

Pérez-Llorca



# Doing Business in Colombia

INVESTMENT GUIDE

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# 2026



We are convinced that Colombia is an attractive option to expand the borders of your company.

This guide was built with foreign companies in mind to provide relevant and current information that allows them to make informed investments from the legal and economic perspective.

This publication contemplates different areas of law, so that they have materials that truly support their decision-making.

**WELCOME!**

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# Economic Environment and Relevant Indicators



## Market Conditions

Colombia offers favorable market conditions for investment, supported by its relative macroeconomic stability, the size of its domestic market, and an extensive network of trade agreements. Colombia's network of agreements (18 in total) provides preferential access to more than 1.5 billion consumers, supporting export and nearshoring strategies.

On the price front, annual inflation in 2025 closed at 5.10%, continuing the moderation trend compared to 2024 (5.20%).

The Banco de la República raised the policy interest rate to 10.25% at the end of January 2026 to realign expectations and ensure the convergence of inflation toward the 3% target in 2027.

## Economic Context

In 2024, the economy grew 1.7%, and in 2025 it showed acceleration in the second half of the year, with 3.6% year-on-year growth in the third quarter and 2.8% growth for the January–September period, with notable contributions from commerce, transportation, accommodation and food services; public administration, education and health; and manufacturing industries.

As of November 2025, the Economic Monitoring Indicator (ISE) showed 3.08% year-on-year growth, anticipating the strongest year-end performance since 2022.

## Economic Environment and Key Indicators

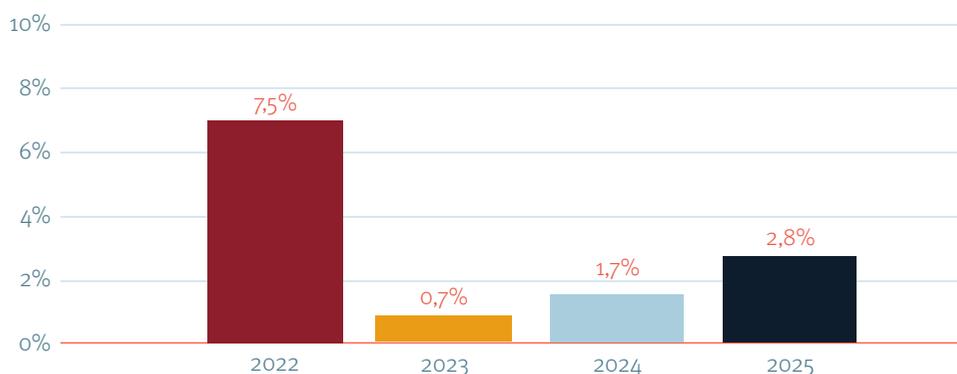
The business environment in 2025 combined moderating inflation (CPI 5.10%), a rebound in GDP growth during the second half of the year, and a more restrictive monetary stance at the beginning of 2026 to align expectations.

The Central Bank's Monthly Expectations Survey (EME) recorded a rise in inflation and policy rate expectations following the announcement of the 2026 minimum wage, which justified the policy adjustment.



## GDP (Gross Domestic Product)

Figures from DANE show that in 2024, GDP grew 1.7%; in 2025, the third quarter recorded 3.6%, and year-to-date through September reached 2.8%.



Source: DANE

This performance is mainly explained by the strong performance of the commerce, transportation, accommodation, and food services sectors, which grew 5.1% and contributed 1.0 percentage point to the annual variation.

Similarly, public administration, education, and health activities recorded 4.4% growth, contributing 0.7 percentage points, while the agriculture, livestock, forestry, and fishing sector grew 4.1%, contributing 0.4 percentage points to GDP growth.

## CPI (Consumer Price Index)

In 2025, annual inflation closed at 5.10%, while the monthly variation in December was 0.27%. In 2024, annual inflation stood at 5.20%

These figures show a moderation trend compared to the previous year, reflecting a gradual slowdown in inflationary pressures. This behavior is mainly due to greater stability in the prices of certain goods and services, although variations persist in specific expenditure categories. In comparative terms, the evolution of the CPI indicates a more controlled inflation environment, which helps improve conditions for consumption and business planning.

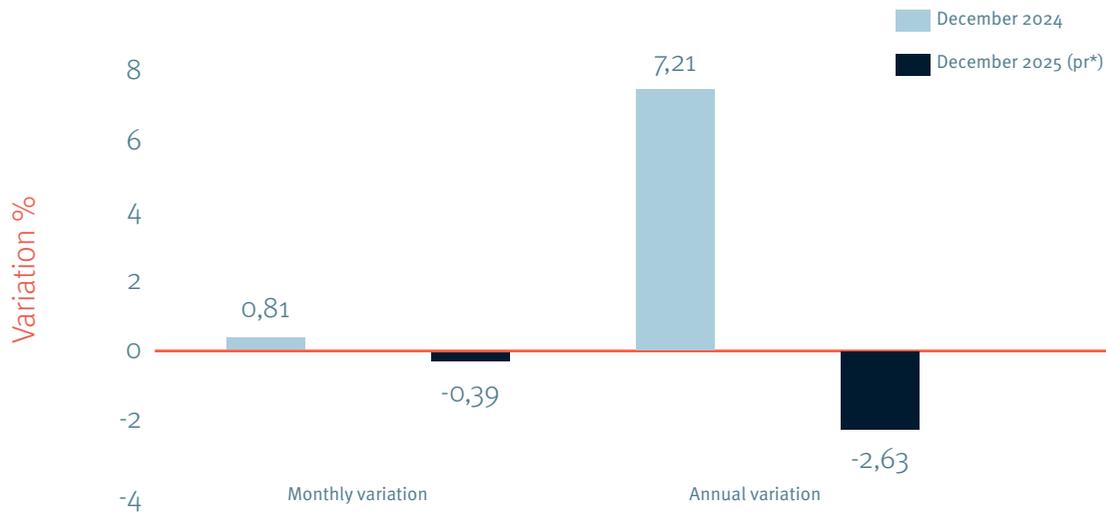
Year	CPI % (december)
2021	5,62%
2022	13,12%
2023	9,28%
2024	5,20%
2025	5,10%

Source: DANE

## PPI (Producer Price Index)

The Producer Price Index (PPI) is an economic indicator that measures the average variation in the prices of goods and services sold by producers. In December 2025, the PPI recorded an annual variation of -2.63% compared to December 2024, with sectors such as mining and quarrying showing a decrease of -19.91%, and agriculture, livestock, and fishing declining by -1.69%.

Monthly and annual variation — December 2025 (p\*) vs. December 2024



Source: DANE -IPP

## Main Economic Sectors by Region in Colombia

Regional economic performance according to official indicators:

### Caribbean Region



The Colombian Caribbean shows an improvement in economic activity associated with stronger demand and lower interest rates, which support the business environment. However, challenges remain in sectors such as coal mining and construction, which continue to limit the pace of regional growth.

During 2025, the Caribbean Coast presents a favorable business environment, driven by stronger domestic and external demand, the gradual reduction of interest rates, and moderating inflation. These factors have boosted sectors such as commerce, tourism, air transportation, and financial services, supporting the creation of formal employment. Nevertheless, challenges persist in coal extraction and construction, affected by declining international prices and reduced project execution, which constrain growth in these sectors.

## Andean Region



The Andean Region shows a positive economic performance, supported by the growth of domestic consumption, the recovery of trade, and the dynamism of the services sector, strengthening the business environment throughout 2025.

Moderating inflation and the gradual reduction of interest rates have contributed to improving conditions for investment and business activity. However, challenges remain in some industrial sectors and in the execution of infrastructure projects, which moderate the pace of regional growth.

## Pacific Region



The Pacific Region presents a mixed business environment in 2025. Stronger domestic demand and the dynamism of certain service and trade activities have supported regional economic activity, benefiting employment and business operations. However, structural and sector-specific challenges persist, particularly in certain productive activities, limiting growth and requiring more targeted investment strategies to unlock the region's potential.

Overall, the region presents selective opportunities, particularly for projects oriented toward the domestic market and operational efficiency.

## Amazon Region



During 2025, the Amazon Region showed a moderate business environment, with economic activity largely concentrated in primary sectors, local commerce, and basic services. Public spending and agricultural activities have supported productive activity and employment, while the low level of industrialization limits stronger economic expansion.

Structural challenges related to infrastructure, connectivity, and productive diversification remain, which shape the business environment and make investment opportunities more selective and long-term in nature.

## Orinoquía Region



During 2025, the Orinoquía Region presents a business environment with relevant opportunities, driven by the performance of agribusiness, livestock production, and activities linked to the energy sector.

The expansion of productive projects and land availability have supported investment, although challenges remain in infrastructure, connectivity, and environmental sustainability. In this context, the business environment offers growth potential, particularly for medium- and long-term initiatives.



## Bogota

In 2025, the Bogotá–Region consolidated its role as the country’s main economic and business hub, with a favorable business environment supported by the dynamism of trade, financial services, business activity, and the knowledge economy. The recovery of consumption, macroeconomic stability, and the high concentration of infrastructure, human talent, and specialized services have strengthened investment and business creation.

Bogotá led economic growth in the third quarter of 2025 with 4.7%, above the national average of 3.6%, consolidating its position as the country’s leading center for services, the knowledge economy, and business activity.

### Relevant Indicators



Minimum legal wage in Colombia for 2026

COP 1,750,905 + transportation allowance  
COP 249,095  
[More information here](#)



Total Imports

USD 5.89 billion in November 2025



Population

53,057,212 inhabitants



Trade Balance (December 2025)

USD 4.016 billion

## Outlook

Colombia recorded a trade deficit of USD 1.87 billion in November 2025. Colombia's trade balance is expected to reach USD -1.30 billion by the end of the first quarter, according to Trading Economics' global macroeconomic models and analysts' expectations.

In the long term, Colombia's trade balance is projected to trend toward USD -1.40 billion in 2027 and USD -2.00 billion in 2028, according to our econometric models.

### Projected electoral environment toward 2026

The 2026 electoral environment is expected to become a relevant factor for business decision-making. A climate of high political polarization is anticipated, with early campaign activity and increased social sensitivity toward economic, regulatory, and governance issues.

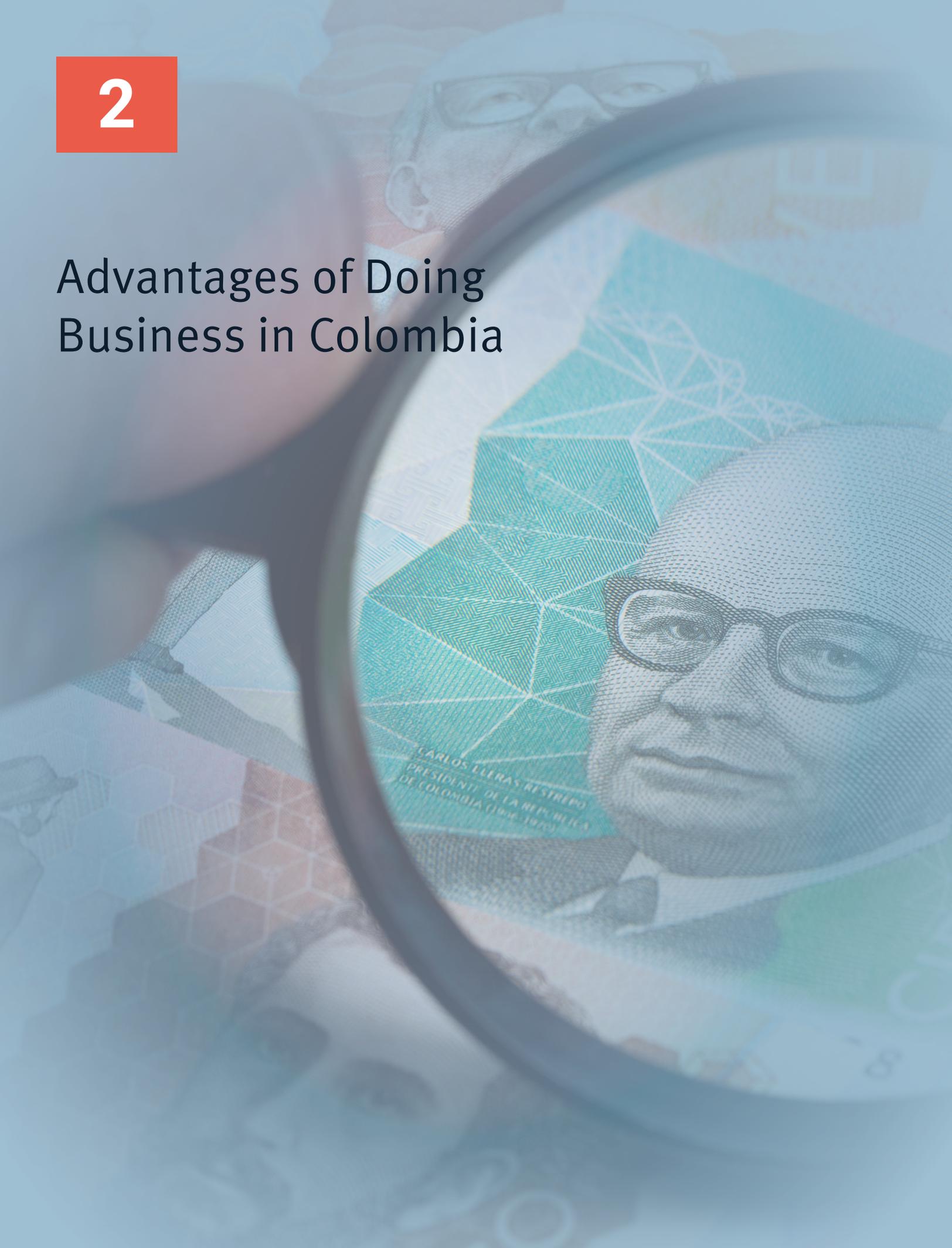
This context may translate into regulatory volatility, shifts in public policy priorities, and delays in the implementation of structural reforms. For investors, it will be key to monitor signals of institutional stability, continuity of economic policies, and respect for contractual frameworks, while incorporating political risk scenarios into strategic and financial planning.

The electoral cycle is likely to shape a market environment characterized by greater investment caution, volatility in expectations, and a possible slowdown in long-term decision-making. A more defensive stance from consumers, businesses, and financial institutions is expected, with an emphasis on liquidity, risk management, and the prioritization of projects with faster maturity.

Likewise, fluctuations may occur in key macroeconomic variables—such as exchange rates, interest rates, and inflation expectations—, which may affect operating costs and financial planning. In this context, market conditions favor flexible strategies, risk diversification, and continuous monitoring of the economic and regulatory environment.

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## Advantages of Doing Business in Colombia



## Advantages of Doing Business in Colombia

### Regarding corporate matters:

- The preferred investment vehicle in Colombia, for both foreign investors and local entrepreneurs, is the Simplified Stock Company (“Sociedad por Acciones Simplificada – S.A.S.” by its acronym in Spanish), mainly due to its flexibility in terms of incorporation and ongoing operation. Likewise, the branch of a foreign company is another widely used vehicle, particularly by foreign investors seeking to carry out permanent activities in the country, especially in sectors such as mining and hydrocarbons, in light of the foreign exchange benefits applicable to this structure.
- Notwithstanding the foregoing, depending on the specific activity to be carried out, Colombian law may require the adoption of certain corporate forms. By way of example, financial institutions subject to the supervision of the Colombian Financial Superintendence (Superintendencia Financiera de Colombia) must necessarily be incorporated as Stock Companies (Sociedades Anónimas – S.A.).
- Finally, Colombia has a specialized judicial forum for corporate matters, headed by the Delegation for Commercial Procedures of the Superintendence of Companies (Delegatura para Procedimientos Mercantiles de la Superintendencia de Sociedades), which exercises jurisdictional functions to resolve exclusively corporate disputes, thereby strengthening legal certainty and predictability for investors.

### Regarding labor and immigration matters:

- Hiring is less expensive in Colombia than in other Latin American countries.
- The immigration process is online, quick, and simple.

### Regarding tax regulation:

- A participation exemption regime applicable to Colombian companies performing security-holding and/or investments activities outside of Colombia, by means of which the distribution of dividends may apply special exemptions applicable to foreign shareholders.
- Tax discounts and special treatments are applicable to investments for environmental enhancement and non-conventional energy generation, among others.
- Income tax incentives for investments in research and innovation projects.
- Exempt income and VAT refund for real estate projects of social interest.

### Regarding the implementation of a corporate compliance program:

- It can exempt general managers and other company administrators from criminal liability by demonstrating due diligence with properly implemented policies.
- Prevents the imposition of labor, administrative, criminal, reputational sanctions, and disqualifications from contracting.
- Improves the company's profitability and reputation by preserving its value.
- The company is organized under international standards of transparency and good practices, generating trust and credibility to attract more consumers and investors.

### **Regarding customs and foreign trade matters:**

- Increasing number of FTAs signed by Colombia, allowing the importation of goods with exemption from tariffs.
- Existence of Free Trade Zones, which allows the development of industrial and service activities with a reduced income tax rate for income obtained from the export of goods and services to the rest of the world.

