

FOREIGN TRADE AND CUSTOMS

Free trade zone Regime and instruments for customs planning.

Bogotá and Cundinamarca have 20 Free Trade Zones, 18% of the national total: 15 for the industrial sectors, 4 for services and 1 for agroindustry⁴.

Free Trade Zones

Free trade zones are delimited geographic areas in the Colombian territory, where industrial activities involving goods and services or commercial activities are carried out under special regulations on taxation, customs, and foreign trade.

Benefits of the free trade system

- Exploitation of cash flow due to the non-payment of taxes until goods enter the national customs territory. Goods entering a Free Trade Zone are considered to be outside the national customs territory.
- Single income tax rate of 20%.
- Customs taxes (VAT and customs duty) are not accrued or paid for the goods introduced in a Free Trade Zone.
- Foreign goods introduced in a Free Trade Zone may stay in them indefinitely.
- VAT exemption for raw materials, spare parts, inputs and finished goods that are sold from the national customs territory to industrial users of Free Trade Zone goods and services or among them.
- Possibility of exporting from a Free Trade Zone to third party countries and the national market, applying benefits of free trade agreements signed by Colombia.
- Simplified customs procedures.

Existing types of free trade zones in Colombia

Permanent Free Trade Zones

Geographically delimited areas managed by an operating user where multiple new companies enjoying special tax and customs treatment establish.

Basic requirements for free trade zone declaration

Investment:
USD \$11,113,761
Which may be completed with investments from the operating user or qualified industrial users.

Established users:
Existence of 5 industrial users of goods and services, within the first 5 years of declaring the free trade zone for the operating user.

Special Permanent Free Trade Zones

Allows recognition of free trade zones anywhere in the country for a new legal entity for the performance of an investment project with high economic and social impact.

Basic requirements for the recognition of a Special Permanent Free Trade Zone:

For goods:

Investment:
USD \$36.240.527

Employment creation:

150 direct and formal jobs. For each USD \$5,556,880 of additional investment, employment commitment will reduce by 15, without it being less than 50 in any case.

For services only:

Investment:
USD \$2,416,276 to USD \$11,113,761)
Employment: 500 direct and formal jobs

Investment:

USD \$11,114,003 to USD\$11,113,761
Employment: 500 direct and formal jobs

Investment:

Over USD \$22,227,764
Employment: 150 direct and formal

Transitory Free Trade Zones

Free trade zones intended for fairs, exhibits, congresses, and seminars.

According to the Ministry of Commerce, Industry and Tourism, as of this date there are 102 Free Trade Zones approved in Colombia, 39 Permanent Free Trade Zones and 63 Special Permanent Free Trade Zones.

Tax benefits

Tax regime	General Tax Regime	Free Trade Zone Regime
Income Tax	25%	20%
Income Tax Surcharge	6%, 4% 0% (2019)	0%

Requirements for declaring the existence of a Free Trade Zone

Whoever intends to obtain the declaration of existence of a free trade zone shall submit before Ministry of Commerce, Industry and Tourism the list of documents contained in Article 26 of Decree 2147 of 2016.

Requirements for requesting qualification of an industrial or commercial user of a Permanent Free Trade Zone

The following investment and employment commitments must be fulfilled, depending on the level of total actual productive fixed assets certified with the Operating User of the Free Trade Zone at the time of submitting your qualification application:

Actual productive fixed assets	New investment	New jobs
Below 500 COP \$368,858,500 (USD \$120,801)	COP\$0	7*
Between 501 and 5,000 COP \$369,596,217 to COP \$3,688,585,000 (USD \$123,198 to USD \$1,208,017)	COP \$737,717,000 (USD\$241.604)	20
Between 5,001 and 30,000 COP \$3,689,322,717 to COP \$22,131,510,000 (USD \$1,208,259 to USD \$7,248,105)	COP \$3,689,332,717 (USD\$1,208,259)	30
Over 30,000 COP \$22,131,510,000 (USD \$7,248,105)	COP \$8,483,475,500 (USD\$2,778,440)	50

*Three jobs upon beginning of the project, two jobs in the following year and two jobs in the third year.

