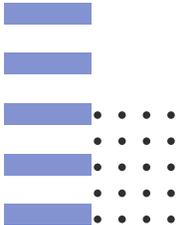
Tax	
<p>Corporate Income Tax special regulations</p>	<ul style="list-style-type: none"> • Taxpayers whose economic activity is electricity generation from hydric resources with a taxable income higher than approx. COP 1.272.000.000, will be subject to a 3 % CIT surtax until 2026. The aforementioned, will not apply to electric stations whose installed capacity is lower than 1,000 Kw. • A 15 % CIT rate will apply to income of hotels and theme parks developed in some municipalities, for 10 years, if certain criteria is met. • Companies engaged in extractive industries related to extraction activities of non-renewable resources, and whose taxable income is higher than approx. COP 2.120.000.000 should be subject to a permanent CIT surtax which will vary between 0 % to 15 %.
<p>Minimum Tax Rate</p>	<p>A 15% minimum tax rate is established on companies' commercial profits, based on the determination of an adjusted tax rate according to provisions set forth by law. If the adjusted tax rate is lower than 15%, it should be adjusted to achieve the 15% rate.</p> <p>This provision will not apply to nonresidents, companies incorporated under the special economic and social development zones regime (Zese), companies whose main domicile and economic activity is carried out in zones affected by conflict (ZOMAC), companies performing publishing activities, hotel services subject to a 15% tax rate and concession agreements.</p>



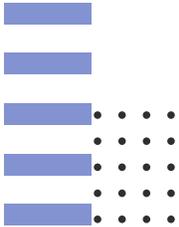
Tax	
<p>Corporate Income Tax for companies located in Free Trade Zones</p>	<p>As of 2024, a 20 % tax rate applies to industrial users located in free trade zones, in regard to income derived from the exportation of good and services. The 35 % CIT rate will apply to income originated in other activities. In order to apply the 20 % tax rate. industrial users shall submit an internationalization plan before the Ministry of Commerce, Industry and Tourism, if the plan is not signed the 35 % tax rate will apply.</p> <p>The 20 % CIT also applies to:</p> <ul style="list-style-type: none">• Offshore free trade zones.• Industrial users of special free trade zones for the provision of port services.• Industrial users of port services of free trade zones engaged on oil fuels refinement.• Free trade zones operators.
<p>Capital gains tax</p>	<p>National tax levied on income derived from activities that are not part of the ordinary course of business.</p> <p>The Capital Gain tax is mainly levied on the following acts:</p> <ol style="list-style-type: none">1. Profits on the sale of fixed assets owned for 2 years or more.2. Profit on the liquidation of corporations or entities incorporated for at least 2 years.3. Income derived from inheritances, legacies and/or donations.4. Income derived from life insurance payments.5. Income from lotteries and gaming.



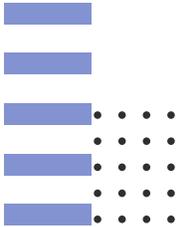
Tax	
Dividends tax	<p>Tax levied on the distribution of dividends from national and foreign companies to its shareholders.</p> <p>Dividends paid to resident individuals out of fully taxed profits at a corporate level are considered as a general income, subject to a progressive tax rate ranging from 0 % up to 39 % according to provisions of article 241 of the Colombian tax code.</p> <p>A 15 % withholding tax rate will apply to dividends paid to resident individuals, when exceeding COP 46.000.000, when the income was not subject to taxation at a corporate level. A 19 % tax credit on the value of the dividends is granted.</p> <p>Dividends paid to resident companies will be subject to a 10% withholding tax rate, said withholding may be used by the final beneficiary in its income tax return.</p> <p>Dividends paid to non-residents will be subject to a withholding tax rate of 20%. Dividends paid to Colombian permanent establishments of foreign entity will be subject to a 20 % withholding tax rate.</p>