### **Regarding mergers and acquisitions:**

- Colombia has a sophisticated market when it comes to M&A transactions, with practices largely following international standards. As a result, buyers or investors in the country may expect transaction documents to be drafted in either English or Spanish (according to their preference) and follow formats commonly used in foreign jurisdictions.
- Key elements of transactions tend to be advanced. Both local and international arbitration (if an international component is involved) are frequently used and have proven effective in resolving issues that may arise.

### **Regarding the processing of personal data:**

- Colombia has a general and a financial personal data protection regime that sets forth clear and predictable obligations for anyone developing activities that involve the processing of this type of information, so that there is certainty about its application for the different stakeholders.
- There are specialized data protection authorities, so that they have the technical capabilities to enforce these regimes.

### **Regarding antitrust law:**

- Colombia is a country with a consolidated, solid and stable competition regime, which allows legal certainty regarding its application.
- There is a specialized authority, meaning that the regime's application is determined by a team who has the technical and legal knowledge necessary for a correct application of the regime on this matter.



### **Regarding energy and natural resources:**

- Colombia offers a competitive environment for investment in energy and natural resources projects. The country has historically been characterized by a stable legal framework open to foreign investment, aimed at enabling the development of strategic projects. In recent years, this government policy has translated into the continuous modernization of energy and sector-specific regulations, designed to facilitate project development, reduce administrative barriers, and send a clear signal of openness to investors.
- The country is currently undergoing an energy transition, through which it has sought to implement alternatives to facilitate foreign investment in energy sector projects. These include tax incentives, long-term contract allocation auctions, reliability charge auctions, and the development of new markets, such as offshore wind energy, hydrogen, and battery energy storage systems.
- From a regulatory perspective, Colombia maintains an open framework for the development of electricity generation projects. In general, for the provision of public electricity and natural gas services<sup>1</sup>, investors are not required to obtain special authorizations or concessions from the Ministry of Mines and Energy (MME) or any other authority in order to develop and operate electricity generation projects, except for the environmental, land-use, and other permits that may be required depending on the specific activity and project.
- With respect to mining and hydrocarbons (E&P) projects, it is necessary to enter into a concession agreement with the National Mining Agency (ANM) and the National Hydrocarbons Agency (ANH), respectively, as well as to obtain any additional permits required according to the relevant activity.

### **Regarding public procurement:**

- Colombian state entities are obliged to publish their annual investment plans, as well as most of the bidding process that they launch.
- Public procurement opportunities are centralized in a nation-wide electronic system called SECOP.
- Public procurement processes are monitored by separated compliance offices, and judicial protection can be requested by bidders in certain cases.

### **Regarding real estate projects:**

- Colombia has a registration system that is part of a strong legal framework that protects the rights of Colombian and foreign owners and investors.
- There are no legal limitations on foreigners to acquire property in Colombia.
- When investing in real estate assets, investors can make use of tax mechanisms such as depreciation deductions and property-related expenses.

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## About Legal Matters



## 3.1 Starting a business: Corporate regulation

In order to make an investment in Colombia through a company or a branch, it is necessary to comply, among others, with the following general requirements:

1. Execution of the incorporation document in accordance with the required formalities.
2. Obtaining the registration for tax purposes before the tax office (Registro Único Tributario – RUT) and the Tax Identification Number (Número de Identificación Tributaria – NIT).
3. Registration of the investment vehicle before the Chamber of Commerce of its registered office.
4. Opening of a bank account.
5. Activation of such account upon submission of the final existence and legal representation certificate.

In turn, the main ongoing corporate obligations of companies in Colombia include:

1. Holding the ordinary meeting of the highest corporate body.
2. Renewal of the commercial registration.
3. Filing of financial statements with the Chamber of Commerce.
4. Submission of financial information and, where applicable, the corporate practices report to the Superintendence of Companies.
5. Compliance with the obligation to register with the Beneficial Owners Registry (Registro Único de Beneficiarios Reales – RUB).

Additionally, depending on the level of revenues, assets, control structure, or economic sector, special obligations may arise, such as:

1. Registration of a control situation or business group.
2. Implementation of the Transparency and Business Ethics Program (Programa de Transparencia y Ética Empresarial – PTEE).
3. Adoption of the Self-Control and Risk Management System for Anti-Money Laundering and Counter-Terrorist Financing (Sistema de Autocontrol y Gestión del Riesgo de Lavado de Activos y Financiación del Terrorismo – SAGRILAF).
4. Compliance with sustainability and non-financial reporting obligations, where applicable.



Characteristics	Simplified Stock Company	Foreign Company Branch
Incorporation	<p>It is incorporated by means of a private document registered with the Commercial Registry, unless the contributions include assets whose transfer requires a public deed or other special formalities.</p> <p>It may be incorporated by one (1) or more natural person or legal entity, whether Colombian or foreign.</p>	<p>It requires notarization by public deed of authenticated copies of the foreign company's incorporation document, its bylaws or equivalent document, the resolution or act by which the establishment of the branch in Colombia is approved, and the documents evidencing the company's existence and the legal capacity of its representatives.</p>
Corporate Name	<p>The corporate name must be followed by the expression "Sociedad por Acciones Simplificada" or "S.A.S."</p>	<p>As a general rule, it must use the same name as the parent company, followed by the expression "Sucursal Colombia".</p>
Corporate Purpose	<p>It may be stated as unrestricted, in which case the company may carry out any lawful commercial or civil activity.</p>	<p>It must be specific and limited to particular commercial activities.</p>
Term	<p>It may have an indefinite duration.</p>	<p>It must be established for a defined term.</p>
Shareholders	<p>It must have at least one (1) shareholder (single-member company), and there is no maximum limit on the number of shareholders.</p>	<p>It is not a separate legal entity, but rather a business establishment through which the parent company operates. Accordingly, ownership and proprietary rights vest directly in the parent company.</p>
Shareholders' Liability	<p>Shareholders are liable only up to the amount of their contributions. Exceptionally, they may be held liable beyond such limit in cases of fraud, abuse of the corporate form, or pursuant to special rules, such as those applicable in insolvency matters to parent companies or controlling shareholders.</p>	<p>It lacks independent legal personality; therefore, the parent company is directly and unlimitedly liable for the obligations and contingencies of the branch in Colombia.</p>
Management	<p>It is the only corporate form that allows shareholders to freely determine the company's management structure in the bylaws.</p> <p>While the general shareholders' meeting is always the highest corporate body, a board of directors and a statutory auditor is not mandatory, unless the legal thresholds for revenues or assets are exceeded (3.000 and 5.000 current legal monthly minimum wages, respectively), or unless otherwise required by special regulations.</p>	<p>A general attorney-in-fact must be appointed, together with one or more alternates, as well as a statutory auditor, who will represent the branch in its business activities in Colombia.</p>

Characteristics	Simplified Stock Company	Foreign Company Branch
Capital Structure	<ul style="list-style-type: none"> <li>• Capital is represented by shares and divided into authorized, subscribed, and paid-in capital.</li> <li>• There is no legally required minimum or maximum capital.</li> <li>• Amendments to the share capital generally require approval of the general shareholders' meeting and, in certain cases, an amendment to the bylaws.</li> <li>• The creation of different classes of shares, in addition to common and preferred shares, is permitted.</li> <li>• Shareholders may create usufruct rights over their shares or assign their use and enjoyment to third parties, while retaining bare ownership.</li> </ul>	<ul style="list-style-type: none"> <li>• It has capital allocated by the parent company, which constitutes general security for its creditors.</li> <li>• Such capital may be freely increased or replenished.</li> <li>• It may operate with a floating capital known as Supplementary Investment to Assigned Capital (Inversión Suplementaria al Capital Asignado – ISCA), which may be increased or reduced without amending the bylaws or obtaining prior authorizations.</li> </ul>
Payment of Capital	Capital may be paid within the terms agreed by the shareholders, provided that such payment does not exceed two (2) years from the subscription of the shares.	The assigned capital must be fully paid at the time of incorporation.
Transfer of Equity	<p>Shareholders have pre-emptive rights in any new issuance of shares, unless otherwise agreed and subject to certain statutory exceptions. Likewise, unless otherwise agreed, shares are freely transferable.</p> <p>The bylaws may provide for rights of first refusal or other restrictions on the transfer of shares for a term of up to ten (10) years, which may be extended by unanimous consent for an equal period. Additionally, the requirement of prior authorization from the general shareholders' meeting for a transfer may be agreed.</p>	Not applicable.

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**[Check here additional helpful resources: Corporate Obligations](#)**

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## 3.2 Labor and immigration matters

- A company incorporated in Colombia may remain active without having employees. If labor hiring is chosen in Colombia, this implies the recognition of mandatory labor-related payments and compliance with legal obligations.
1. —→ hiring is chosen in Colombia, this implies the recognition of mandatory labor-related payments and compliance with legal obligations.
  2. —→ Labor hiring can only be developed by companies properly incorporated in Colombia or by individuals with a valid Colombian ID card (cédula de ciudadanía) or foreigner's ID card (cédula de extranjería).
  3. —→ The type of employment contract will be at the employer's discretion and can be indefinite, fixed term, or for a specific task or labor.
  4. —→ Employers may opt for a non-presential work scheme. Physical office space is not required, and employees don't need to be registered with labor authorities.
- If the company is not yet incorporated in Colombia and subordinate personnel is needed to develop certain activities, it is possible to contact an authorized Temporary Service Company (EST) by the Ministry of Labor to supply staff. It should be noted that contracting with companies offering the "Employer of Record (EOR)" service could pose a risk if the Ministry of Labor does not authorize them to supply personnel for missions.
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### Labor obligations in Colombia

- Execute employment contracts; it is recommended that such contracts be formalized in writing.
- Comply with labor-related payments.
- Enroll employees and apprentices in the Integrated Social Security System before starting the employment contract and make the respective monthly contributions to health, pension, and labor risk insurance, as well as parafiscal contributions.
- Implement regulations, policies, and the constitution of mandatory committees.
- Implement the Labor Safety and Health Management System (SG-SST) in collaboration with the labor risk administrator.
- If there are more than fifteen (15) employees, request the SENA to regulate the apprentice quota.
- Comply with the mandatory employment quota for persons with disabilities, where applicable.



### Payment of Labor-Related Obligations

Payment of labor-related obligations to all employees and apprentices in the practical training stage,, especially salaries, transportation allowances, fringe benefits, and vacations.. For the year 2026, the statutory monthly minimum wage in force is COP \$1,750,905, approximately USD \$4,6<sup>1</sup>, which constitutes the minimum legal threshold for remuneration for work performed during a full ordinary working day. The adjustment of the minimum wage impacts the integral minimum wage, which now amounts to COP 22,761,765, approximately USD 5,990.

### Enrollment and Payment of Contributions to the Integrated Social Security System and Parafiscal Contributions

The employer must register and make monthly contributions for their employees and apprentices in the practical training stage to the Social Security System, including health, pension, and occupational risk contributions, as well as parafiscal contributions (ICBF, SENA, and family compensation funds). For apprentices in the theoretical stage, the employer must register and pay contributions for health and occupational risks.

### Implementation of Workplace Regulations

Employers with more than five (5) employees in commercial companies, more than ten (10) in industrial companies, or more than twenty (20) in agricultural, livestock, or forestry companies are required to have workplace regulations.

### Hiring of SENA Apprentices

Through the National Apprenticeship Service (SENA), employers with more than fifteen (15) employees must hire apprentices through a special employment contract with a maximum duration of three (3) years. This requirement was introduced by the 2025 labor reform. Additionally, any changes in the workforce that affect the apprentice quota must be reported to SENA on the dates stipulated by law.

### Implementation of the Labor Safety and Health Management System (SG-SST)

All employers must implement a staged process as determined by law, aimed at managing risks that may affect the safety and health of employees. This includes establishing a Workplace Harassment Committee to resolve complaints of harassment, forming the Joint Committee on Labor Safety and Health (COPASST), or appointing a labor supervisor responsible for promoting and monitoring safety and health standards in the workplace, as well as implementing the Industrial Hygiene and Safety Regulations.

<sup>1</sup> TRM: 1 USD = COP \$3,800.

## Mandatory Employment Quota for Persons with Disabilities

Employers with 100 or more permanent employees must comply with a minimum mandatory quota for hiring certified persons with disabilities, which is determined progressively based on the size of the permanent workforce. This obligation applies exclusively to permanent employees and does not limit the voluntary hiring of additional persons with disabilities. Employees counted toward the quota must have a valid disability certification in accordance with the guidelines of the Ministry of Health and Social Protection.

This obligation will be enforceable starting June 25, 2026. Additionally, employers must report to the Ministry of Labor the contracts entered into with employees with disabilities within fifteen (15) days of their execution, using the electronic platform provided for this purpose.

## Immigration law

- Foreigners entering Colombia to perform any type of activity must have an immigration permit authorizing them.
- Depending on the type of activity and the foreigner's nationality, they may enter with a visa or an entry permit.
- Foreigners seeking to travel to Colombia for business purposes may enter with their passport and request the corresponding entry permit at the immigration checkpoint at the Colombian airport.
- If the foreigners have a restricted nationality, they will not be able to enter Colombia with their passports requesting a tourism/business entry permit and must apply for a visa before the trip. Restricted nationalities can be consulted through the following link.
- Foreign legal representatives do not need a Colombian visa to exercise this role and may enter the country with a tourism/business entry permit, provided they are not direct employees of a Colombian company.
- To determine if a visa is required, feel free to contact our immigration law experts.
- Once the visa is approved and published, foreigners must request their foreigner's ID card (cédula de extranjería) to finalize their immigration process and regularize their status in Colombia. When requesting the foreigner's ID card, Migración Colombia will issue a password, which will serve as a provisional identification document within the country, while the physical foreigner's ID card is being processed.

## 3.3 Main Taxes

The main taxes applicable in Colombia are the following:

### **Corporate and personal income tax (“CIT” & “PIT”)**

Colombian companies and permanent establishments of foreign entities & individuals are subject to Income Tax at a 35% rate on their worldwide income. Foreign entities are subject to Income Tax in Colombia solely over their Colombian-sourced income. Financial institutions, Hydroelectric power companies and Oil & Gas entities are subject to special income tax surcharges ranging from 3% to 15%, depending on their taxable income level.

Additionally, entities are subject to a minimum tax rate determined on the basis of their financial profit according to the calculation established by the law. Under this rule, if the effective tax rate assessed is lower than 15%, the tax due will increase by the percentage points required to reach the effective 15% rate.

Broadly speaking, Colombian-sourced income arises from the following activities:

- Exploitation of tangible and intangible assets within Colombian territory.
- Provision of services within the Colombian territory.
- Sale of tangible and intangible assets located in Colombia at the time of sale.

For the assessment of income tax, legal entities will be able to deduct their costs and expenses that are necessary, proportional, and are linked to the income-generating activity they perform.

Despite Income Tax return is filed on a yearly basis, the Colombian tax system has a periodic (monthly) mechanism of income tax withholding as an advance payment for the tax. Filed and paid withholdings are tax credits that can be offset in the yearly return.





Furthermore, non-resident individuals and entities with a "Significant Economic Presence" ("SEP") in Colombia will be subject to income tax over income arising from the sale of goods and provision of services in favor of clients or users located in Colombian territory. It will be understood that there is a SEP in Colombia if there is a systematic interaction with clients located in Colombia and a gross income of at least 31,300 Tax Units ("TU") (COP \$1,639,306,200 for 2026, c. USD\$440,000 approx.) has been obtained from transactions with clients located in Colombia during the previous or current year.

Colombian tax regulations have participation exemption provisions for Colombian Holding Companies ("CHC") applicable to Colombian entities that have investment, holding, or management of shares in domestic and foreign companies as their main corporate activities. Companies that meet the requirements to be considered CHC:

- It will be exempt from income tax on dividends received from entities not resident in Colombia, as well on capital gains derived from their transfer.
- Dividends distributed to non-residents in Colombia will be considered foreign source income.
- Income derived from the transfer of shares in CHCs between non-residents will be exempted from income tax.

On the other hand, Colombian resident taxpayers are subject to Income Tax at marginal rates ranging from 0% to 39%, based on the income obtained by the taxpayer during the taxable year, under a schedular taxation system.

As a general rule, dividends paid to Colombian-resident individuals will be subject to withholding tax at a 15% rate on the sums exceeding 1,090 TU (COP \$57,087,660 for 2026, c. USD\$16,000 approx.), if these dividends arise from profits not subject to taxation at corporate level, they must first be taxed at the income tax rate (35%) and afterwards the 15% withholding tax rate will be applied. On the other hand, dividends distributed to non-resident individuals and legal entities will be subject to a 20% rate assessed after applying the income tax rate (if such dividends were not subject to CIT). Dividend tax rates may vary under Double Tax Treaties.

As with dividends paid to Colombian residents, when such dividends originate from profits not previously taxed at the corporate level, they will first be subject to the income tax rate (35%) followed by the application of the 20% withholding tax rate.