The aforementioned commitments could be adjusted in the first year in case that actual productive fixed assets AFRP as per its acronym in Spanish) of the qualified user increase or decrease.

Types of Free Trade Zone users

As a rule, only the companies that are duly qualified as users are allowed to carry on business inside or from the area declared as Free Trade Zone. Below are the types of qualified users in a Permanent Free Trade Zone:

- **Operating user**

A legal entity authorized to manage, administer, supervise, promote, and develop one or more free trade zones, as well as to classify users established therein.

- **Industrial user of goods**

A legal entity exclusively established in one or several Free Trade Zones and authorized to produce, transform, or assemble goods by processing raw materials or semi-finished products.

- **Industrial user of services**

A legal entity authorized to carry out activities exclusively in one or several Free Trade Zones, including but not limited to logistics, handling, distribution, packing, re-packing, labeling, medical assistance, tourism and scientific research.

- **Commercial user**

A legal entity authorized to carry out the marketing, storage or preservation of goods in one or several Free Trade Zones Warehouses.

Program	Import	
Plan Vallejo for raw materials in the export of goods Chapter II, Section 1 of Resolution 1649 of 2016 Operations in Article 172 of Decree 444 of 1967	Limit As authorized by the Ministry of Commerce, Industry and Tourism based on the user's request.	
Plan Vallejo for raw materials in the export of goods Chapter II, Section I of Resolution 1649 of 2016 Operations in Article 173 (b) of Decree 444 of 1967	Term Within the calendar year between January 1 and December 31.	
Plan Vallejo junior or replacement of raw materials Chapter III, Section I of Resolution 1649 of 2016 Operation in Article 179 of Decree 444 of 1967	Limit Same amount of raw materials incorporated in the exported product. Term Within the year of export.	
Plan Vallejo for capital goods and spare parts Chapter IV, Section I and Section II of Resolution 1649 of 2016 Operation in Article 173 (c) of Decree 444 of 1967	Limit As authorized by the Ministry of Commerce, Industry and Tourism based on the user's request. Term As determined by the Ministry of Commerce, Industry and Tourism.	
Plan Vallejo for capital goods and spare parts Chapter IV, Section I and Section II of Resolution 1649 of 2016 Operation in Article 174 of Decree 444 of 1967		
Plan Vallejo for services Chapter V, Section I of Resolution 1649 of 2016 Operation in Decree 2331 of 2001	Limit As authorized by the Ministry of Commerce, Industry and Tourism based on the user's request. Term As determined by the Ministry of Commerce, Industry and Tourism.	



Customs planning instruments

Plan Vallejo

Plan Vallejo is a mechanism for promoting exports that allows temporary import of raw materials, inputs, capital goods, and spare parts for the production of goods or export services, with total or partial suspension of taxes.

Export commitment	Term for compliance	Benefits
100% of imported raw materials and inputs	18 months from the date of first declaration.	<ul style="list-style-type: none"> VAT exemption Customs duty exemption
FOB amount of authorized import limit as a minimum		
No export commitments.		<ul style="list-style-type: none"> VAT exemption Customs duty exemption
70% of increased production caused by imported goods.	As authorized by the Ministry of Commerce, Industry and Tourism; the time required to produce the committed amount as a minimum.	<ul style="list-style-type: none"> Deferred VAT* Customs duty exemption
One and half times the amount of authorized import limit.		<ul style="list-style-type: none"> Deferred VAT*
One and half times the FOB amount of capital goods.	As authorized by the Ministry of Commerce, Industry and Tourism	<ul style="list-style-type: none"> Deferred VAT* Customs duty exemption

International commercialization entities

Legal entities whose main corporate purpose is to commercialize and sell Colombian products abroad, acquired in the local market or manufactured by their partner producers. Their activities may include import of goods or inputs to supply the national market or manufacture products that will be subject to export. Such companies must be authorized by the Ministry of Commerce, Industry and Tourism and use the expression "International commercialization entities" in their corporate name.