Tax		
Value added tax (VAT)	National tax levied on the provision of services, importation and sale of goods, sale or assignment of intangible assets related with industrial property, also the operation of gambling games.	0 %, 5 % o 19 %, depending on the case.
Consumption tax	National tax levied on the sale of food and beverages in restaurants, canteens, bakeries, etc., sale of vehicles and on the telecommunications services.	4%, 8% or 16%, depending on the case
Property tax	Municipal tax imposed on the ownership of land or immovable property. Tax rates are set by the municipality and varies according to the location and use of the property.	Between 1 x 1.000 and 33 x 1.000
Tax on financial transactions	Tax levied, amongst others, on financial transactions, withdrawal of funds from saving accounts, deposit accounts or cashing of cashier's checks.	4 x 1.000 per transaction
Industry and commerce tax	Municipal tax imposed on gross revenue obtained from the exercise of industrial, commercial, or service activities.	Between 2 x 1.000 and 10 x 1.000 of company's gross revenue



Tax	
<p>Simple taxation regime (SIMPLE)</p>	<p>The SIMPLE regime is available to taxpayers to simplify and facilitate the tax compliance obligations. It is an optional taxation model that replaces the income tax, integrating the consumption tax and the industry and commerce tax.</p> <p>The taxable base is the gross ordinary and extraordinary income received in the taxable period, excluding capital gains.</p> <p>The tax rate depends on the type of activity performed by the taxpayer and the gross income obtained, and varies between 1.2% to 14.5%. SIMPLE taxpayers are not subject to withholding taxes, other than VAT withholding.</p> <p>The SIMPLE regime is available if the following criteria is met:</p> <ol style="list-style-type: none">1. Individuals who are residents in Colombia or companies where its shareholders (nationals or foreigners) are residents in Colombia.2. In the previous taxable year had obtained extraordinary and ordinary gross income lower than COP 4,241,200,000. (100.000 UVT year 2023).3. The individual or legal entity shall be up to date with its national and municipal tax obligations, and with its contributions to the Social Security System. <p>Taxpayer must be registered in the tax registry (RUT for its initial in Spanish) and must comply with electronic invoicing regulations.</p>





LABOR LAW

4.1. Labor regime

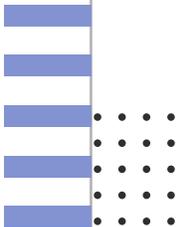
Colombian labor legislation follows the guidelines set forth by the International Labor Organization (ILO) and applies to any labor relationship that, as a rule, implies the provision of the employee's services within Colombian territory, regardless of the nationality of the parties.

4.2. Employment agreements

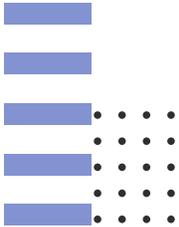
For a labor relationship to exist, the following elements must concur: (i) personal provision of a service by employee in favor of employer; (ii)

continuous subordination and dependency of the employee regarding the employer; and (iii) payment of a salary as a direct retribution of the services.

Colombian law states the following types of employment agreements, depending on its duration:

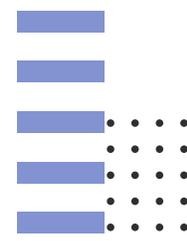


Type of agreement	Definition	Requirements
<p>Fixed term agreement (A término fijo)</p>	<p>Parties agree on a specific duration, which may not be longer than three (3) years.</p>	<ul style="list-style-type: none"> ● Must be in writing. ● If the employer is willing to terminate the employment based on the term expiration, a written notice must be delivered to the employee at least with thirty (30) days prior to termination. Otherwise, the agreement will be automatically renewed for the duration of its initial term. ● If the initial duration is less than one year, after its third renewal, the agreement term shall automatically be of one (1) year. ● Trial period cannot be longer than one fifth of the duration of the agreement, with an additional limit of two (2) months.
<p>Open-ended Agreement (Indefindo)</p>	<p>No specific duration is agreed upon and no termination date is set forth.</p>	<ul style="list-style-type: none"> ● May be oral or in writing, but it is highly recommended to enter into a written agreement. ● Trial period can be up to two (2) months.
<p>Task or labor duration agreement (Por obra o labor contratada)</p>	<p>Duration of the agreement is based on the length of a specific task or activity.</p>	<ul style="list-style-type: none"> ● May be oral or in writing, but it is recommended to be in writing. ● Task or activity must be specified clearly in the employment contract.

