



Bogotá's Legal Guide to Foreign Direct Investment

2026

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INTERNATIONAL TRADE MECHANISMS



ARAÚJOIBARRA
Consultores en Comercio Internacional

📍 Address: Calle 98 No. 22-64, Office 910, Bogotá, Colombia

☎ Phone: +57 (601) 651 1511

✉ Email: contacto@araujoibarra.com

🌐 Website: <https://araujoibarra.com/contacto/>

Free Trade Zones

Free trade zones are delimited areas in which industrial and service activities are carried out under special tax, customs, and foreign-trade regulations¹. Their main objective is to generate employment, encourage investment, and increase competitiveness and development in the regions.

¹ The current Free Trade Zone Regime was created by Law 1004 of 2005 and is regulated by Decree 2147 of 2016 and Decree 1165 of 2019.

Benefits of the Free Trade Zone Regime

- A preferential income tax rate of 20% on income derived from the export of goods or services; the general rate is 35%. Certain activities are subject to a full 20% rate: port services, logistics, fuel refining, offshore free trade zones, and operator users.
- Goods sold to industrial users of free trade zones from the National Customs Territory, or between users, are exempt from the Value Added Tax (VAT), provided that they are intended for the development of the users corporate purpose.
- Goods brought into a free trade zone are not subject to customs duties (tariffs and VAT) and may remain in the free trade zone indefinitely.
- It is possible to sell goods and provide services from free trade zones to third countries, as well as to companies within the national territory.
- Declaration for up to 30 years, with the possibility of extension.

How to access the regime?

To access the regime, interested companies may:

1. **Declare their own permanent free trade zone (multi-company) or special permanent free trade zone (single-company).** To do so, they must submit the project's Master Plan to the Ministry of Commerce, Industry, and Tourism, demonstrating its legal, technical, and financial feasibility. Once the Ministry has obtained all the necessary information, the Intersectoral Commission on Free Trade Zones will issue its feasibility opinion².

The investment and employment commitments undertaken vary depending on the type of free trade zone³:

- **Special Permanent Free Trade Zone for Goods:** investment ranges between 3,012,550 and 6,981,606 UVT, with the creation of 50 to 150 new direct jobs within the 3 years following the declaration.
 - **Special Permanent Free Trade Zone for Services:** investment ranges between 209,004 and more than 1,922,898 UVT, with the creation of 150 to 500 direct and formal jobs within the following 3 years.
 - **Permanent Free Trade Zone:** a minimum investment commitment of 924,224 UVT within the 5 years following the declaration, and having at least 5 industrial users.
2. **Qualify as an industrial user of goods and/or services** in one of the 41 permanent free trade zones in the country, 10 of which are located in Bogotá and Cundinamarca. In this case, the project must be submitted together with its studies, and the qualification process must be completed before the operator user that manages the selected permanent free trade zone.

These companies undertake an investment commitment of between 0 UVT and 231,068 UVT and the creation of 7 to 50 new jobs, depending on the range of productive fixed assets accredited at the time of qualification.

² The Commission is composed of the Office of the President, the Ministry of Commerce, Industry and Tourism, the Ministry of Finance and Public Credit, the DNP, and the DIAN.

³ Investment is expressed in UVT. As of the date of publication of this chapter, the applicable UVT is \$52,374 COP.

International Trading Companies

International Trading Companies are an export-promotion instrument. They are defined as legal entities whose main corporate purpose is the marketing and sale of Colombian products abroad, which may be acquired in the domestic market or manufactured by producers that are partners of these companies.

These companies may include among their activities the import of goods or inputs to supply the domestic market or to manufacture exportable products.

Benefits of International Trading Companies

The main appeal of this mechanism lies in optimizing cash flow and reducing costs in the export supply chain. The main benefits are presented below:

- **VAT Exemption:** the purchase or acquisition of goods in the domestic market is exempt from VAT, provided that they are exported within the 6 months following the date on which the corresponding certificate is issued to the supplier.
- **Withholding Tax:** purchases are not subject to withholding tax, under the terms established by Article [1.2.4.6.2](#) of Decree No. 1625 of 2016.
- **CERT:** International Trading Companies may be beneficiaries of CERT recognition, provided that they prove their status as producers of the exported good.⁴

⁴ An export-promotion instrument that allows companies to recover part of the indirect taxes paid on their exports of goods and services.

How to access these benefits?

To access the benefits of this mechanism, companies must obtain authorization from the Ministry of Commerce, Industry, and Tourism and post a guarantee with the National Tax and Customs Directorate (DIAN).

Their fundamental obligations include: exporting the acquired goods within the six (6) months following the date on which the respective Certificate to the Supplier is issued; ensuring that their main purpose remains the marketing of Colombian products abroad; and complying with the minimum equity amounts required by the customs legislation in force for their operation.