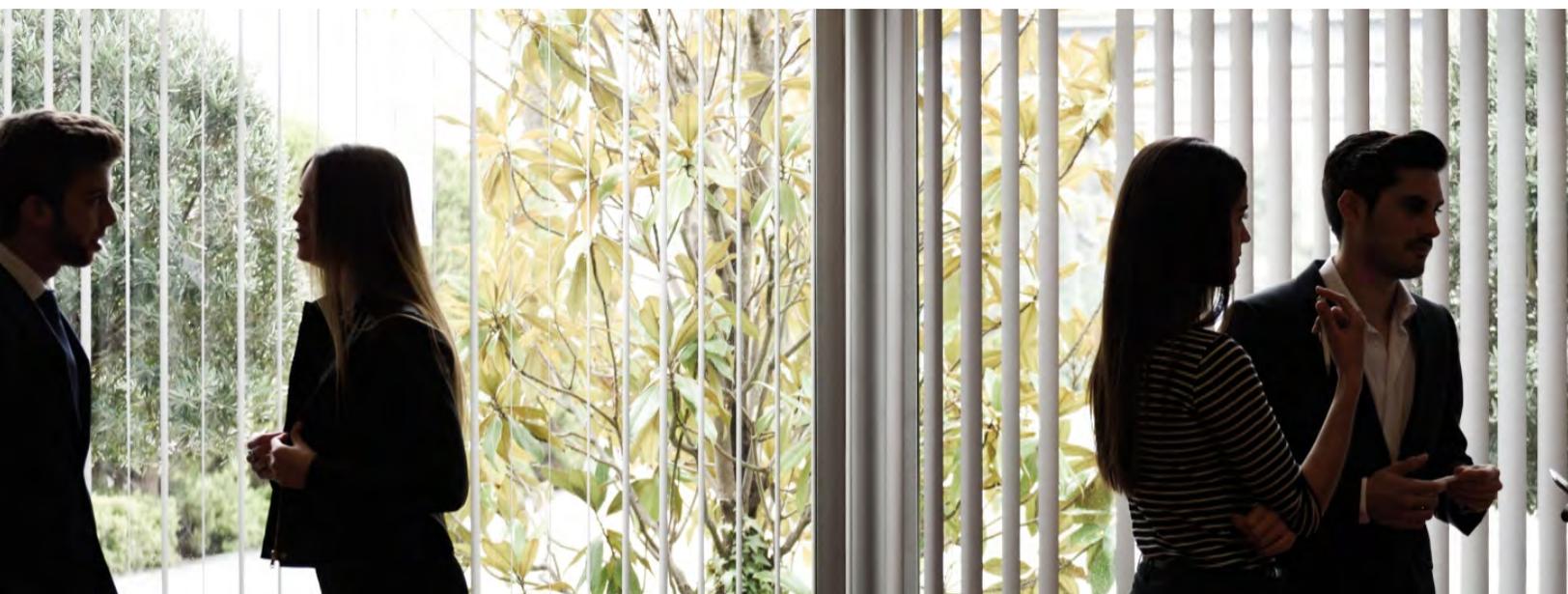
Colombian entities that obtain taxed dividends by the distributing company will be subject to income tax withholding at a 10% rate if no special provision is applicable for the entity, which will not be applicable in cases whereby there is control or economic group duly registered before the Chambers of Commerce.

Furthermore, industrial users of Free Trade Zones authorized after the effective date of Law 2277 of 2022 are subject to a dual-rate taxation system, with a 20% rate applicable to income derived from the export of goods and services, and the general 35% rate applicable to all other income.

## Capital gain tax

The Capital Gains Tax is complementary to the income tax and applies to specific sources of income, including: the sale of assets held for at least two years, profits arising from the wind-up of companies that have existed for more than two years, donations and free-of-charge transfers, and income arising from lotteries, prizes, raffles, and bets.

The general tax rate is 15% for both residents and non-residents, while the rate for lotteries, raffles, betting, and similar activities is 20%.



## Value added tax (VAT)

VAT in Colombia is triggered on:

- The sale of real estate and movable assets, except for those expressly excluded by law.
- The sale or licensing of intangible assets related to industrial property.
- The provision of services within the Colombian territory or from abroad, except those expressly excluded.
- The importation of tangible goods, except those expressly excluded.
- The operation of gambling games, including games of chance operated through internet.

The general VAT rate is 19%. Additionally, some goods and services are taxed at a differential rate of 5%.

The VAT regulations includes a series of exempted (taxed at a 0% rate) and excluded (not subject to VAT) goods and services. For the year 2026, the VAT exclusion on imports through postal traffic, urgent shipments, or fast delivery applies only to goods with a value not exceeding USD\$50<sup>1</sup>.

The tax paid by the producer of goods and/or services taxed with VAT may be credited/offset against the VAT triggered in the sale of goods or provision of services performed by the VAT collecting agent.

Producers of taxed goods and service providers must collect the tax and transfer the collected amount to the DIAN (Colombian tax authority) through bi-monthly or quarterly tax returns, depending on the amount of income received from their activities.

## Excise tax (ET)

The ET taxes transactions over certain goods and services carried out by end consumers or imported by end consumers. The applicable rates are as follows:

- 4% for mobile telephone services, internet and mobile navigation, as well as data services.
- 8% for the sale of prepared food and beverages served in restaurants, catering services, self-service establishments, ice cream parlors, fruit shops, bakeries, bars, cafeterias, among others.
- A range from 8% to 16% for the sale of movable goods such as automobiles, motorcycles, yachts, and hot air balloons.

Taxpayers operating under franchise contracts for the sale of food and beverages are subject to VAT but not subject to the ET.

## Debit tax (DTx)

The DTx is triggered on the transfer of funds from savings and checking accounts, as well as from accounts opened before the Colombian Central Bank, and accounting debits made by entities monitored by the Colombian Finance Superintendency. The tax is collected by the financial entity via withholdings. When triggered, DTx rate is 0.4% on the total amount of the transaction. Additionally, taxpayers are allowed to deduct 50% of the DTx paid in their income tax return.

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<sup>1</sup> For the year 2026, Decree 1474 of 2025 reduces the VAT exclusion threshold on imports from USD\$200 to USD\$50

## Equity tax

Resident individuals, non-residents (on the assets held in Colombia), and unsettled estates with a net worth equal to or greater than 40,000 TU (COP \$2,094,960,000 for 2026) are subject to equity tax. Foreign non-resident entities are also subject to this tax on assets owned in Colombia except for shares, credit accounts and portfolio investments in Colombia.

The wealth tax rates are set out below:

Rate for individual taxpayers, unsettled estates, and foreign entities or companies not filing in Colombia.			
TU Ranges			
0	40.000	0,0%	0
>40.000	70.000	0,5%	(Taxable Base in TU minus 40,000 TU) x 0,5%
>70.000	120.000	1%	(Taxable Base in TU minus 70,000 TU) x 1% + 150 UVT
>120.000	240.000	2,0%	(Taxable Base in TU minus 120,000 TU) x 2,0% + 650 UVT
>240.000	2.000.000	3,0%	(Taxable Base in TU minus 240,000 TU) x 3,0% + 3.050 UVT
>2.000.000	En adelante	5,0%	(Taxable Base in TU minus 2,000,000 TU) x 5,0% + 55.850 UVT

## Single-use plastic tax

This tax applies to the sale, withdrawal for self-consumption, or importation for own consumption of single-use plastic products destined for packaging, wrapping, or containing goods. The taxable basis is the weight in grams of the disposable plastic containers, wrappings or packaging, applying a tax of 0.00005 TU per gram is applied.

The tax is triggered by the issuance of the invoice, when producers withdraw goods for their own consumption, or when goods are nationalized upon importation.

In the case of imports, the tax is accrued in advance, before the effective sale or consumption by the importer, who acts as the taxable entity/person and liable party.

## Turnover tax (ICA)

The turnover tax or ICA (Impuesto de industria y comercio in Spanish) is a sub-national tax triggered on gross income derived from industrial, commercial, and service activities in a given municipality or district in Colombia. Taxpayers may exclude from the taxable basis of ICA income derived from exempt, excluded or non-taxable activities, returns, rebates and discounts, income arising from exports, and income obtained from the sale of fixed assets.

The tax rates are different in each sub-national jurisdiction according to the activity being performed, ranging between 0.02% and 1.8% of the gross income obtained by the taxpayer.

## Real estate tax

This municipal tax is triggered by the ownership or possession of real estate in a jurisdiction during a taxable year. The tax basis is the cadastral appraisal of the property, or the self-assessment made by the taxpayer in some jurisdictions like Bogotá D.C.

The tax rate will depend on the destination (rural, urban, or suburban) of the property and ranges between 0.5% and 3.3% depending on the specific features of the asset.

## Transfer pricing obligations

In accordance with OECD guidelines, Colombian tax residents who perform transactions with related non-resident parties or parties located in free trade zones are subject to the transfer pricing regime in Colombia. Consequently, they must carry out these transactions under market conditions, complying with the arm's length principle.

Taxpayers must fulfill additional formal obligations before the DIAN consisting of filing an informative return and supporting documentation in which operations carried out with related entities located outside of Colombia and/or in free trade zones must be reported, in order to verify compliance with the arm's length principle in the operations.



## Relevant deadlines

Taxes	Deadlines
	<p><b>Major taxpayers</b></p> <p>Tax year 2025 return:</p> <ul style="list-style-type: none"><li>• First Installment: Between February 10 and 23, 2026*.</li><li>• Second Installment: Between April 13 and 24, 2026*.</li><li>• Third Installment: Between June 10 and 24, 2026*.</li></ul>
Income tax	<p><b>Corporate Taxpayers</b></p> <p>Tax year 2025 return:</p> <ul style="list-style-type: none"><li>• First Installment: Between May 12 and 26, 2026*.</li><li>• Second Installment: Between July 9 and 23, 2026*.</li></ul>
	<p><b>Individuals income tax 2025</b></p> <p>The filing must be done between August 12 and October 24th , 2026*.</p>
Equity tax	<p>The assigned dates are between May 12th and May 26th for the first payment*, and September 14th for the second.</p>
Single-use plastic tax	<p>The deadline for both filing and payment is set for February 14, regardless of the tax identification number (NIT under the Spanish acronym).</p>
Transfer pricing obligations	<p>The filing must be done between September 9th and 26th.</p>

\*The exact deadline will depend on the taxpayer's tax identification number (NIT under the Spanish acronym).

## 3.4 Compliance systems

One of the major risks a company faces when investing in Colombia is the probability of being used as a vehicle for ML/TF/FPWMD or TB/C activities.

These acronyms mean:

Money Laundering/Terrorist Financing/Financing of the Proliferation of Weapons of Mass Destruction/Transnational Bribery/Corruption.

It is for this reason that companies must implement Self-Control and Risk Management Systems, which we will henceforth call Business Compliance.

### What regulations apply to my business?

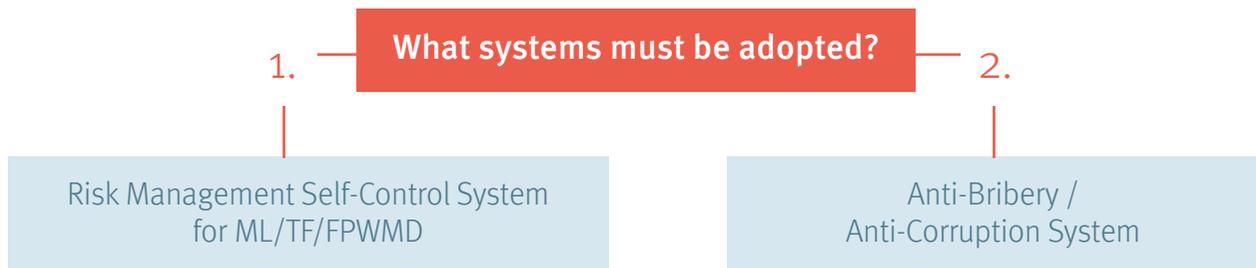
Not all companies are obliged to adopt risk and compliance management systems; only those that meet certain requirements established by Colombian regulations, according to the company's activity and the supervisory and control entity that oversees it.

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**[See additional resources with special requirements here.](#)**

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Supervisory entities have special regulations for the implementation of Business Compliance. However, when a company is not supervised by a specific Superintendency due to its special activity, the Superintendence of Companies will have the authority to exercise inspection, control, and surveillance over any commercial company.



## 1. Self-control and risk management system ML/TF/FPWMD

Although each supervision, surveillance, and control entity determines the requirements for the mandatory implementation of ML/TF/FPWMD self-control and risk management systems, all agree that these systems must adjust to the reality and expectations of each of the companies belonging to the supervised sectors, and to the following requirements, namely:

- Identify risks, segment risk factors, qualify, establish controls, and monitor risks.
- Define the Corporate Governance of the Business Compliance System.
- Establish Policies and Procedures to prevent and control risks.
- Appoint a Compliance Officer.
- Establish alert signals to identify Unusual and Suspicious Operations.
- Define due diligence procedures for knowing counterparties (KYC) and PEP's.
- Perform trainings and communications about the system.



## 2. Anti-bribery / Anti-corruption system

Likewise, companies that meet specific requirements will be obliged to adopt an Anti-Bribery / Anti-Corruption System. With respect to entities supervised by the Superintendence of Companies that meet any of the following requirements in the immediately preceding year, they must adopt the Business Transparency and Ethics Programs (PTEE):

1. Obtained income or have total assets equal to or greater than 30,000 Monthly Minimum Wages and have carried out international business or transactions of any nature, directly or through an intermediary, contractor or through a subsidiary company or a branch, with foreign natural or legal persons under public or private law, equal to or greater than (individually or jointly) 100 Monthly Minimum Wages.

2. Obtained income or have total assets equal to or greater than 30,000 Monthly Minimum Wages and have carried out business directly or indirectly (through consortiums, temporary unions or any other legal arrangement), with State Entities for an amount equal to or greater than (individually or jointly) 500 Monthly Minimum Wages.

3. Companies that, directly or indirectly (through consortiums, temporary unions or any other legal arrangement), have entered into contracts with State Entities for an amount equal to or greater than (individually or jointly) 500 Monthly Minimum Wages; and that belong to any of the sectors indicated in Circular 100-000011 of August 9, 2021, provided they comply with all the requirements indicated for the respective sector.

These Systems primarily regulate the following topics:

- Receipt and Granting of Gifts and Entertainment.
- Political Contributions.
- Remuneration and Payment of Commissions.
- Archiving and Document Retention.
- Entertainment, Travel, Food Expenses.
- Management of Cash Transactions.
- Donations.

## 3.5 Financing, capital markets and fintech

This report presents a broad, technical and updated analysis of the performance of the Colombian financial and securities system during 2025. It includes a detailed review of the behavior of corporate and consumer credit, the dynamics of the capital markets, regulatory developments in the fintech ecosystem, and sovereign debt operations — including the largest in the country’s history.

### Financing

During 2025, the Colombian financial system showed a progressive and uniform recovery in both the demand and supply of credit. After two years marked by a high-rate environment, economic deceleration and regulatory adjustments, the market exhibited clear signs of reactivation. Credit institutions reported that demand remained in positive territory for the second consecutive quarter, with favorable trends in consumer, commercial and microcredit portfolios

At the same time, the supply of credit also improved, reaching positive or neutral levels across all modalities — something not seen since 2022 — reflecting a greater willingness of banks and finance companies to extend loans. The resilience of the system was supported by adequate capital and liquidity levels, while profitability improved due to a reduction in loan-loss provisions. The Central Bank highlighted that total assets recovered after two years of contraction, driven by a rebound in investments and credit disbursements. Expectations for the second half of 2025 projected real growth in the total loan portfolio and further improvements in asset quality.

### Corporate Portfolio: Large Companies and SMEs:

The corporate segment showed important differences between large companies and SMEs. For large companies, the demand for commercial loans rebounded strongly, driven by more favorable macroeconomic conditions, lower financing costs compared to the previous year, and a gradual reactivation of investment projects. Financial institutions reported a significant increase in new commercial lending and strategic refinancings, particularly in sectors such as energy, infrastructure, hydrocarbons and utilities.



In contrast, small and medium-sized enterprises (SMEs) continued to face a more challenging environment, although with clear signs of recovery. After several quarters of restrictive conditions, credit institutions relaxed origination requirements in the first quarter of 2025, facilitating access to productive lending. Microcredit — a key component for this segment — recorded its first improvement in three years, reaching recent highs and reflecting stronger confidence and better solvency conditions among households and microbusinesses.

The projected growth for commercial lending (~3.4%) and mortgage lending (~3.6%) suggests a more balanced recovery between corporate and retail segments, with acceleration expected toward the end of 2025 due to more expansionary monetary policy, higher public investment and a recovery in consumption.

### External Debt:

The country's external indebtedness increased in absolute terms during 2025, although its ratio to GDP showed stages of stability prior to the methodological update in the fourth quarter. Between January and September 2025, total external debt reached approximately USD 211.584 billion (48.6% of GDP), representing an increase of about USD 9.879 billion compared to December 2024. In the first half of the year, the balance stood around USD 207.036 billion (49% of GDP), above pre-pandemic levels (~43.5% of GDP in 2019).