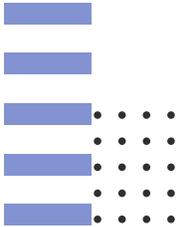


4.3. Minimum labor rights for employees

Item	Description
Salary	<ul style="list-style-type: none"> ● The Colombian government sets the legal minimum monthly salary (“LMMS”) on an annual basis. For 2023, it is COP 1,160,000, for employees who work the maximum working hours allowed in 2023: 8 hours per day, 48 hours per week. Maximum ordinary working hours shall be decreased according to local regulations, starting from July 15th 2023, and so on. ● Salary may be fixed or variable, provided that the minimum legal monthly wage is guaranteed. ● Parties can agree that a portion of the employee’s salary will be in kind. It may be up to 30 % of the correspondent salary, should employee earn the monthly legal minimum wage; or up to 50 % whenever the employee earns more than a legal minimum monthly wage. ● Employer and employee may settle on the modality and date of payment, which must be done at least monthly. ● Salary is a key concept, as it is used as the basis to calculate the social benefits, vacation days, compensations, indemnifications, contributions to the Social Security System, among other employment rights. ● Provided that certain conditions are met, payments and/or benefits may be deemed as non-salary and extralegal, depending on the criteria for their payment, its frequency, nature, destination, among others.
Severance payment (Auxilio de cesantías)	<p>It is equal to thirty (30) days of salary per each year of work or proportionally by fraction of year. It is calculated annually and must be deposited by the employer in a Severance Fund (Fondo de Cesantías) before February 14th of the following year.</p>
Severance payment interests (Intereses sobre las cesantías)	<p>It equals to 12% over the amount of the severance pay of the immediately previous year. It is settled annually on December 31 and paid directly to the employee every year before January 31st of the following year.</p>
Service bonuses (Prima de servicios)	<p>They are paid twice during the year and each of them is equal to fifteen (15) days of salary per semester of work, or proportional by fraction of semester. Payment must be done before June 30th and December 20th, accordingly.</p>



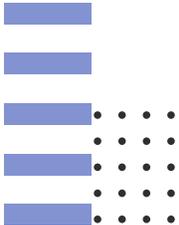
Item	Description
<p>Footwear and clothing provision (Dotación de calzado y vestido)</p>	<p>This is a benefit only for employees who earn less than two (2) LMMS each month. It consists in handing these employees, three (3) times a year, a complete set of work-ware (shirt, trousers, and shoes). This must be handed out no later than April 30th, August 31st, and December 20th.</p>
<p>Transportation allowance (Auxilio de transporte)</p>	<p>This is a social benefit set forth only for employees who earn less than two (2) LMMS each month. It consists of a monthly payment of an amount - in addition to the salary - for the employees to cover part of the costs of transportation from home to work, and back home. The amount of this aid is determined in a yearly basis by the Colombian government. For 2023 its monthly value is COP 140.606.</p>
<p>Vacation days (Vacaciones)</p>	<p>Every employee is entitled to a paid rest for fifteen (15) business days per each year of service or proportionally.</p>
<p>Social Security System (Sistema de Seguridad Social)</p>	<p>Employer must enroll employees to the Social Security System (Healthcare, Pensions and Work-related risks), and pay monthly contributions for every employee, considering the following general rules:</p> <p>(i) Healthcare System: it is equivalent to 12,5 % of the monthly salary, 8,5 % is assumed by the employer and 4 % by the employee.</p> <p>(ii) Pensions System: this contribution is equivalent to 16 % of the monthly salary . 12 % is paid by the employer and 4 % by the employee .</p> <p>(iii) Work-related Risks System. The amount of this contribution varies between 0.522 % and 6,960 % of the monthly salary of each employee, depending on company’s type of economic activity and it is paid solely by the employer.</p> <p>Employers are exonerated to pay their part of the contribution to Healthcare System for employees that earn less than ten (10) LMMS each month, provided that the employer meets certain tax requirements.</p> <p>Moreover, in some events, the basis to calculate the contributions to the 3 systems may also include a portion of the amount of non-salary payments or benefits, depending on their amount.</p>