By: [Customs and Currency Exchange Law](#)



Plan Vallejo: a key tool for the competitiveness of companies in Colombia

The Special Import-Export Systems, known in Colombia as the "Plan Vallejo," are a foreign trade mechanism that allows companies to optimize their production costs for international markets. Through the temporary import for inward processing modality, this mechanism authorizes the importation, with total or partial exemption from customs duties, of raw materials, supplies, capital goods, and spare parts. These goods must be destined to produce goods for export or for the provision of services directly related to such production or export processes.

Program types that can be approved under the Plan Vallejo

Plan Vallejo for raw materials and supplies

This program allows the import of raw materials and supplies into the country without payment of tariffs and Value Added Tax (VAT), which must be used entirely in the production of goods destined for export.

The deadline for demonstrating exports is 18 months, counted from the date of release of the first import declaration made in the period (year).

For the purposes of this program, raw materials and supplies are understood to mean:

- The set of elements used in the production process, whose mixture, combination, processing or manufacture results in the final product.
- Auxiliary materials used in the production cycle that, although they can be transformed, are not part of the final product.
- The elements used in the packaging or container of the final product, or in the production of said packaging or containers.
- The set of parts, pieces or devices that are the object of assembly in the production process.
- Goods entering the country for repair or reconstruction, as well as the spare parts necessary for that purpose.



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These programs authorize an annual FOB quota in US dollars (from January 1st to December 31st), through which the user can import the raw materials and supplies required for their production process, provided that the resulting goods are destined entirely for foreign markets. This quota, approved by the Ministry of Commerce, Industry and Tourism (MINCIT), is requested based on the user's projected imports and exports and is automatically renewed each year.

● Example:

The company imports
fabrics worth
USD 100.000
under the Plan Vallejo
Program.



Plan Vallejo for the Replacement of Raw Materials

This modality allows exporters who, meeting the legal requirements, have produced national goods using raw materials or inputs imported through ordinary channels, to access an authorization to import, free of taxes (tariff and VAT), an equivalent quantity of said raw materials or inputs incorporated in the exported good.

Once the replacement program is authorized, there is no obligation to allocate the raw materials imported under this modality to the production of export goods.

Plan Vallejo for Capital Goods and Spare Parts – Agro-industrial Sector

This modality allows the importation of capital goods intended for the installation, expansion or replacement of production units, which will be used in the production of export goods or in the provision of services directly linked to their production or export, with suspension of the payment of customs duties (tariff and VAT), until the fulfillment of the export commitments.

The VAT not paid at the time of import will be due once the export commitment is fulfilled, should the decision be made to nationalize the equipment in the country. To do so, the import procedure must be changed to ordinary import, and a customs depreciation discount of up to 70% of the FOB import value may be applied.

The export commitment in these operations is equivalent, in physical units, to at least 70% of the increase in production generated by the use of goods imported under this program



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My production normally is:

200.000

units of flowers per year.



Imported machinery under the Plan Vallejo Express that helps me increase my production by 400.000 of flowers.

Export
commitment



140.000 units

There is a production increase of 200.000 units; 70% of this increase is allocated to exports.

It is given in physical units.

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Plan Vallejo for Capital Goods and Spare Parts – Industrial Sector⁵

This program applies to any productive sector that requires importing capital goods and spare parts intended for the installation, expansion or replacement of productive units, which will be used in the production of export goods or in the provision of services directly linked to their production or export.

The benefit consists of the suspension of VAT payments, which will only be due once the export commitment established in the program is fulfilled. At that time, the Plan Vallejo modality must be terminated by converting it to a standard import. For VAT payments, a discount of up to 70% of the FOB import value of the equipment may be applied for customs depreciation.

The export commitment is established in terms of dollar value, equivalent to 1.5 times the FOB value of the authorized import quota.