In terms of composition, the public sector accounted for approximately 56% of the total and the private sector for around 44%, with long-term obligations dominating both segments. During May–June, slight monthly declines were observed, associated with amortizations and exchange-rate effects, without altering the overall trajectory.

In October 2025, the Central Bank introduced a methodological update incorporating TES holdings by non-residents into the calculation, raising the estimated balance to roughly USD 239.154 billion (~54.9% of GDP). This statistical adjustment increased the debt-to-GDP ratio but does not imply a sudden deterioration in solvency; rather, it reflects both a change in measurement and higher public-sector financing needs during the year.

The Colombian market also saw a significant increase in the participation of non-regulated credit originators, such as cooperatives, microfinance foundations, non-supervised fintech lenders and real-sector companies. According to recent studies, more than six million adults access credit through these entities, expanding credit coverage in segments where traditional banks have limited presence. Their role is particularly relevant in microcredit and digital lending, making them essential actors for financial inclusion and the diversification of credit origination sources.

### Fintech

The Colombian fintech ecosystem consolidated important regulatory and technological advances in 2025, strengthening payment infrastructure, integration among entities and innovation in financial services. One of the most relevant milestones was the implementation of the BRE-B model (Beneficiary Receives the Benefit), which standardizes real-time low-value payments through an interoperable architecture, ensuring traceability, efficiency and a consistent user experience across the system.

In parallel, Colombia advanced in Open Banking and Open Finance frameworks, enabling users to authorize secure and controlled access to their financial information by fintech companies and third-party platforms. This regulatory environment fosters competition, inclusion and service personalization, and aligns with successful international experiences.

The industry continued its post-2020–2021 maturation process, with increasingly sustainable business models emphasizing interoperability, digital verification, alternative credit, payments infrastructure and data access. Nonetheless, regulatory gaps persist in the crypto-asset space, limiting the entry of new institutional players, although further regulatory debate is expected during 2026.

## Capital markets

The Colombian capital markets exhibited exceptional performance in 2025, with a significant recovery in trading volumes across both equities and fixed income. In equities, volumes grew by approximately 74% versus 2024, surpassing 2020 levels and approaching those of 2019. The MSCI COLCAP index posted a 49.9% return alongside a dividend yield of 6.2%, positioning Colombia among the world’s best-performing markets.

In fixed income, trading in TES and corporate debt increased notably, driven by greater use of repo and simultaneous operations, more diversified maturity structures and stronger participation by institutional and foreign investors.

### Portfolio Investments in Private Debt Securities:

Portfolio investments in Colombia include sovereign bonds (TES), equities and private corporate bonds. Although TES dominate flows from non-resident investors, the Central Bank recognizes the presence — albeit more limited — of investment in corporate bonds, influenced by monetary policy, sovereign-risk conditions, market liquidity and global financial cycles.

Collective investment funds specializing in fixed income and private debt strengthened their role in 2025, managing COP 160.4 trillion in assets (annual growth of 17.54%) and acting as natural buyers of corporate issuances. Internationally, private-debt funds continued to expand as a relevant asset class for institutional investors seeking uncorrelated returns, with major global managers increasing their footprint in Latin America.

In 2025, normalization of interest rates and improved liquidity fueled greater institutional demand for local private fixed-income instruments as diversification vehicles.



## Sovereign Debt 2025

The year 2025 was historic for Colombia's sovereign financing. The Government carried out large-scale financing operations that strengthened currency diversification, expanded the investor base, and consolidated its presence in international markets.

- **April 2025:** The Government issued USD 3.8 billion in Global Bonds maturing in 2030 and 2035, attracting strong demand (~USD 10.2 billion) and incorporating a liability-management component.
- **September 2025:** Colombia returned to the euro market after a decade with a record issuance of EUR 4.1 billion across the 2028, 2032 and 2036 maturities — regarded as the largest international placement in the country's history.
- **November 2025:** The Government announced more than USD 4 billion in buybacks aimed at optimizing the maturity profile and reducing refinancing pressures.
- **December 2025:** Colombia conducted a direct sale of approximately COP 23 trillion (≈USD 6 billion) in TES to a foreign institutional investor — the largest direct TES transaction ever recorded.

## Green and Sustainable Bonds

Despite a 65% drop in labeled thematic issuance across Latin America in the first half of 2025, Colombia remained a regional reference in sustainable instruments. Notable transactions included Banco Santander's COP 350 billion sustainable bond and more than COP 304 billion in local thematic issuances supported by the Colombian Green Taxonomy.

In September 2025, the Inter-American Investment Corporation (IDB Invest) executed its first local-currency social bond issuance in Colombia, raising COP 100 billion with a three-year maturity and achieving demand above the offered amount.

This transaction marked the first social bond issued by a multilateral development bank in Colombian pesos and broadened the landscape of high-quality sustainable instruments available to investors.

## Final Observations

The performance of the Colombian financial system in 2025 reaffirms its capacity to adapt amid volatility. Corporate and retail credit showed clear signs of recovery; the capital markets strengthened and achieved greater depth; the fintech ecosystem advanced in regulatory and technological sophistication; and sovereign-debt operations reached unprecedented levels.

Collectively, these developments position Colombia as an attractive destination for institutional investors seeking emerging markets with solid fundamentals, robust regulation and expanding financial infrastructure.

## 3.6 Applicable legislation on customs and free zones

Customs (Law 1609 of 2013; Decree 1165 of 2019; Decree 920 of 2023) and Free Trade Zones (Law 1004 of 2005; Decree 2147 of 2016) legislation has been the subject of a series of recent reforms, which seek to facilitate the development of foreign trade operations and progressively adapt them to international standards (World Trade Organization; World Customs Organization). In this sense, there has been a simplification of customs procedures (import, export, transit, etc.) whose objective is to promote and support the development of commercial activities by both Colombian and foreign companies.

### Import and export of goods

Importation is the entry of merchandise of foreign origin into the National Customs Territory, for which it is necessary to present an Import Declaration and, in most cases, settle and pay the corresponding customs taxes according to their tariff classification. The most common modalities are:

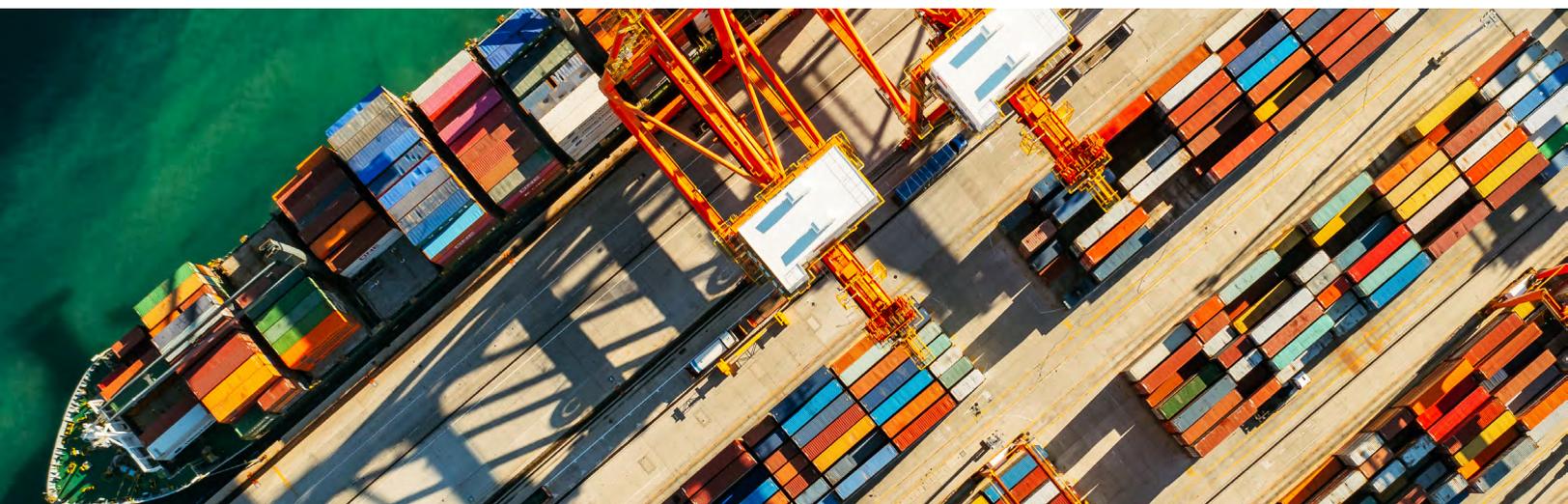
- **Ordinary imports.** Their purpose is the final entry of foreign goods into the National Customs Territory.
- **Temporary imports (short and long term).** Their objective is the temporary entry of merchandise to undertake a process (transformation, re-export in the same state, etc.).

On the other hand, export is the exit of merchandise from the National Customs Territory to the rest of the world or to a Free Trade Zone. For the above, a Shipment Authorization Request must be submitted and, unlike what happens in the import process, it is not necessary to settle or pay customs taxes.

Regarding incentives, exporters may access the Tax Refund Certificate (CERT), a negotiable instrument that recognizes a percentage (2%-3%) of the FOB export value and can be used for the payment of national taxes.

### Free trade zones

Free Trade Zones are a mechanism created with the purpose of promoting investment and job creation in the country, by granting tax benefits in customs, foreign trade, and income tax, among others.

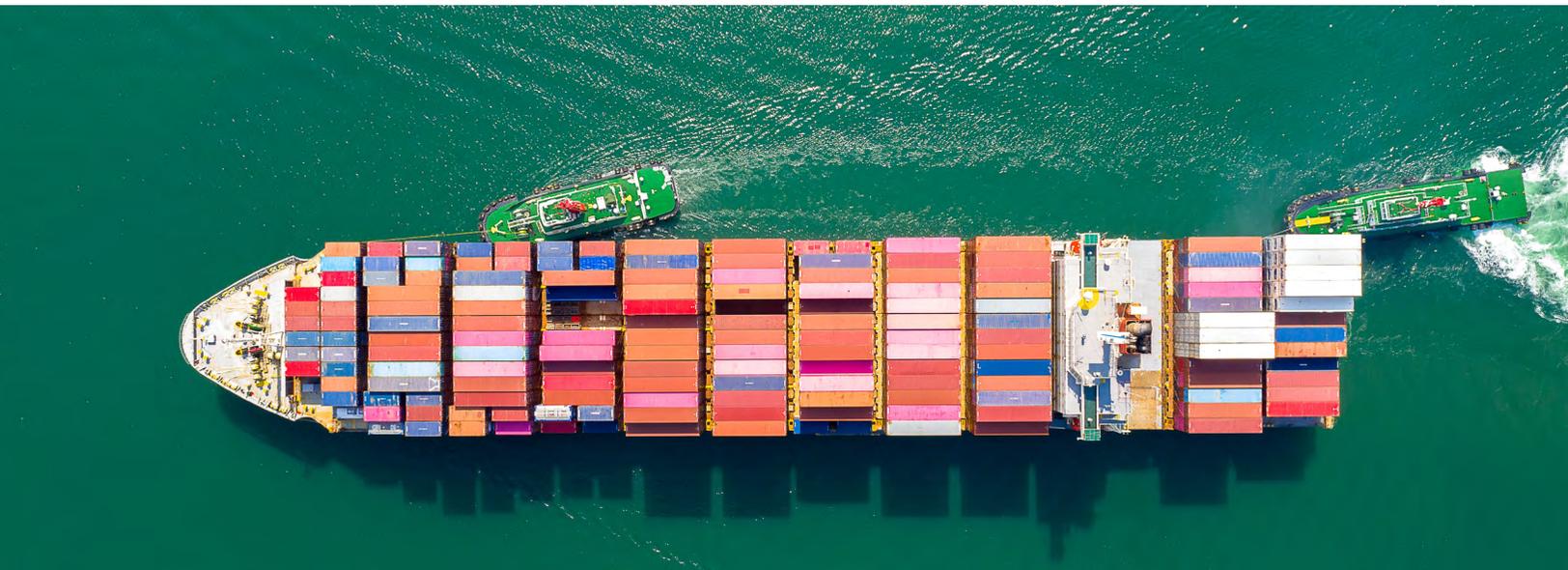


Customs extraterritoriality is applied to the interior of these zones. In other words, the goods that are introduced into it are considered outside the national customs territory. Thus, when goods from abroad are brought in, no nationalization process should be carried out and, in that order of ideas, the settle and payment of customs taxes is not necessary. In order to operate from a free trade zone, legal entities must submit an application to the Ministry of Commerce, Industry and Tourism or to the Operator User of the free zone, who will issue the authorization. The main benefits for new Free Trade Zones are:

- Rate for income tax:
  - For those declared before December 13, 2022, the applicable income tax rate is 20%.
  - For those declared after December 13, 2022, the applicable income tax rate is 20%, for income generated from the export of goods and services.
  - For those declared after December 13, 2022, the applicable income tax rate is 35%, for income generated from activities different from the export of goods and services.
- Exemption from the payment of customs duties for goods that enter the free zone and remain there, or are re-exported.
- Possibility of nationalizing goods manufactured in a free zone with VAT reduction for the national component used.
- Possibility of storing foreign goods for an indefinite period.
- Possibility of introducing second-hand merchandise without a prior license.
- VAT exemption on the purchase of goods in the national customs territory, provided that they are necessary for the development of the corporate purpose.

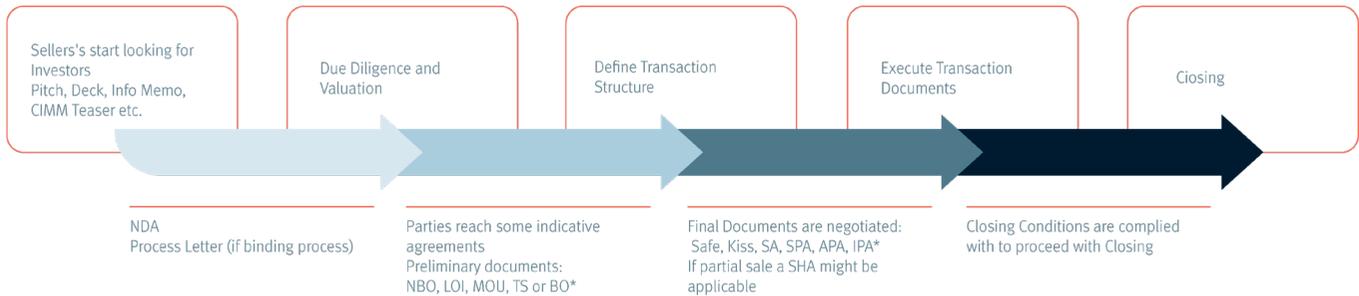
### **Free trade agreements**

Currently, Colombia has signed a significant number of FTAs with different countries and organizations (USA, EU, Pacific Alliance, among others), which allows the import of goods from these countries and the export of goods destined for they are exempt from the payment of customs duties.



## 3.7 Mergers and acquisitions considerations

### Phases of a mergers and acquisitions process



\*NDA: Non-disclosure agreement

NBO: Non-binding offer

LOI: Letter of Intent

MOU: Memorandum of understanding

TS: Term Sheet

BO: Binding offer

SA: Subscription Agreement

\*SPA: Share Purchase Agreement

APA: Asset Purchase Agreement

IPA: Interest Purchase Agreement

SHA: Shareholder Agreement

#### 1. Due Diligence

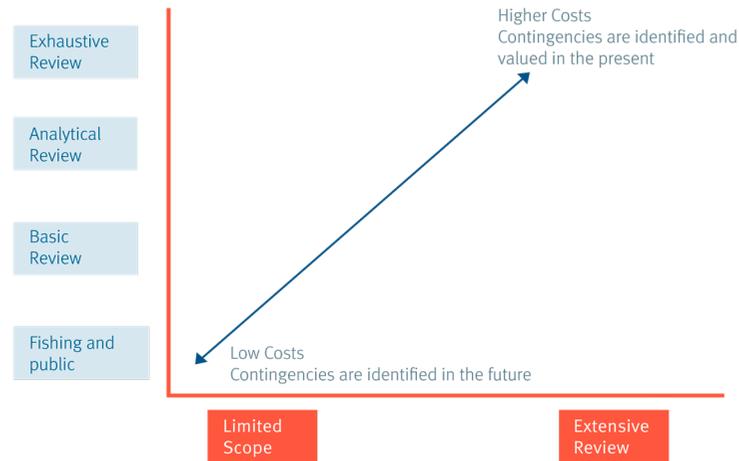
The legal aspects of the M&A process usually begin with Due Diligence. From a seller's perspective, due and prompt organization of a virtual data room is highly recommended.

The main challenge for the seller will be gathering all requested information. Some Sellers choose to conduct internal due diligence before offering the company to buyers, helping them identify and address potential issues in advance, which also enables them to be better prepared for future negotiations. However, internal due diligence can be costly, and many sellers opt to skip this step.

From a buyer's perspective, please be aware that due diligence procedures are not always as expedite as anticipated. In some cases, gathering the information and opening the data room can take anywhere from four to twelve weeks to complete.

We generally recommend engaging both legal and accounting/financial advisors to perform due diligence. The legal advisor will focus on formal compliance with law, while the accounting advisor will complement the analysis with numerical verification of both financial and legal aspects.