Item	Description
<p>Payroll taxes: Family Compensation Fund, ICBF and SENA (Contribuciones Parafiscales)</p>	<p>Employer should also contribute to the payroll taxes entities each month. These contributions are assumed solely by the employer:</p> <p>(i) Employer must select a Family Compensation Fund (Caja de Compensación Familiar), to which all its employees shall be enrolled. This contribution is equivalent to 4 % of each employee’s salary. Family Compensation Funds offers health, educational and recreation services to their affiliates.</p> <p>(ii) Employers must pay an amount of 2 % of each employee’s salary to the National Learning Service (SENA) and an amount of 3 % of employee’s salary to the Colombian Institute of Family Wellbeing (ICBF).</p> <p>If the employer fulfills certain tax requirements, and the employee earns less than ten (10) LMMS every month, then employer is not under the obligation to pay contributions to ICBF and SENA for that specific worker.</p>

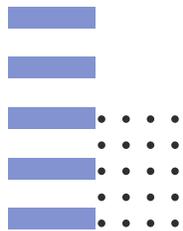
4.4. Other employer’s obligations

Item	Description
<p>Internal Workplace Regulations (Reglamento Interno de Trabajo)</p>	<p>Depending on the type of company (commercial, industrial, among others) and the number of employees, it is mandatory to implement and socialize the Internal Workplace Regulations, which is a type of handbook with a specific content.</p>
<p>Employment Disconnection Policy (Política de Desconexión Laboral)</p>	<p>Every employer must create a policy concerning the right to the employee to disconnect from work, special guarantees on this matter, and additional matters.</p>
<p>Management System for workplace security and health (Sistema de Gestión de Seguridad y Salud en el Trabajo or SG-SST)</p>	<p>All employers must implement the Management System for workplace security and health (SG-SST for its initials in Spanish), including several actions, policies implementations, the drafting of documents, the execution of evaluations, conformation of committees, among other activities, to prevent and attend the occurrence of work-related accidents or diseases. The scope and requirements of this Management System depends on the number of employees and the company’s economic activity.</p>



4.5. Working hours

Working hours	
Ordinary and maximum working hours	The ordinary working hours maximum are up to 8 hours per day and 48 hours per week unless the parties agree lower working hours. Ordinary working hours shall be gradually decreased, starting from July 15th, 2023.
Extraordinary or supplementary work	<p>Hours beyond the ordinary workday or the legal maximum are deemed as extraordinary or supplementary working hours. Only two (2) extra hours are allowed per day, for a total of twelve (12) extra hours per week. If extraordinary working hours are permanent, it is mandatory for the employer to obtain a previous authorization issued by the Ministry of Labor. These working hours have a legal surcharge, calculated over each employee’s salary.</p> <p>Holding, direction, trust and/or management employees are exempt from these regulations.</p>
Day shift	From 6:00 a.m. to 09:00 p.m.
Night shift	From 09:00 p.m. to 6:00 a.m. The hours worked during this time frame must be paid with a legal surcharge.
Work on Sundays and Holidays	If employees render their services on Sundays or in any Holiday set forth under Colombian Law, they shall be entitled to an additional legal surcharge and/or an additional resting day.



4.6. Termination of the employment contract

There are different forms of termination of the employment agreement set forth under Colombian law. The company may decide to terminate the employment unilaterally on the events listed below:

a) Without a just cause

This termination can take place at any time, without notice and without need of appealing to a situation of just cause under the Substantive Labor Code, the employment agreement, or the company’s Internal Workplace Regulations. In this event, the company must pay a legal indemnification to the employee for the termination without cause. The amount of the indemnification is set forth under local law and will vary depending on the type of employment agreement (fixed term, open-ended or for the duration of a specific task or labor), the employee’s salary, among other criteria.

b) With a just cause

If the employee fails to comply with certain obligations or incurs in determined prohibitions, the employment agreement may be terminated with a just cause under the Substantive Labor Code, the employment agreement, or the company’s Internal Workplace Regulations. At this event, the employee shall not be entitled to a compensation

for that termination, provided that the just cause is duly demonstrated . A disciplinary procedure is highly recommended to grant the right of defense of the employee.

c) End of the term of the agreement for fixed term employment agreement

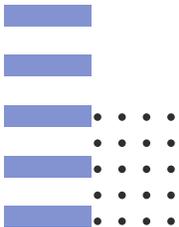
If the employer provides the employee a notice of the intention to terminate the employment agreement with at least 30 days in advance before the expiration date, the fixed term employment agreement will terminate, and the worker shall not be entitled to a compensation for that termination.

d) Termination of the specific task or labor

If the employment agreement has been entered into under this type of contract, the relationship may be terminated whenever the specific task or labor has been dully executed or culminated. In this case, the employee shall not be entitled to a compensation for that termination.