The benefits derived from such authorization are as follows:

- Obtain the Tax Reimbursement Certificate (CERT as per its acronym in Spanish) for exports made.
- Purchase or acquire VAT exempted goods in the national market, Provided that such goods are actually exported.
- The intermediate production services provided to these companies will be exempted from VAT, insofar as finished goods are actually exported.

International logistic distribution centers

International Logistic Distribution Centers (CDLI as per its acronym in Spanish) are public deposits authorized by the DIAN, which are located in ports, airports or specialized logistic infrastructures (ILE as per its acronym in Spanish).

Such centers may receive goods that are foreign, national or in the process of completing a suspensive or transformation and/or assembly system. Such goods may be subject to preservation, handling, packing, repacking, classification, cleaning, laboratory analysis and, generally, any operation that does not alter or modify the nature of goods or adversely affects the tax basis for calculating duties and taxes.

Goods may stay in the CDLI for up to one (1) year, counting from the date of entry of foreign goods into the national customs territory (TAN as per its acronym in Spanish). Such term may be extended for an equal period.

The length of stay for goods in a CDLI in the process of completing a suspensive or transformation and/or assembly system will be the time needed to complete the term for completion of such system. In this case, the term for completion of the system may not be modified and the aforementioned extension

will not apply. Below we point out some of the requirements that legal entities shall meet to obtain the CDLI authorization from the DIAN:

- Be domiciled or legally represented in the country.
- Have as main corporate purpose the activity for which it is requesting authorization.
- Certify that the technical construction characteristics of the infrastructure are suitable for the type, nature, features, volume and weight of the goods you intend to store.
- Submit a schedule of availability for the equipment needed for loading, unloading and handling of goods, as well as for the measuring, weighing and security equipment necessary for the conduct of your business.

Import Regime

Regular import	Temporary import for re-export in the same state	
<p>The most used import method through which the importer in Colombia receives goods indefinitely to be freely available, upon verifying fulfillment of all customs and tax obligations.</p> <p>The statute of limitation of import declaration is three years after their date of filing and acceptance and constitute the document certifying legal introduction of goods into the national customs territory.</p>	<p>Defined as the import of certain goods that, upon completion of a given term, shall be re-exported in the same state in which they entered the national customs territory, that is, without having undergone any modification, save normal depreciation for wear and tear. This import method causes suspension or deferral in the payment of import fees and taxes (customs duty and VAT) applicable and, therefore, goods are available with restrictions.</p> <p>Temporary import for re-export in the same state can be of two (2) types: short term and long term.</p>	<p>Short term</p> <p>Applies to the import of goods to meet specific needs such as those goods intended to be exhibited in exhibits, fairs or cultural events, capital goods in Decree 2394 of 2002, and parts and spare parts necessary for their operation, among others. The maximum term for import shall be six months, renewable for up to three additional months, and exceptionally up to three more months, upon authorization from the customs authority, for a total of one (1) year as a maximum. In this type of temporary import, the payment of import fees and taxes is not accrued for the duration of the temporary import.</p> <hr/> <p>Long term</p> <p>Applies to the import of capital goods, their accessories, parts and spare parts, which are in a list of subheadings contained in Decree 2394 of 2002 as amended. The maximum term for this import is five (5) years. In this case, import fees and taxes are distributed in equal semiannual instalments for the term of stay of goods in Colombia and are paid semiannually in arrears, considering the current exchange rate for customs purposes at the time of paying each instalment.</p>

This import system is expected to become enforceable within 6 months of publication of Decree 390 of 2016. While this takes place, the provisions contained in Decree 2685 of 1999 and Resolution 4240 of 2000 related to long-term temporary import shall remain valid.