## How much research? Trade off in a dd



## 2. Transaction documents

Typical transaction documents for an M&A include the acquisition agreement, either in the form of a share purchase agreement (SPA), an asset purchase agreement (APA) or investment or subscription agreement. The economic effect of a sale versus a subscription is very clear, the former implies a cash-out payment to existing shareholders whereas the latter implies a cash-in transaction where funds are received by the target company generally for working capital or growth requirements.

Dentro de estos acuerdos, nos gustaría destacar tres tipos de cláusulas que han adquirido mayor relevancia a la hora de negociar los documentos de la transacción en los últimos años:

**Price adjustment mechanism:** Most acquisitions provide for a purchase price adjustment, this concept is generally required in transactions that have an interim period between signing and closing. Since the financial position of the target company being acquired may change (i.e. its debt, cash or current assets or liabilities) between the latest financial statements reviewed by the buyer and the closing date, it's crucial to have an adequate mechanism to prevent or capture these changes.

The chosen mechanism mainly depends on the situation and operational activity of the target company. A lock-box mechanism mainly allows for the final price to be fixed prior to signing without any adjustment, and the agreement includes a series of covenants (as the name implies), that would prevent a leakage of funds.

Closing accounts, on the other hand, allows the final price to be adjusted (upwards or downwards) at the closing date (with an additional verification after the closing date has been completed), based on key financial metrics of the target company, which include debt and working capital variation.

Many transactions may include a stabilized working capital or debt level, in which case the purchase price adjustment will only reflect variations therein.

For transactions with a short period of time between signing and closing, a lock-box mechanism may be effective, and it is commonly used in the US and EU, however, when operational situations require movement of cash flows, the closing accounts formula allows more flexibility for the target companies and more accurate valuations for the buyers.

However, the crucial aspect is not only identifying the correct mechanism, but accurately and carefully drafting the clause that triggers the purchase price adjustment. It's essential to include accurate and precise definitions related to the target company. This requires the legal counsel drafting the agreements to have a deep understanding of financial concepts such as Debt, Current Assets, Current Liabilities, Inventory, Cash, and others, as they apply specifically to the target company involved in the transaction.

**Sandbagging vs anti-sandbagging provisions:** One of the most important matters during the due diligence process of an M&A transaction is the concept of purchaser's knowledge, particularly when presenting claims to the seller due to the breach of representations and warranties (R&Ws), known in some Anglo-Saxon countries as the sandbagging doctrine.

The award concluded that it was incorrect to declare the breach of the R&Ws and claim indemnity when the purchaser had prior knowledge of such issues, adopting an antisandbagging approach. This approach is a contractual provision that prevents a buyer from suing a seller for issues they knew about before closing. As a result of this award, adequate negotiation of sand-bagging or anti-sandbagging provisions (as agreed by the parties) is highly recommended within the M&A purchase documents.

Please note that buyers do not necessarily have to waive their right to claim indemnification for matters that have been disclosed or identified during the due diligence. However, it is highly advisable to include clear contractual provisions that ensure such knowledge does not prevent indemnity claims, in line with this principle.

**Indemnification clauses:** Indemnification rights in an M&A transaction are spread throughout the agreement, and several definitions are key to outline the correct indemnification regime, such as the definition of Losses or Damages. Additionally, sand-bagging or antisandbagging clauses will affect the outcome, but it is crucial that the procedure is clearly defined and adequately drafted to avoid losing claim rights due to drafting or technical mistakes.

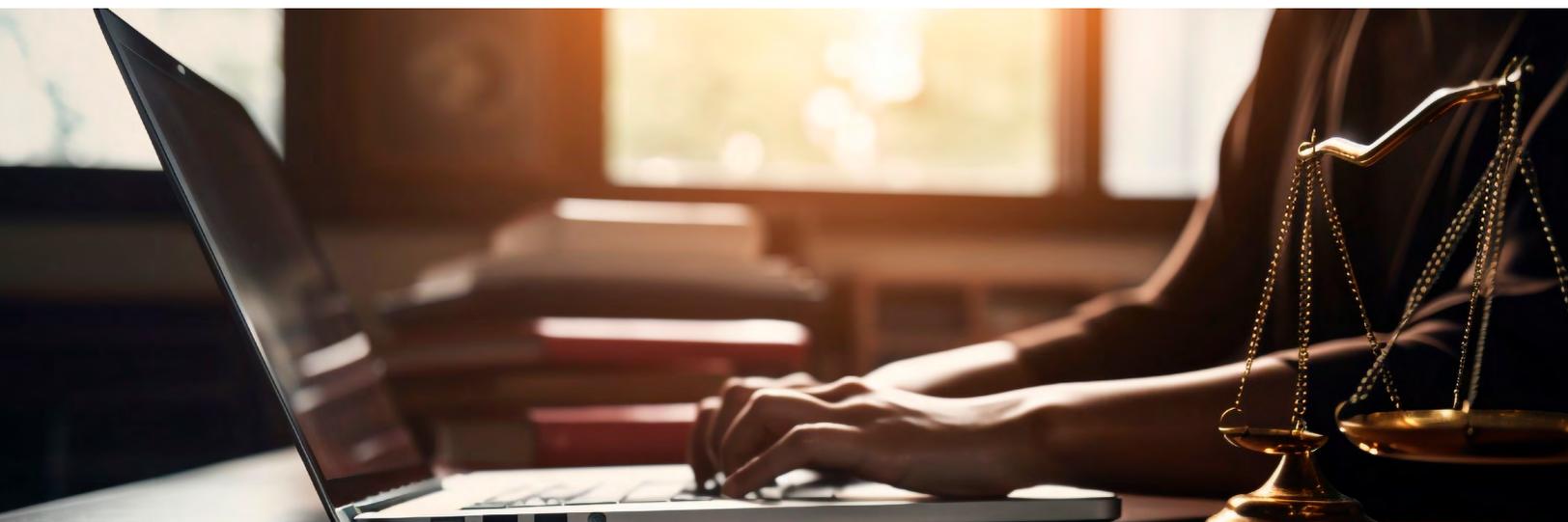


## 3.8 Antitrust law

Competition law is a great ally of business in Colombia. Around the world it guarantees the protection of freedom of enterprise and free economic competition, seeking efficiency in the markets, consumer welfare, and the possibility of participating in the market, in free and equal conditions.

This right is protected by means of a regulatory regime comprised of:

Law	Description
Law 155 de 1959	This law establishes a general prohibition regarding anticompetitive behaviors.
Decree 2153 de 1992	This law creates a non-comprehensive list of agreements and unilateral acts that are considered anticompetitive behaviors, as well as the behaviors that are considered as abuse of a dominant position in a relevant market.
Law 256 de 1996	Its purpose is to protect free and lawful competition. This law contains a non-comprehensive list of unfair competition acts as well as general prohibition clause, which main purpose is to ensure the protection of free and fair competition.
Law 1340 de 2009	It determines the main objective of antitrust regime and regulates the merger control obligation and procedures, among other regulation.



## National competition authority and responsible for enforcing compliance with the competition regime

The authority in charge of overseeing free economic competition is the Superintendence of Industry and Commerce (SIC). This is the administrative authority that defines policies regarding free and fair competition and analyzes the competitive dynamics of the different markets. However, this authority also has the power to impose fines for violations to the protection of competition statutes, the amounts of which may be significant, even up to COP \$175 billion for companies and up to COP \$3,5 billion for individuals. In addition, the SIC is an active authority in the investigation and eventual sanction of anti-competitive behaviors, to such an extent that recently the SIC has issued sanctions for:

- Allegedly committed unlawful competition behaviors aimed to limit free competition (Gloria, Lactalis, Hacienda San Mateo and Sabanalac - 2025).
- Allegedly created a system intended to limit free competition (Sayco - 2025).
- Allegedly celebrated anticompetitive agreements aimed to limit free competition (DIMAYOR (Colombian Professional Soccer League) and 8 professional teams - 2025).

Considering the importance of the regime of free and fair competition for the legal protection of investments and business decisions, it is crucial to be familiar with this regulatory regime are explained in a simple way, preventing any violations to competitions both from a commercial and from corporate governance perspective. Additionally, we think its vital to ensure business in Colombia follow policies aligned with free and fair competition, as well as compliance programs complemented with guides on free and fair competition.

## Merger control

The competition legislation in Colombia also includes a merger control regime, under which certain companies are required to notify the SIC or request formal clearance before finalizing a transaction that implies with effects in the Colombian market.



In view of the permanent protection of the level of competition in the Colombian markets by the SIC, they carry out a prior control of any transactions that imply any form of merger, such as acquisitions, sale and purchase of productive assets, joint ventures, or sales of business lines or any other type of merger that could potentially have effects in the Colombian markets and that meet the following limits:

- Subjective threshold: The parties to the transaction participate in the same economic activity or in the same value chain.
- Objective threshold: In the preceding fiscal year, the parties to the transaction, jointly or individually, had revenues or assets in Colombia that exceed COP 85,669,862,977.30 (approximately USD 23 million) by 2026.

If the thresholds mentioned above are met, merger control obligations may be fulfilled, through one of the following proceedings:

- Simple Notice: Non-suspensory filing, expedited process - 10 business days. The transaction is understood to be authorized upon the issuance of the receipt acknowledgment by the SIC. The authority has recently considered that it is possible to issue requests for information, if needed which will interrupt the abovementioned term.
- Pre-assessment: The SIC can authorize unconditionally, impose conditions, or object to the transaction. 5 to 8 months. **Check the full process here.**

Permanent legal assessment to comply with competition obligation is crucial for competitors and market agents, since it allows an analysis of the potential effects any conduct can have in the Colombian market and helps to understand the competitive dynamics of the relevant markets potentially affected by a conduct or a transaction. Additionally, being familiar with the decision practice of the Superintendence ensures that a market agent's actions will not violate economic efficiency, consumer welfare, or the free participation of companies in the market.

To summarize, Colombia is a country with a high degree of legal protection in terms of competition. In addition, it has stable policies that encourage free and fair competition, which is highly attractive to carry out business or make investments in our country.

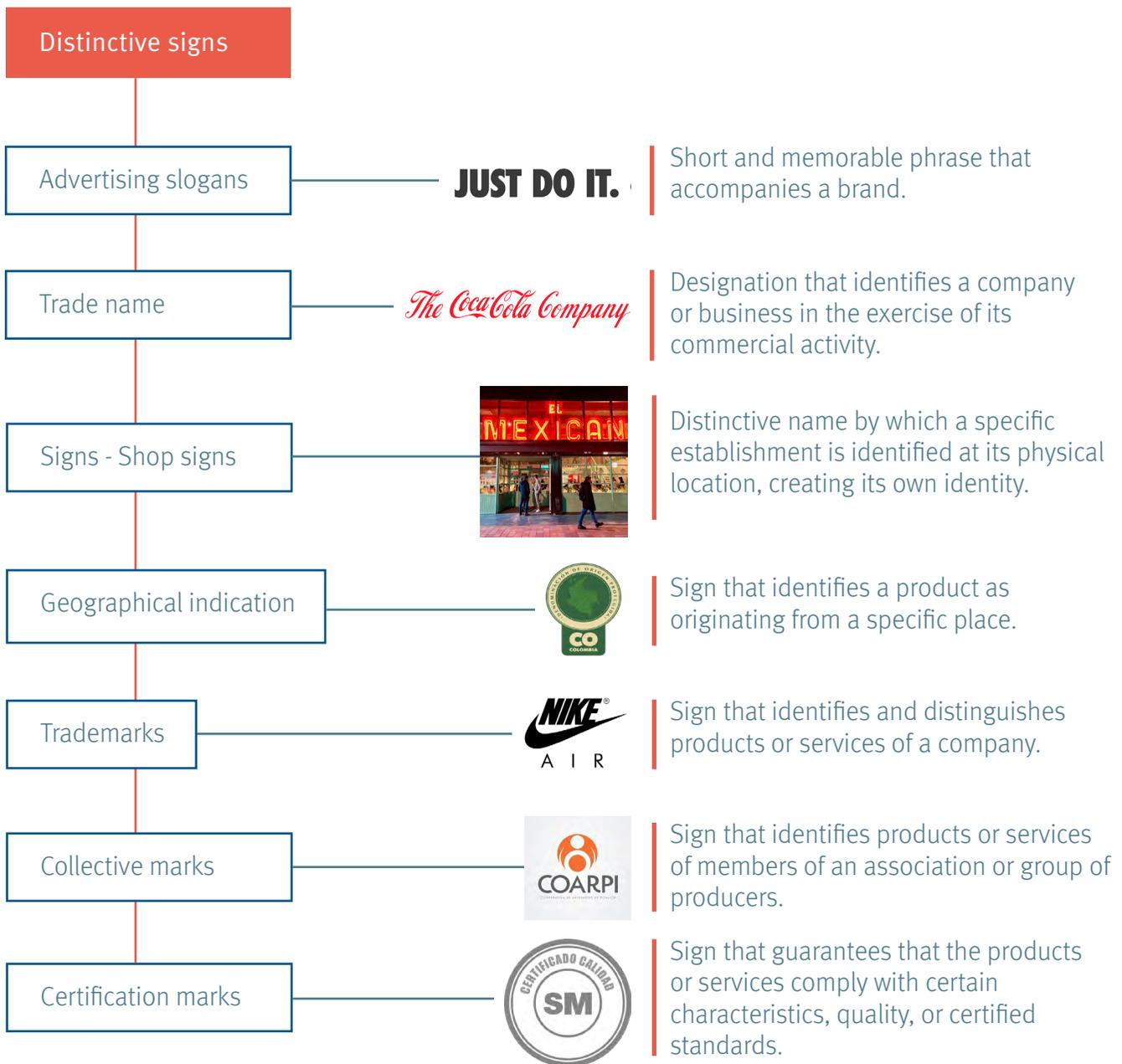
## 3.9 Intellectual property protection and franchises

### Distinctive signs

In an increasingly competitive market, distinctive signs have become the calling card of companies, products, and services. These elements—which can take the form of symbols, figures, or expressions—serve an essential function in identifying, differentiating, and communicating the business origin of what we consume.

Beyond their practical function, distinctive signs are strategic tools that allow companies to stand out from the crowd, build a unique identity, and avoid confusion with competitors. In short, they are the hallmark that turns a simple offering into a recognizable and memorable brand for consumers. In

Colombia, distinctive signs include:



Once the different types of trademarks are understood, it is essential to bear in mind that not every sign can be registered as a trademark. In fact, for a sign to be eligible for protection, it must meet the following requirements:

### Requirements for a sign to be protected in Colombia:

1.

**Distinctiveness:** The ability of a sign to differentiate a business's products or services from those of others in the market and allow consumers to identify their business origin.

2.

**Susceptibility to Graphic Representation:** The sign must be capable of being represented clearly and precisely by words, images, figures, or symbols, so that consumers and competitors can identify with certainty the scope of protection.

3.

**Perceptibility:** The sign must be capable of being perceived by the senses (sight, hearing) so that consumers can assimilate and recognize it in the marketplace.

### What to avoid when registering a trademark?

**4x4** **Signs that lack distinctiveness:** These are signs that do not allow consumers to identify or differentiate the commercial origin of the goods or services. For example, "4x4" for off-road vehicles, as it merely describes a technical feature of the product.



**Signs consisting exclusively of common shapes of products or their packaging:** Signs consisting solely of common or customary shapes that do not allow the business origin to be identified are excluded. Example: the standard three-dimensional shape of a glass beverage bottle.



**Generic or technical signs:** These are signs that designate the type of product or service itself, the appropriation of which would constitute an undue monopoly on its name. This is the case with terms such as "HOUSE" to identify a house.



**Descriptive signs:** These are signs that directly describe the characteristics of the product or service and lack a distinctive function. For example: Delicious meat.



**Signs with common or usual designations:** These are signs that, due to their widespread use, have become part of everyday language and have lost their distinctiveness. For example, "Technologies" for technological products or services.

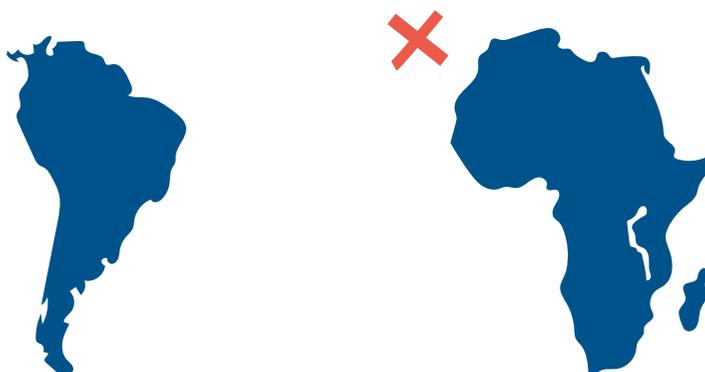
## When is protection for a sign obtained?



Rights to trademarks and slogans are acquired through registration with the Superintendency of Industry and Commerce (SIC).

Prior use of the sign in the market, without registration, does not grant exclusive rights to it. On the contrary, rights to trade names and signs are acquired through actual, public, and continuous use in commerce, without the need for registration.