The employment relationship can be terminated by the employee by resigning to their position.

Below are the general rules to calculate the legal compensation for the termination without a just cause, under Colombian law :



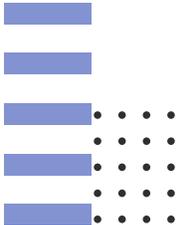
Type of contract	Duration	Salary	
<p align="center">Open-ended term</p>	<p align="center">Years of service</p>	<p align="center">Monthly salary less than 10 legal monthly minimum wages</p>	<p align="center">Monthly salary equal to or higher than 10 legal monthly minimum wages</p>
	<p align="center">1 year or less</p>	<p align="center">30 days of salary</p>	<p align="center">20 days of salary</p>
	<p align="center">More than 1 year</p>	<p align="center">20 days of salary per year (or proportionally for fraction thereof), in addition to the 30 days for the first year.</p>	<p align="center">15 days of salary per year (or proportionally for fraction thereof), in addition to the 20 days for the first year.</p>
<p align="center">Fixed term, and for the duration of contracted specific task</p>	<p align="center">Fixed term: the compensations is equivalent to the amount of the salaries left of the term fix in the contract.</p> <p align="center">For the duration of a specific task or labor: the compensation shall be equivalent to the amount of the salaries left according to the estimated time of duration of the specific task or labor, and not less than 15 days of salary.</p>		

4.7. Teleworking, Remote Work, and Work at Home regulations

Colombian law currently states institutions for the employees to work out of office, such as Teleworking, Remote Work, and Work at Home. Each of them has specific regulations and the company should determine, according to these regulations, which of the alternatives better suits their reality.

-Administradora de Riesgos Laborales - ARL-; (v) Inclusion of the employees in the Management System for workplace security and health; (vi) payment of certain allowances for utility/public services bills; among other matters.

These institutions have several implications for both employer and employee, including but not limited to: (i) the duration of the provision of the employee’s services from out of office; (ii) implementation and publication of policies; (iii) the scope and specific clauses of the employment agreement; (iv) reports to the Ministry of Labor and to the Labor-Risks entity

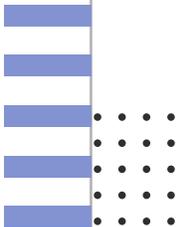




PERSONAL DATA PROTECTION

Colombian law grants the right to know, update and rectify the personal data that is collected and filed in data bases of public and private entities. To ensure this right, whoever processes personal data (understood as any individual or joint transaction on personal data, such as collection, storage, use, circulation or suppression) within Colombian territory or abroad, as well as data controllers subject to Colombian law even if located abroad, should comply with the following obligations:

- a. Prepare and abide with a personal data protection policy.
- b. Request the prior, express and informed authorization of the personal data holder before processing their personal data and maintain proof of such authorization.
- c. Duly inform personal data holders about the purpose of the data collection and the rights that assist them.



- d.** Process the personal data pursuing a legitimate interest, under the scope of the purposes for which the authorization was granted by its holder, and subject to confidentiality and transparency standards.
- e.** Keep a service channel whereby the personal data holder can file questions and claims.
- f.** Process inquiries and complaints made by personal data holders.
- g.** Maintain the personal data under the necessary security conditions to avoid its

tampering, loss, consultation, use or unauthorized or fraudulent access.

h. Report the security incidents to the Superintendence of Industry and Commerce (SIC) within 15 business days as of the date when incidents are detected and are brought to the attention of the person in charge of addressing them.

i. Register their databases in the National Registry of Databases (RNBD for its initials in Spanish) within 2 months from its creation, when they fulfill the following specifications:

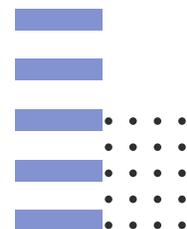
Type of person	Person's total assets in Tax Value Units (UVT for its initials in Spanish)
Companies and corporations	Exceeding 100,000 UVT, which for 2023 ascend to COP 4,241,200.000
Non-profit entities	Exceeding 100,000 UVT, which for 2023 ascend to COP 4,241,200.000
Public legal entities	N/A

- j.** When substantial changes to the policy are made, update the information to the personal data holders as well as in the RNBD.
- k.** Register in the RNBD the claims presented by the personal data holders within the determined periods.

l. Update the information and adopt the other necessary measures so the information provided is updated.