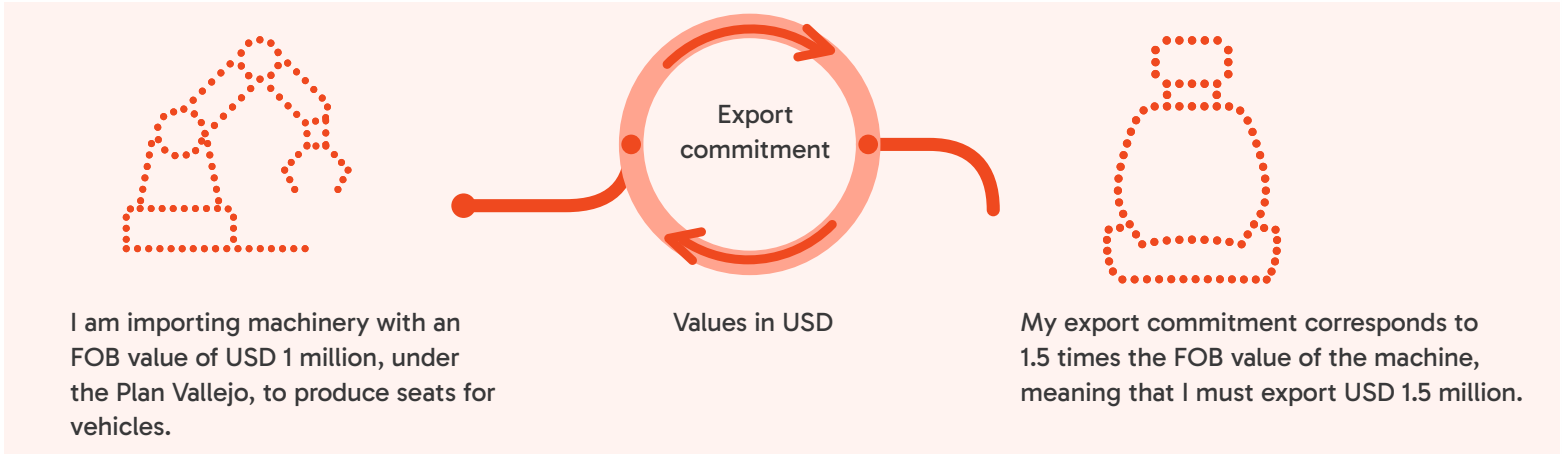
Plan Vallejo for Goods for the Export of Services⁶

This procedure applies to certain categories of services that require the importation of goods for use in the export of services. These imports can be made with exemption from customs duties and suspension of VAT until the export commitments are fulfilled.

VAT payment may be made applying to a customs depreciation discount of up to 70% of the FOB import value.

The export commitment must be at least equivalent to 1.5 times the FOB value in dollars of the capital goods imported under the program.

⁵ The goods that can be imported under this program are defined in Resolution No. 1054 of 2020 of the MINCIT.
⁶ The goods that can be imported under this modality are defined in Resolution No. 1131 of 2020 of the MINCIT.



• Flores - Cortesía: MinComercio

Summary table of programs Plan Vallejo

PROGRAMS	TYPES OF OPERATIONS	BENEFITS	EXPORT COMMITMENT
Raw Materials	Raw materials Art. 172 Decree – Law 444 of 1967	Tariff and VAT exemption	100%
	Maquila – Maquila Q Art. 172 Decree – Law 444 of 1967	Tariff and VAT exemption	100%
	Raw materials – MX Art. 173 Literal b) Decree – Law 444 of 1967	Tariff and VAT exemption	60% and 40% to the National Market
Capital Goods	Agro-industrial Sector - BR and RR Art. 173 C) Decree – Law 444 of 1967	Tariff exemption and VAT suspension	70% of production increases
	All sectors - BK and RR Art. 174 Decree – Law 444 of 1967	VAT Suspension	1.5 times the value of the quota used
Replacement	Raw materials – RP Art. 179 Decree – Law 444 of 1967	Tariff and VAT exemption	There is no export commitment
Services	Goods for the export of services – SS Article 13 Decree 285 of 2020	Tariff exemption and VAT suspension	1.5 times the value of the quota used

By: [Plan Vallejo](#)





International Contracts

Properly structuring international contracts is an essential component of foreign trade: it transforms legal uncertainty into clear rules regarding liability and remedies, mitigates risks, and enables sustainable operations in global markets. Below are the 7 key steps for entering into such contracts:

1. **Identify and map the risks of the transaction:** analyze the structural risks of the business: regulatory and legislative change risk, geopolitical and sanctions risk, economic and currency volatility, counterparty risk, jurisdictional and institutional risk, and technological or reputational risks.
2. **Determine the governing law of the contract:** determine the governing law of the contract: Identify the applicable law considering its coherence with the transaction, the stability of the system, precedents, compatibility with treaties, and the advisability of applying or excluding the United Nations Convention on Contracts for the International Sale of Goods (CISG).
3. **Select the dispute resolution mechanism:** determine the dispute resolution mechanism by evaluating neutrality and enforceability, choosing between international arbitration or state jurisdiction, and, in the case of arbitration, defining the seat, rules, language, number of arbitrators, and incorporating multi-tiered clauses.
4. **Incorporate Incoterms and manage risk transfer:** incorporate the applicable Incoterms (ICC 2020) to define the distribution of costs and the point at which risk is transferred.
5. **Design price adjustment and economic balance clauses derived from external events:** structure price adjustments with verifiable indices, clear formulas, and defined frequency, and incorporate hardship, material adverse change, and force majeure clauses to manage economic imbalances or impossibility of performance.
6. **Manage geopolitical, regulatory, and sanctions risks:** include clauses on regulatory change, compliance with international sanctions and binding lists, early termination, suspension of obligations, and representations regarding regulatory compliance.
7. **Incorporate specialized clauses according to the technological and reputational profile:** incorporate provisions on cybersecurity, data protection, confidentiality, intellectual property, technological indemnities, and ethical and anti-corruption compliance.

By: [Corporate Law](#)



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