- **Territory of protection.** Distinctive signs enjoy territorial protection. This means that the registration of a trademark in Colombia grants exclusive rights only within the national territory, without registration abroad having automatic effects before the SIC.



However, there are important exceptions to this principle within the framework of the Andean Community of Nations (CAN), made up of Colombia, Peru, Ecuador, and Bolivia. These include: Andean opposition, which allows the owner of a trademark registered in one member country to oppose the registration of identical or similar signs in another CAN country; and enhanced protection for well-known trademarks, which can operate even without prior registration or use in the territory where it is invoked.





### *Key aspects to consider.*

- Third-party oppositions: Any person who considers that the registration of a trademark affects their rights may file an opposition during the SIC proceedings.
- Obligation to use: Once granted, the trademark must be used effectively in commerce. If it is not used for three consecutive years, any interested party may request cancellation of the registration for lack of use.
- Essential information in the application: When filing the application for registration, it is essential to clearly identify: the products or services to be marketed under the trademark; the type of trademark (word, mixed, or figurative); and whether specific colors are to be claimed as part of the trademark.
- Background search: It is recommended to conduct a preliminary trademark background search in the SIC databases before submitting the application, in order to identify possible conflicts or obstacles that could delay or prevent registration.

#### Economic exploitation of distinctive signs

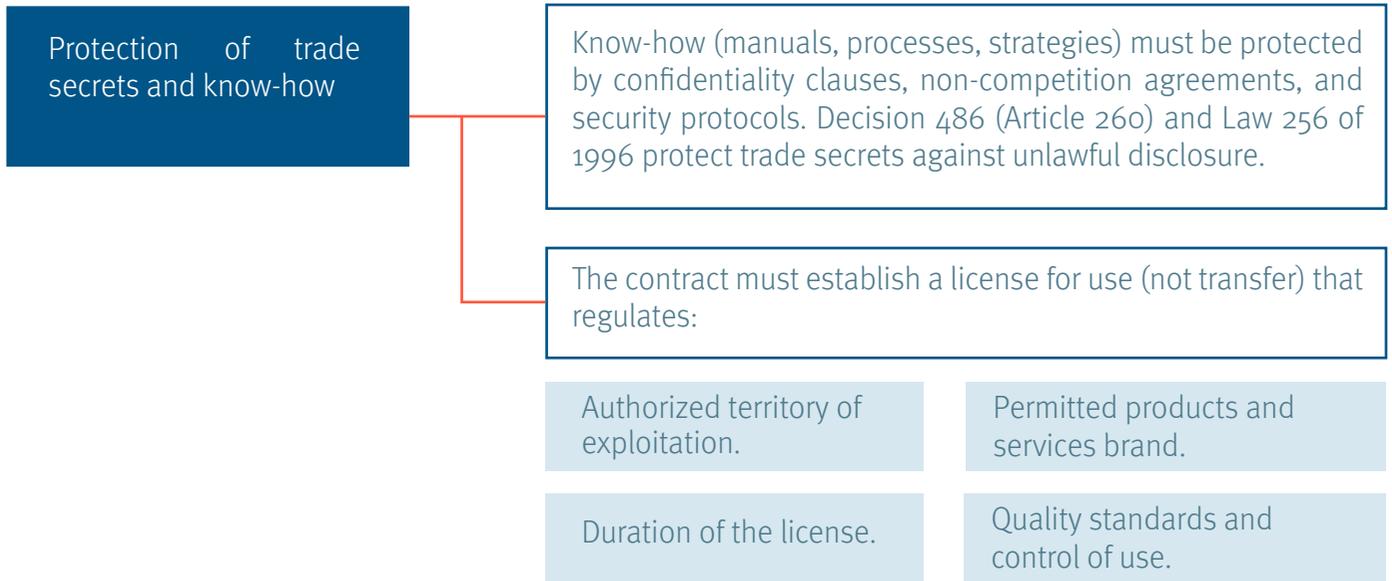
Distinctive signs are valuable intangible assets that can generate significant economic benefits. The owner can license them to third parties, transfer them, include them in marketing and franchising strategies, and receive royalties for their use.

#### Term of protection

- Trademarks and slogans: 10 years from the date of grant, renewable indefinitely for equal and successive periods.
- Trade names and signs: Indefinite protection, provided that actual, public, and continuous use in commerce is maintained.

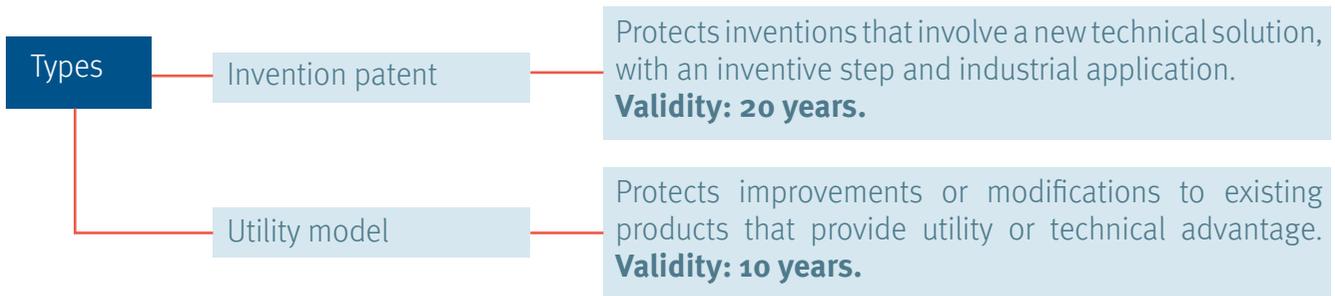
## Implementing franchises in Colombia

**Regulation.** Colombia does not have a specific law on franchises (atypical contract). This model is governed by rules of contract law (Commercial Code), intellectual property (Andean Decision 486 and Law 256 of 1996), taxation, competition (Law 1340 of 2009), and consumer protection (Law 1480 of 2011). The Superintendency of Industry and Commerce (SIC) issues guidelines on best practices.

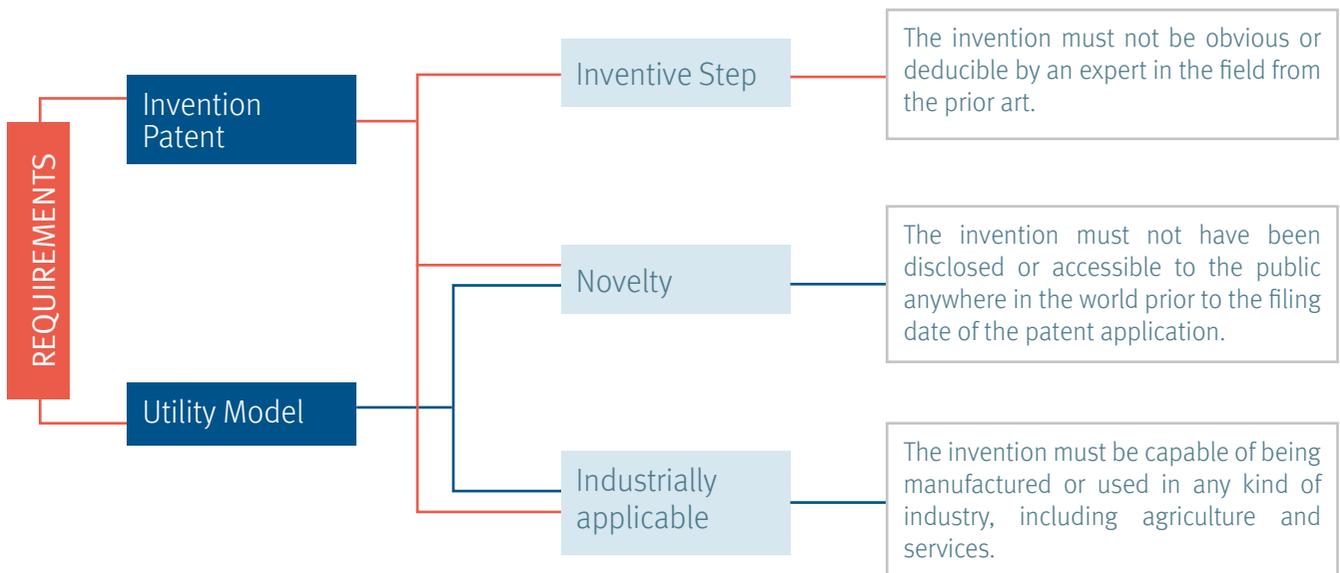


## Patents

A patent is an industrial property title that grants its owner the exclusive right to exploit an invention for a specified period of time, preventing third parties from manufacturing, using, selling, or importing it without their authorization.



## Requirements:



## Industrial signs

Industrial designs protect the aesthetic appearance of a product: its two-dimensional form (prints, textures) or three-dimensional form (contours, configuration). They do not protect the function, but rather the visual aspect that makes it attractive and distinguishable in the market.

**Only new designs are registrable**, that is, those whose characteristics have not been made accessible to the public prior to the application (Article 113. Andean Decision 486). Registration grants exclusive rights for use and exploitation in Colombian territory for 10 non-extendable years.



Competent authority: Superintendency of Industry and Commerce (SIC).

### Examples:



The design of a bottle



The shape of a piece of furniture.



The pattern of a fabric.



The appearance of a shoe.

Term of protection: 10 years

## Copyright

Copyright protects original artistic, literary, or scientific creations that can be disseminated by any means.

Fundamental requirement:  
Originality

Originality, in this context, means that the work bears the personal stamp of its creator, their unique vision embodied in the creation.

Author

Only natural persons can be authors. Although a company may hold the economic rights to a work, authorship always belongs to the natural person who created it. Legal entities cannot hold this status.

### Term of protection:

Protection begins from the moment the work is created, without the need for registration.

### During the term of protection:

- The work is in the private domain.
- Prior and express authorization from the owner is required for any use.

### After the term of protection:

- The work enters the public domain.
- No authorization is required for its use.

### Duration of protection:

- Natural person: Life of the author + 80 years after their death.
- Legal entity (owner): 70 years from the date of disclosure.

Type of right	Description and characteristics	Main rights
Moral rights	<ul style="list-style-type: none"><li>• Protect the author's personal interests in the work.</li><li>• They are inalienable, irrevocable, and perpetual.</li></ul>	<ul style="list-style-type: none"><li>• Right of authorship.</li><li>• Right of integrity.</li><li>• Right of non-publication.</li><li>• Right of modification.</li><li>• Right of withdrawal.</li></ul>
Economic rights	These allow the author or owner to authorize or prohibit the economic exploitation of their work by third parties.	<ul style="list-style-type: none"><li>• Right of authorship.</li><li>• Right of integrity.</li><li>• Right of non-publication.</li><li>• Right of modification.</li><li>• Right of withdrawal.</li><li>• Right of reproduction.</li><li>• Right of public communication.</li><li>• Right of distribution.</li><li>• Right of transformation.</li></ul>

### Related rights

Related rights protect those who contribute to the dissemination and communication of works protected by copyright.

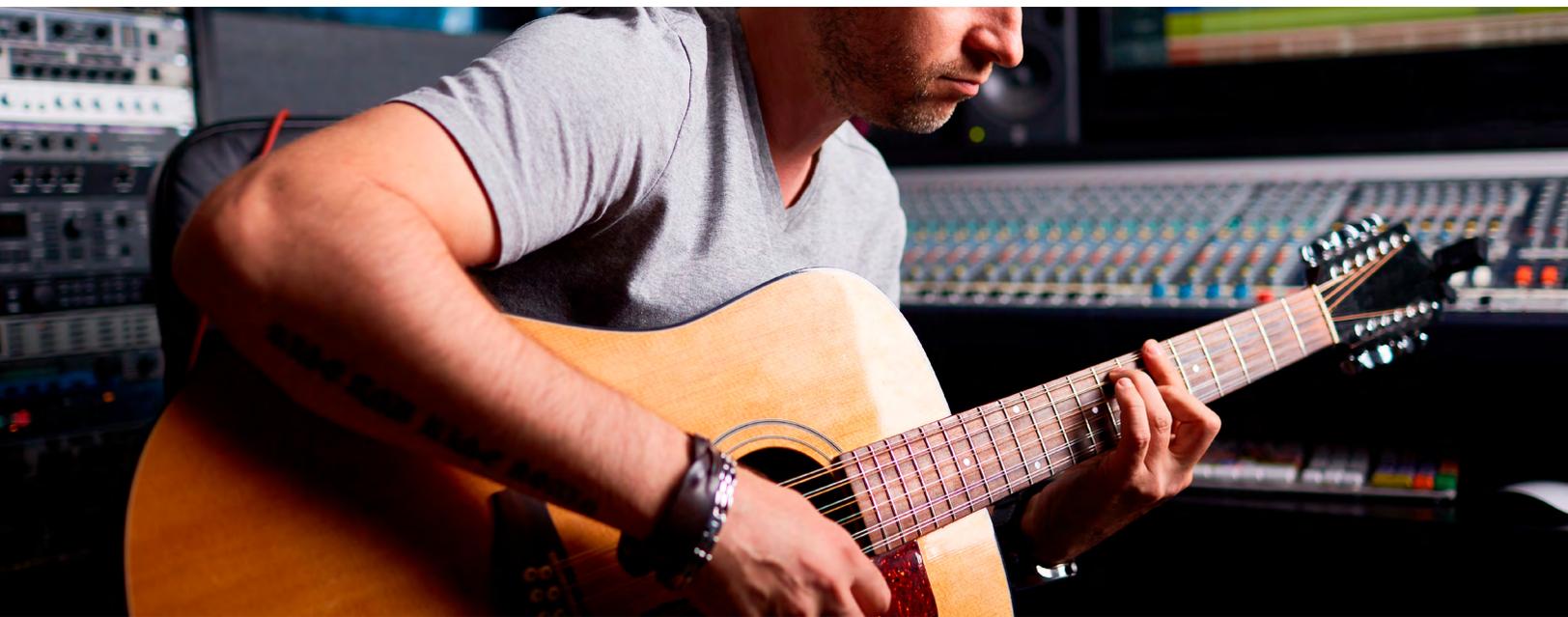
**Holders of related rights:** Works protected by copyright, especially musical and audiovisual works, require artists to perform them and producers or organizations to disseminate them. This contribution is recognized through related rights, which protect:

- Performing artists: Those who perform works.
- Producers of phonograms: Those who fix and produce sound recordings.
- Broadcasting organizations: Those who transmit or broadcast works.

## Rights granted:

Category	Rights granted
Performing artists	<ul style="list-style-type: none"><li>• Authorize or prohibit the public communication of their live performances.</li><li>• Authorize or prohibit the recording of their performances.</li><li>• To obtain remuneration for the public communication of their performance.</li></ul>
Phonographic producers	<ul style="list-style-type: none"><li>• Authorize or prohibit the reproduction of their records.</li><li>• Authorize or prohibit the distribution of their records.</li><li>• Receive remuneration for the use of records.</li></ul>
Broadcasting organizations	<ul style="list-style-type: none"><li>• Authorize or prohibit the retransmission of their broadcasts by any means or procedure.</li><li>• Authorize or prohibit the fixation of their broadcasts on a material basis.</li><li>• Authorize or prohibit the reproduction of a fixation of their broadcasts.</li></ul>

**Negotiability.** Among the different forms of transfer of economic rights, there are two that may be relevant to entrepreneurs: Contract for the transfer of economic rights and commissioned work.



Category	Rights granted
Transfer of Economic Rights	<ul style="list-style-type: none"> <li>• The author or owner transfers their economic rights to a third party.</li> <li>• It must be in writing to be valid.</li> <li>• It must specify the time and territory:               <ul style="list-style-type: none"> <li>- No mention of time: transfer limited to 5 years.</li> <li>- No mention of territory: limited to the country where the transfer takes place.</li> </ul> </li> </ul> <p><b>Recommendation:</b> specify all rights transferred to ensure the complete transfer of economic rights.</p>
Commissioned Work	<ul style="list-style-type: none"> <li>• A natural or legal person commissions the creation of a work protected by copyright.</li> <li>• Applies to employment contracts or service agreements.</li> <li>• Requirements for presumption of assignment:               <ul style="list-style-type: none"> <li>- Written employment or service contract.</li> </ul> </li> <li>• Transfer limited to "the extent necessary for the exercise of normal activities at the time of creation of the work."</li> </ul>

**Registration.** Registration with the DNDA does not constitute rights but is merely declarative; therefore, it is not mandatory and its main function is probative in the event of a dispute.

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**[Consult the Virtual Office of Industrial Property here, on the website of the Superintendency of Industry and Commerce.](#)**

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## 3.10 Public procurement

### Business opportunities in contracting with the state

Colombian state entities are required to publish their procurement processes in the Electronic System for Public Procurement (SECOP). Likewise, on this portal they are obliged to publish their annual procurement plan, a programming document that accounts for the needs of goods, works, and services of the entity during the year.

Thus, this system allows potential investors to:

- Identify business opportunities.
- Know the procurement processes carried out by state entities, including the entity's observations and responses on the precontractual documents.
- Submit comments to the documents of the procurement processes.
- Monitor the status of the contracts already executed by the state entities.
- Submit bids and documents.