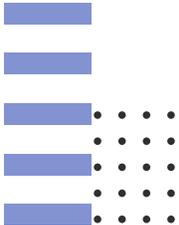
m. Rectify the information when it is incorrect.

n. Comply with the instructions and requirements issued by the Superintendence of Industry and Commerce.



Likewise, during the exercise of the personal data protection right, personal data holders are entitled to the following rights:

- a. Know, update, and rectify their personal data.
- b. Request proof of the granted authorization.
- c. Be informed, if beforehand requested, Request about how their data is and has been used.
- d. File complaints before the SIC in the events of infractions to personal data protection regulation.
- e. Revoke their authorization and/or request the removal of their data from processing.
- f. Be granted free access to the personal data provided.



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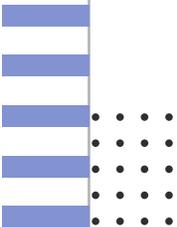


INTELLECTUAL PROPERTY

Intellectual Property means the rights over intangible assets such as the following:

6.1. Copyright creations such as literary works, scientific works, artistic works, musical works, software, related rights, and their protection applications

Their protection is mostly given through economic assignment agreements specifying the circumstances of commercialization (such as reproduction, public communication, distribution, and transformation), the territory, and the period in which it has effects. Although copyrights are born from the moment they are embodied in a physical or electronic medium, their deposit before the National Copyright Directorate of Colombia (DNDA for its initials in Spanish) is essential for evidentiary purposes. Colombia is a party to the Berne Convention for the Protection of Literary and Artistic Works, so the deposit of copyrights before Colombian authorities is sufficient evidence in related conflicts that arise in any other of its 160 member countries.



6.2. Invention Patents, Utility Models, Designs, and their protection applications

The protection of new creations is given in Colombia through the Superintendence of Industry and Commerce (SIC for its initials in Spanish). To obtain the exclusive commercial monopoly for 20 or 10 years or to license during this time, the procedures and components of the new creation will have to be disclosed. In case of not wanting to reveal substantial information about the invention, it will have to be considered to be kept as a trade secret. Patentability can be given from Colombia and extended to more than 157 countries through the Patent Cooperation Treaty (PCT) of which our Colombia is a member.

6.3. Trademarks, slogans, trade names, trade emblems, domain names, other distinctive signs, and their protection applications

In Colombia, these must be registered before the SIC to obtain rights for a renewable term of 10 years. Colombia is part of the Andean Community of Nations (CAN for its initials in Spanish) so it is possible to request priority registrations in its other countries (Ecuador, Peru and Bolivia) and to present Andean oppositions to third party registration applications based on protection in Colombia and vice versa. Likewise, Colombia is part of the Washington Convention (19 member countries from the American continent) and the Madrid Protocol (129 member countries from all continents), which allows to claim extensions and registration priority, as well as to present oppositions in the other member countries from our country and vice versa.

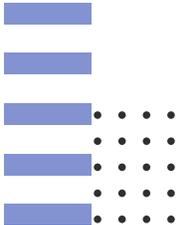
6.4. Trade secrets

It is that secret information related to the productive activity, with commercial value because it is secret, which generates a competitive advantage and for which reasonable confidentiality measures have been adopted. It is protected by contracts and confidentiality clauses, intellectual property and non-competition with those who have access to the trade secret. Technological, administrative and human measures must also be adopted for their protection. They are not subject to registration before any authority in Colombia, but they can be defended through unfair competition actions in case they have been breached.

6.5. Know-how

It is that knowledge, techniques, skills, methods, strategies, information about clients, suppliers, contractors, and collaborators, operation process for each position of the personnel and their training. It is protected in the same manner as the trade secret is.

As can be seen, depending on the type of intangible asset, its protection, its registrability and its effects will be different, in most cases complementary, but always advisable and essential.



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