### Submission of tenders:

When launching a public procurement process, state entities publish their terms of reference, which must include the enabling requisites and qualification factors that the bidder must comply with. These requisites and factors must take into account the nature and value of the contract.

Minimum enabling requirements that interested parties must meet at the time of submitting their offers, which may be rectified if required by the entity.

Criteria for the awarding of points to qualified bidders.

### Minimum content of the terms of reference

Once the bidder's offer is submitted, it cannot be modified, only clarified or corrected on matters that do not affect the awarding of points.

The following chart presents the customary enabling requirements that are included by Colombia state entities in their terms of reference. Please note that those requirements may change from process to process.

## Customary enabling requirements:

Legal Capacity	Incorporation and legal representation	Colombian bidders and those with a branch in the country must prove that they have the legal capacity to present their offer through the certificate of existence and legal representation issued by the Chamber of Commerce of their domicile, or in the case of foreign proposers, they must submit an equivalent document.
	Joint ventures	Bids can be presented individually or through plural structures, both consortium or temporary unions or any other structure that meets the minimum requirements established in the specifications to accredit the enabling and scoring requirements. To do this, they must present the bylaws or other document that shows the formation of said structure, establishing the rules and percentages of participation of each of the members. The members of consortium or temporary unions will be jointly and severally liable to the state entity for the fulfillment of the contract.
	Proxy in Colombia	It is common for foreign bidders to be required to submit their bids through a representative domiciled in Colombia. Therefore, they must include in their offers, the document appointing such representative, so he can act on behalf of them from the selection process and until the awarding and signing of the state contract.
	Documents issued abroad	<p>Proposals must be submitted in Spanish. As a general rule, a non-certified translation is accepted for the submission of the tender and as a condition for concluding the respective contract, the successful bidder must submit the certified translation of the documents that are in another language.</p> <p>Documents issued by a public official or authority must comply with the requirement of apostille (Hague Convention member countries) or consularization. Private documents do not have to meet this requirement.</p>
	Bid bond	<p>All bidders must submit a guarantee backing their offer in the terms indicated in the specifications, which can be granted through:</p> <ol style="list-style-type: none"><li>1. An insurance policy.</li><li>2. A bank guarantee.</li><li>3. A warranty trust.</li></ol> <p>Failure to deliver this guarantee is a cause for rejection of the proposal.</p>

## Customary enabling requirements:

Financial Statements	Financial Statements	<p>In order to demonstrate the minimum financial and organizational capacity to perform the contract, foreign bidders must submit the financial statements year prior to demonstrate indicators of:</p> <ul style="list-style-type: none"> <li>• Liquidity ratio.</li> <li>• Indebtedness.</li> <li>• Interest coverage ratio.</li> <li>• Return on assets.</li> <li>• Return on equity.</li> </ul> <p>If the financial statements are in a currency other than the Colombian Peso, the bidders must comply with the conditions established for their conversion to Peso (COP) and, in any case, the International Financial Reporting Standards (IFRS).</p> <p>For national bidders (or with a branch in Colombia), these indicators are evidenced through the presentation of the Registry of Bidders (RUP) except in the case of the award of concessions or processes governed by private law, where this registration is not required.</p>
Experience	General Experience of the Bidder	<p>Bidders must prove that they have the experience, suitability and minimum aptitude to comply with the conditions of the contract. To do this, they must present certifications of contracts or projects whose object is consistent contracting party.</p> <p>As a general rule, the certifications of experience to be accredited must correspond to contracts completed and received to the satisfaction of the contracting party. In the case of national bidders (or with a branch in Colombia), the experience must be included in the RUP, except in the case of the awarding of concessions or processes governed by private law, where this registry is not mandatory.</p>
	Work-team Experience	<p>Depending on the scope of the selection process, the bidders must present a minimum work team that meets academic conditions and professional qualities related to the contractual object.</p>

## Awarding of the contract:

The principal criterion for the awarding of the contracts is the economic offer. The lower the offered price, the higher the points. Nonetheless, there are some items that might result in the awarding of additional points.

Bidders must submit their bid offer in a sealed and independent envelope or section of the online bid. The economic offer will only be evaluated if the bidder met the minimum enabling requirements.

Additional experience	Depending on the contractual object, entities may award additional points to bidders who demonstrate more than the minimum experience required.
Workers with disabilities	<p>By express legal provision, the entities will grant 1% of the total points established in the specifications, to the bidders who prove the onboarding of workers with disabilities in their personnel plant.</p> <p>The number of workers with disabilities required to access those additional points will depend on the total number of workers on the bidder's staff count.</p>
Women's Business Enterprises	With the exception of procedures where the lowest price offered is the only evaluation factor, the Entities will award up to 0.25 additional points to bidders that prove that they have the quality of Women's Business Enterprises.
Nacional industry	The entities have the legal duty to give an additional score to the proponents who accredit contracting national goods or services.

## Economic offer

The economic offer as scoring criteria does not apply to consultants' selection processes.

Further, the tie-breaking criteria is provided law, covering matters such as reference offers submitted by women heads of household and victims of domestic violence, having people belonging to indigenous populations (among others), on the bidder's payroll, etc.

## Special considerations for 2026

Considering that presidential and congressional elections will take place this year, the restrictions established under the so-called "Electoral Guarantees Law" apply. In matters of public procurement, this implies—among other aspects—that government entities may not enter into direct contracting arrangements, except in very specific cases, and must therefore rely on procurement mechanisms that involve competitive bidding among potential bidders. These restrictions will remain in force until May 31, 2026, or until June 21, 2026 (in the event of a second round of presidential elections).

### Execution, performance, and termination of the public procurement contracts:

Foreign bidders who are awarded a public procurement contract must take into account the following aspects:

- The execution of a public procurement contract is considered a permanent activity in Colombia. Therefore, foreign companies must establish a branch in Colombia whose validity must be, at least, equal to the term of execution of the contract.

Obtain and maintain in force during the entire length of the contract the performance bond and the third-parties insurance.

- Disputes may be settled using alternative dispute resolution mechanisms such as amicable composition, national arbitration, and international arbitration, the latter if the conditions provided for in Law 1563 of 2012 are met.



## 3.11 Personal data regulation

Unlike other jurisdictions in Latin America, Colombia has a robust data protection regime that allows companies investing within the national territory to develop their business under a clear regulatory framework.

On the one hand, Law 1581 of 2012, Decree 1377 of 2013 and other complementary regulations develop the general regime for the protection of personal data.

In principle, it only applies to public or private entities that carry out personal data processing activities (e.g., storage, collection, transfer, use, etc.) within Colombian jurisdiction. Although these regulations do not explicitly include extraterritorial scope of application scenarios, through recent administrative decisions, the SIC has considered that foreign companies without a physical presence in Colombia can perform personal data processing activities within Colombian jurisdiction through “cookies installed in the computers or devices of individuals residing or domiciled in Colombia”. Therefore, this is now a criterion that must be considered in the future to determine the application of data protection rules.

On the other hand, Law 1266 of 2008 (amended by Law 2157 of 2021) and its complementary regulations establish a special regime for the processing of financial, credit and commercial information, which regulates the consultation and reporting of said data to credit bureaus.

It is important to mention that this special regime also applies to public or private entities that manage databases with personal information of a financial nature within Colombia.

Under these regulations, public and private entities that carry out data processing activities in Colombia shall consider, among others, the following obligations:

-  Inform and guarantee the data subject's rights.
-  Address queries and complaints.
-  Use only personal data obtained with the data subject's prior authorization, unless it is not required by law.
-  Respect the security and confidentiality conditions of the information.
-  Comply with the orders and requirements issued by the SIC.
-  Regulate domestic and cross-border personal data transfers.
-  Comply, as applicable, with the registration, reporting, and update obligations of the National Database Registry (Registro Nacional de Bases de Datos – RNBD).

Failing to comply with the data protection regulations may cause the imposition of the following sanctions by the SIC:

- Fines of up to COP\$ 3.501.810.000 (aprox. USD \$950.789).
- Suspension of personal data processing activities for up to 6 months.
- Foreclosure of personal data processing activities.
- Foreclosure of sensitive data processing activities.

However, non-monetary sanctions are not commonly imposed by the SIC and fines usually range between COP\$50.000.000 and COP\$300.000.000 (approx. US\$ 13,000 and US\$81,000).

In contrast to other global regulations, such as the European Union's General Data Protection Regulation, which provides different legal bases for processing personal data, in Colombia the main legal basis is the data subject's prior consent. Therefore, data controllers must secure the data subject's prior, explicit and informed consent through written or oral forms, or through unambiguous conduct.

In addition, data controllers are required to keep evidence of the given authorizations and, when requested by the SIC and/or the respective data subject, they shall provide proof thereof.

On the other hand, data protection regulations require data controllers to implement a comprehensive personal data management program which includes, among other documents and procedures, the adoption of a "privacy policy" and an "internal manual of policies and procedures".

The "privacy policy" has the same meaning as in other international data protection regulations, as this document must be available for all data subjects and describes the general conditions under which the personal data will be processed and the purposes thereof.

In turn, the "internal manual of policies and procedures" is a document that, as its name indicates, is internal to the organization and defines the behavioral standards that its personnel must comply with in order to ensure the due processing of personal data.

Currently, the Colombian Congress is analyzing a draft bill to potentially reform Colombian data protection regulations, which seeks to align the legal regime in a manner very similar to the structure of the EU's GDPR. Although it is uncertain whether this bill will be approved this year, given the change in the legislature and the congressional elections in March 2026, Pérez-Llorca, Gómez Pinzón will send updates via its newsletter and social media channels.



# 4

## Investment Projects



## 4.1 Energy and natural resources projects

### Energy

Today, Colombia continues to consolidate its position as one of the most attractive countries in Latin America for the development of renewable energy projects. The country has a regulatory and legal framework that has been progressively adjusted to respond to market needs, facilitate project financing, and ensure the security and reliability of the electricity supply system.

The energy transition currently constitutes the main pathway toward Colombia's medium- and long-term objectives and is primarily based on Law 1715 of 2014 and Law 2099 of 2021, whose main objectives are to promote the development and integration of non-conventional energy sources ("NCES") into the National Interconnected System (SIN), as well as their implementation in Non-Interconnected Zones (ZNI) and in the provision of public utility services.

Additionally, Law 1715 of 2014 expanded the concepts of self-generation and distributed generation, which had previously been mentioned only in general terms in Law 142 of 1994. The Energy and Gas Regulatory Commission (CREG) has since regulated these schemes, which have gained traction across the industrial, commercial, service, and residential sectors. The implementation of these projects has sought to reduce the use of regional and national transmission networks, preventing congestion and ensuring sufficient transmission capacity for large-scale power generation projects. To date, according to data from XM, there are more than 50 distributed generation projects currently installed in the SIN.

Subsequently, Law 2099 of 2021 strengthened and modernized this regime by expanding the scope of available incentives and regulatory tools, seeking to boost the energy market through the use, development, and promotion of NCES, as well as the inclusion of new technologies aimed at improving energy efficiency.

In this way, Colombia's renewable energy regulatory framework has effectively promoted self-generation and distributed generation projects, enabling users to manage their energy costs more efficiently, reduce their exposure to price volatility, and optimize the use of transmission and distribution infrastructure. This represents a relevant opportunity for developers and financiers.

Furthermore, the competent authorities have played an active role in promoting the energy transition, with the objective of addressing the practical challenges associated with the execution of energy projects.

By way of illustration, the relevant authorities have issued regulations and public policy guidelines related to the following:





**Guidelines for long-term energy procurement:** On October 16, 2025, the Ministry of Mines and Energy (MME) issued Decree 1091 of 2025, establishing guidelines for long-term energy procurement mechanisms applicable to conventional generation, renewable generation, and energy storage. This measure seeks to provide stability to the energy sector by encouraging long-term investment and ensuring the progress of the energy transition through the prioritization of renewable energy sources.



**Call for a long-term electricity procurement mechanism:** On January 19, 2026, in compliance with Decree 1091 of 2025, the MME published a draft resolution for the call and definition of the first long-term electricity procurement mechanism. Although it has not yet been formally issued, the draft outlines the MME's roadmap for this type of auction, offering 15-year contracts for different types of projects (e.g., wind, solar, thermal, and generation plants with energy storage systems) and different energy delivery profiles. This would allow bids for four (4) different products, promoting energy stability and supply reliability.



**6GW+ Plan:** The 6GW+ Plan constitutes a significant public policy strategy aimed at promoting and accelerating the energy transition, with the primary objective of incorporating at least 6 gigawatts (GW) of generation capacity exclusively from renewable energy sources, mainly solar and wind, into the National Interconnected System (SIN). The plan also seeks to diversify the national energy matrix and strengthen the reliability of the electricity system, while simultaneously reducing dependence on fossil-fuel-based power generation.

Rather than a single specific measure, the plan aims to serve as a coordinating framework for various institutional and regulatory actions that facilitate the achievement of the 6+ GW target.

According to the Mining and Energy Planning Unit (UPME), Colombia currently has 3.744 GW of installed capacity from non-conventional renewable energy sources (NCRES), of which 2.276 GW are already in operation and 1.467 GW are currently undergoing testing.



**Transitional measures for the allocation of transmission capacity:** On November 27, 2025, the Energy and Gas Regulatory Commission (CREG) issued Resolution 101 094, establishing a transitional regime for the allocation of transmission capacity for generation projects, in light of the significant congestion affecting connection processes, which had prevented projects with reliability obligations from entering into operation. Through this temporary mechanism, the resolution introduced prioritization criteria and allowed projects to voluntarily release their assigned capacity without penalties or charges.



**Transmission:** Through Resolution 40425 of June 4, 2025, the MME adopted the 2024–2038 Transmission Expansion Plan, prepared by the UPME, which aims to comply with the objectives of the Transmission Mission Plan (Plan Misión Transmisión) and strengthen and modernize the country's electricity transmission networks. In particular, the plan includes the construction of substations, installation of transformers, and development of transmission lines. These projects must be executed through public tenders or through expansions of the National Transmission System.

Additionally, according to information provided by the UPME, within the Transmission Mission Plan a series of projects have been identified whose implementation is considered urgent, given their importance in ensuring the security and reliability of the electricity supply. The main regions where the UPME has identified the need for urgent infrastructure works include La Guajira, Cesar, Córdoba, Sucre, Chocó, Norte de Santander, Atlántico, Boyacá, Cauca, Casanare, and Nariño.

In 2024, the Mining and Energy Planning Unit (UPME) published the two packages of urgent transmission works, and throughout 2025 progress was made in issuing the corresponding public tenders to carry out these projects.



**Distributed Energy Resources:** Distributed Energy Resources (DERs) are small-scale resources located close to consumption centers and connected to the distribution network, which may be managed automatically or manually. These resources can inject electricity into the grid, consume electricity, or dynamically provide ancillary services to the network.

With respect to these resources, the development, financing, and construction of distributed generation projects has become increasingly common, with approximately 120 projects currently in operation, according to information published by XM S.A. E.S.P. (the administrator of the Wholesale Energy Market – MEM).

Additionally, in relation to self-generation projects, on November 22, 2024, the Ministry of Mines and Energy (MME) issued Decree 1403 of 2024, allowing self-generators to deliver the electricity they produce at locations different from the site where the self-generation asset is installed, using assets of the Regional and National Transmission Systems. In this regard, the MME instructed the Energy and Gas Regulatory Commission (CREG) to regulate the integration of this mechanism—known as remote self-generation—into the Wholesale Energy Market (MEM).

Due to the well-known delays in the development and construction of renewable energy generation projects based on non-conventional renewable energy sources (NCRES), the MME decided to modify the principles governing requests to change the Commercial Operation Date (COD) of generation projects. According to the MME, delays in CODs could affect the normal functioning of the market and the provision of the public electricity service. These modifications reflect the authorities' intention to adapt the regulatory framework to the practical realities of energy generation projects.

Following the issuance of Resolution No. 40042 of 2024, the CREG amended Resolution CREG 075 of 2021, which regulates the allocation of connection points for energy generation projects, in order to include the possibility for project developers to unilaterally modify the COD by increasing their connection guarantee.



**Self-Generation and Remote Self-Generation:** CREG Resolution 174 of 2021 regulates self-generation as the activity of generating electricity to meet the generator's own demand, with the possibility of injecting surplus electricity into the grid for commercialization. Self-generators are classified into Small-Scale Self-Generators (AGPE), with a capacity equal to or less than 1 MW, and Large-Scale Self-Generators (AGGE), with a capacity greater than 1 MW.



Subsequently, building on the concept of self-generation, the concept of remote self-generation was developed. The Energy and Gas Regulatory Commission (CREG) has sought to regulate this mechanism through Draft Resolution CREG 701 091 of 2025, aiming to overcome the traditional limitations associated with physical proximity. This framework would allow investment in self-generation projects located in areas with optimal natural resources, where electricity consumption occurs in a different geographic location from the generation facility, using the infrastructure of the National Interconnected System (SIN). In this way, remote self-generation becomes an alternative for sectors that lack the physical space for on-site self-generation but may have access to suitable locations elsewhere.

Through the aforementioned draft resolution, the procedures and connection requirements for remote self-generation and marginal producers, the rules governing the commercialization of electricity generated through remote self-generation and marginal production, and the requirements for remote self-generators and marginal producers to participate in reliability charge mechanisms are developed, among other aspects. The CREG is expected to issue the final resolution regulating remote self-generation during the first quarter of 2026.



**Energy Communities:** As a further development derived from self-generation, Decree 2236 of 2023 created the concept of energy communities, which consist of organized communities of individuals and/or legal entities that cooperate to develop activities related to the generation, commercialization, and efficient use of non-conventional energy sources (NCES), renewable fuels, and distributed energy resources. Their purpose may include increasing energy service coverage, improving energy efficiency, democratizing access to energy, among other objectives.

Energy communities were regulated through MME Resolution 40136 of 2024 and particularly through CREG Resolution 101 072 of 2025, which integrates these communities into the National Interconnected System (SIN), the Local Distribution System (SDL), and the Non-Interconnected Zones (ZNI).

Energy communities are designed to operate as collective self-generators, primarily generating electricity to meet their own demand, while retaining the possibility of injecting surplus generation into the grid for commercialization. This framework introduces the possibility of multiple commercial metering points or connection points associated with a single collective generator, thereby creating new investment opportunities for smaller-scale projects with lower entry barriers.



**Battery Energy Storage Systems (“BESS” / SAEB):** Battery Energy Storage Systems (SAEB) were initially regulated under CREG Resolution 098 of 2019, with the purpose of addressing contingencies affecting transmission assets in Colombia’s Caribbean region and thereby reducing the restriction component affecting end users of the public electricity service.

To implement this SAEB project, a public tender was launched and awarded in 2021. The awarded project has not yet entered commercial operation, with a projected commercial operation date of July 9, 2026.

Taking into account the lessons learned following the award of the first SAEB project, the CREG, through Draft Resolution No. 701 103 of 2025, seeks to transition from treating SAEB systems as emergency backup mechanisms to recognizing them as active participants in the Wholesale Energy Market (MEM).

Through this draft resolution, the intention is to grant Battery Energy Storage Systems (SAEB) a hybrid nature, allowing them to perform a dual function. On the one hand, SAEB would operate as network assets, contributing to the reliability and stability of the electricity system.

On the other hand, they are expected to assume a more active role within the electricity market, enabling them to offer commercially tradable services in the Wholesale Energy Market (MEM), thereby helping ensure energy adequacy within the system.



**CREG Regulatory Agenda 2026:** Through Circular No. 222 of 2025, the Energy and Gas Regulatory Commission (CREG) released its 2026 Regulatory Agenda, which includes several regulatory initiatives, among which the following stand out:

1. Modernization of mechanisms aimed at ensuring the reliability and adequacy of the energy system.
2. Update of the remuneration rules applicable to electricity transmission activities.
3. Development of regulatory frameworks for the integration of non-conventional energy sources and energy vectors.
4. Adjustment of the regulation governing the allocation of transmission capacity.
5. Modernization of the Wholesale Energy Market (MEM) through the review of long-term procurement mechanisms and the development of a new MEM regulatory framework.
6. Harmonization and strengthening of guarantee rules and mechanisms associated with compliance with obligations in the MEM.
7. Review of the regulatory framework applicable to risk situations of energy supply shortages, in connection with the modernization of mechanisms designed to ensure system reliability.

For 2026, an update of the instruments designed to strengthen the reliability and security of the electricity system is expected. These changes could have implications for alternative generation schemes, as they may recognize their contribution to system stability and enable their integration into backup and reliability mechanisms. Likewise, the regulatory agenda contemplates the development of new regulatory frameworks aimed at facilitating the integration of non-conventional energy sources, expanding their application to different uses, such as public lighting services.

Additionally, the regulatory agenda also includes initiatives related to the natural gas sector, among which the following stand out:

1. Amendments to the regulation applicable to natural gas regasification infrastructure.
2. Issuance of regulations governing the reliability of LPG (liquefied petroleum gas) supply.
3. Modernization of the regulation governing the National Gas Transportation System.



## Opportunities in the Energy Industry

### Hydrogen:

Colombia is currently in the process of implementing its Hydrogen Roadmap, through which it seeks to promote energy generation based on different types of hydrogen, as part of its broader energy transition strategy.

Indeed, with the entry into force of Law 1715 of 2014, Colombia began deploying the regulatory framework necessary to make domestic and foreign investment in non-conventional energy sources (NCES) more attractive. However, it was with Law 2099 of 2021 that hydrogen was formally incorporated into Colombia's regulatory framework.

Through Law 2099 of 2021, green hydrogen and blue hydrogen were recognized under Colombian law as non-conventional renewable energy sources (NCRES) and non-conventional energy sources (NCES), respectively. In addition, through the National Development Plan, white hydrogen was included as an NCRES.

The Hydrogen Roadmap, together with recent regulatory developments, sends a clear long-term signal to investors and project developers: Colombia aims to capture competitive advantages as a hydrogen-producing country, leveraging its renewable energy potential, strategic geographic location, and experience in regulated energy markets. As such, hydrogen represents an early-entry opportunity with strong long-term growth prospects.

On August 29, 2025, the H2 Colombia Ecosystem platform was officially launched—an initiative jointly led by the Ministry of Mines and Energy (MME) and the H2 Decarbonization Diplomacy program. The platform aims to centralize sector information and facilitate coordination between government, industry, academia, and investors, enabling a more efficient transition from pilot initiatives to full-scale projects.

By the end of 2025, Colombia had eight hydrogen and renewable gas projects in operation, reflecting the steady growth of this emerging technology and marking the early stages of what is expected to become a significant new generation segment within the energy sector.

### Offshore Wind Energy:

Offshore wind energy represents another strategic initiative for Colombia in terms of diversifying its energy matrix.

The path toward the development of offshore wind began with the issuance of the Offshore Wind Energy Roadmap for Colombia, which identified the Colombian Caribbean region as having significant potential for the development of this technology, with an estimated offshore wind capacity of approximately 109 GW.

Subsequently, through Resolution 40284 of 2022, as amended by Resolution 40712 of 2023 and Resolution 40368 of 2024, the government established the general terms for conducting a competitive process led by the National Hydrocarbons Agency (ANH) (the “Competitive Process”).

On December 4, 2023, the ANH published the final version of the bidding terms and specific conditions for the Competitive Process aimed at granting temporary occupation permits for offshore maritime areas and maritime concessions for the development of offshore wind power generation projects in Colombia. The qualification stage for interested participants officially began on December 21, 2023.

On December 16, 2025, the National Hydrocarbons Agency (ANH) published the final list of awardees of the Temporary Occupation Permits (“POTs”), which grant the right to carry out measurement and data collection activities to determine the feasibility of energy generation projects.

At present, the only awardee, Copenhagen Infrastructure Partners, must comply with certain requirements in order to formalize the permit. These include, among others, the provision of a performance guarantee and the establishment of a partnership with a state-owned company from the mining and energy sector. Once these requirements are fulfilled, the awardee will be formally granted the permit for a term of eight (8) years.

Investments of this nature reinforce Colombia’s position as a solid and forward-looking destination for the energy transition and represent a significant opportunity to diversify the country’s energy matrix, while attracting international investors with the experience and financial capacity to develop large-scale projects.

Additionally, the competent authorities are progressively addressing the main regulatory and technical challenges associated with these projects, including connection to the National Interconnected System (SIN), the expansion of the required transmission infrastructure, and the granting of environmental licenses and sector-specific permits. This gradual and coordinated approach helps reduce execution risks and demonstrates Colombia’s commitment to the development of large-scale renewable energy projects.

Through Circular 70 of 2025, the Mining and Energy Planning Unit (UPME) reaffirmed its commitment to undertake interinstitutional efforts with the ANH, the Ministry of Mines and Energy (MME), and other entities within the energy sector in order to achieve the objectives established under the competitive process for the awarding of POTs, within the framework of Colombia’s first offshore wind round. Among other aspects, the circular emphasizes:

1. Evaluation of connection requests for offshore wind projects, incorporating transmission expansion plans for the awarded projects.
2. Rigorous analysis of transmission capacity allocation for offshore projects, in accordance with technical, regulatory, and approved expansion criteria.
3. The UPME will call for the allocation of transmission capacity once the relevant projects are approved by the Transmission Planning Advisory Committee and after their benefit–cost evaluation, within 36 months following the issuance of the last POT.



Another point of particular importance regarding the first offshore wind round is the introduction of the Contracts for Difference payment mechanism (“CfD Mechanism”), which consists of a state-administered long-term energy contracting system under which the awarded generators will receive a regulated revenue consisting of a fixed price for a defined period of up to 15 years, independent of fluctuations in the wholesale electricity market price.

Accordingly, if the market price falls below the contracted fixed price, the CfD Mechanism compensates the generator for the difference; if the market price exceeds the fixed price, the generator returns the difference. This mechanism reduces revenue uncertainty for renewable energy projects. Looking ahead, the roadmap published by the Ministry of Mines and Energy (MME) foresees the installation of 1 GW by 2030, 3 GW by 2040, and 9 GW by 2050. Consequently, it is expected that the National Hydrocarbons Agency (ANH) will continue launching competitive processes for the award of offshore wind projects.

### Hydrocarbons:

The hydrocarbons sector in Colombia continues to represent a relevant component of both the national energy matrix and the broader economy, particularly with respect to natural gas as a source of energy. The national legal framework maintains principles of contractual stability and respect for acquired rights, which are fundamental for investors with exposure to existing exploration and production assets.

Hydrocarbons located in the subsoil are the property of the Nation. Therefore, their exploration and exploitation require the execution of a contract with the Colombian State, through the ANH, which grants private parties the exclusive right to carry out these activities.

Between 2023 and 2025, the regulatory approach in the hydrocarbons sector has focused on facilitating the execution of existing contracts and ensuring the continuity of ongoing projects. For this purpose, the ANH issued Agreement No. 03 of 2025, which relaxed financial requirements for exploratory activities in ongoing projects, extended deadlines to prevent the abandonment of projects with commercial potential, and allowed the conversion of hydrocarbons contracts into energy generation projects based on non-conventional renewable energy sources (NCRES).

Notwithstanding the above, this scenario has created relevant investment opportunities through the acquisition and reorganization of existing assets, including transactions involving the purchase and sale of blocks in exploration, development, or production phases. It is also expected that new exploration opportunities may be opened in the future.

### Mining:

With respect to mineral exploration and exploitation, non-renewable natural resources are also owned by the State. Consequently, through the National Mining Agency (ANM), application processes are carried out in which interested parties must demonstrate that they possess the legal, financial, technical, and operational capabilities necessary to develop mining projects. Successful applicants are then awarded a concession contract for the exploitation of different mineral resources.

It is important to note that mining concession contracts include several stages—exploration, construction and assembly, and exploitation—each with specific obligations. These obligations include, among others, the payment of surface fees and royalties, depending on the stage of the project, and require compliance with specific regulatory and contractual obligations by the mining title holder..



In this context, parties interested in the exploitation of mineral resources must register with the National Mining Agency (ANM) in order to become eligible to participate in Mining Rounds, a mechanism designed to streamline the award process while granting successful bidders a series of incentives, including:

- The possibility of entering an early technical evaluation phase.
- A staggered payment scheme for surface fees.
- Discounts on surface fees paid during the exploration stage.

Currently, through Law 2177 of 2021, the National Government established the conditions for actors within the mining value chain to access financial products and services offered by entities supervised by the Financial Superintendence of Colombia and/or the Superintendence of the Solidarity Economy. In addition, Article 13 of Law 2177 of 2021 provides for the possibility that supervised entities may offer such financial products at preferential interest rates.

#### **Environmental:**

The development of energy generation projects, as well as the exploration and exploitation of hydrocarbons and mineral resources, is subject to a system of environmental licensing and permitting designed to balance the use of natural resources with environmental protection. These permits and licenses may be granted by regional or local environmental authorities, or by the National Environmental Licensing Authority (ANLA), depending on whether jurisdiction is assigned at the regional or national level, in accordance with the type of project and the provisions of Decree 1076 of 2015.

Colombia's environmental regulatory framework is generally regarded as predictable and aligned with international standards, which helps reduce legal risks and regulatory uncertainty for investors.

Environmental permits and licenses are management and control instruments that enable authorities to monitor activities that may have an impact on natural resources.

Likewise, once permits for the use of natural resources are granted, it is important to consider that environmental compensation obligations may be imposed. These obligations are intended to restore environmental conditions and mitigate the negative impacts that may arise from the execution of such projects.

Among the environmental compensation obligations that the relevant authority may require for a given project are, among others:

- Tree planting activities.
- Reforestation of affected areas.
- Hydrological or watershed rehabilitation.

The National Government recognizes the importance of developing energy generation projects, as well as the exploration and exploitation of hydrocarbons and mineral resources. Accordingly, it seeks to support these types of projects through regulatory frameworks consistent with Colombia's climate commitments, particularly those assumed under the Paris Agreement, through which the country committed to reducing its greenhouse gas emissions by twenty percent (20%) compared to projected emissions for the year 2030.

In this context, the Climate Action Law (Law 2169 of 2021) establishes targets and minimum measures aimed at achieving carbon neutrality, climate resilience, and low-carbon development in Colombia in the short, medium, and long term.

During 2025, the Ministry of Environment and Sustainable Development advanced measures to streamline procedures associated with environmental licensing for wind and solar energy projects. The issuance of Decrees 1033 and 1186 of 2025 introduced the Optimized Design Solar Environmental License and the Optimized Design Wind Environmental License, mechanisms intended to reduce licensing evaluation times by up to 70%. These mechanisms may exempt certain projects from submitting an Environmental Alternatives Assessment and from procedures related to the removal of forest reserve status in specific cases.

## 4.2 Public infrastructure projects

In Colombia, public infrastructure projects have traditionally been focused on the transport sector (roads, mass transport, airports and ports) and are generally executed through concession or public works contracts, governed by public law and awarded within the framework of public bidding processes.

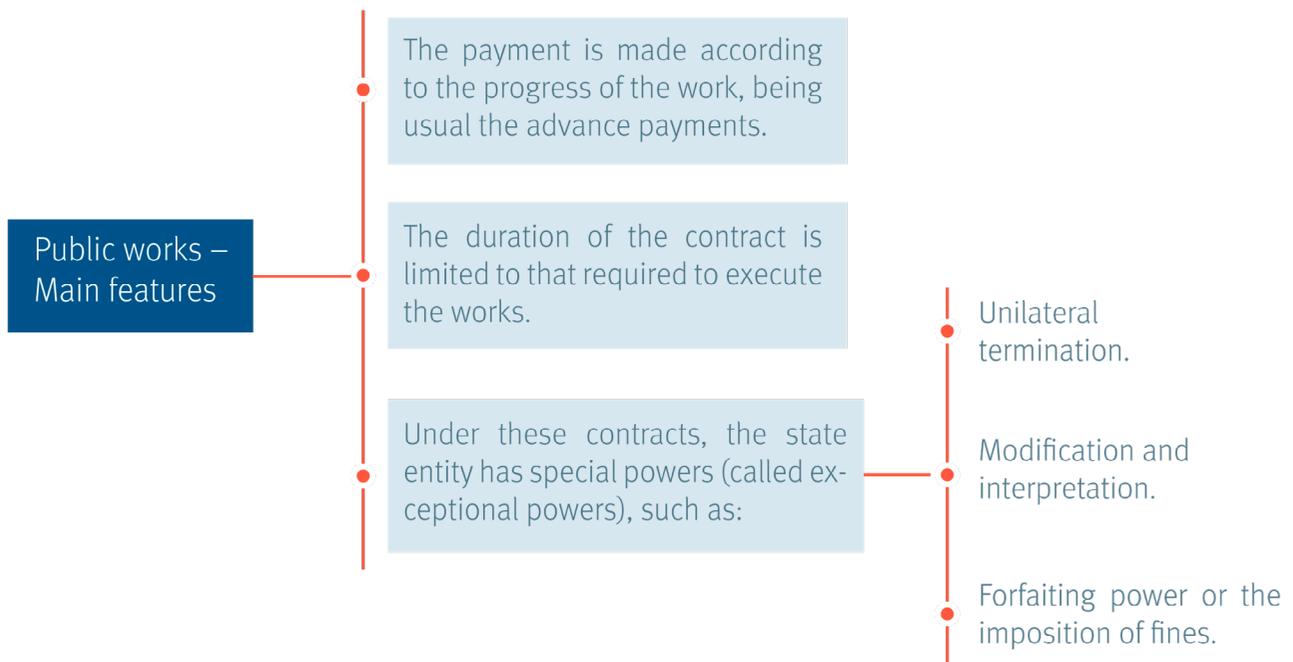
However, in recent years there has been a diversification of investment sectors such as hospitals, recreational centers, logistics infrastructure and schools.

Further, the modalities for contracting may change if the procurement guidelines of the multilateral banks financing the projects are applied.

Below we detail the main contracting modalities of public infrastructure projects.

### Public works

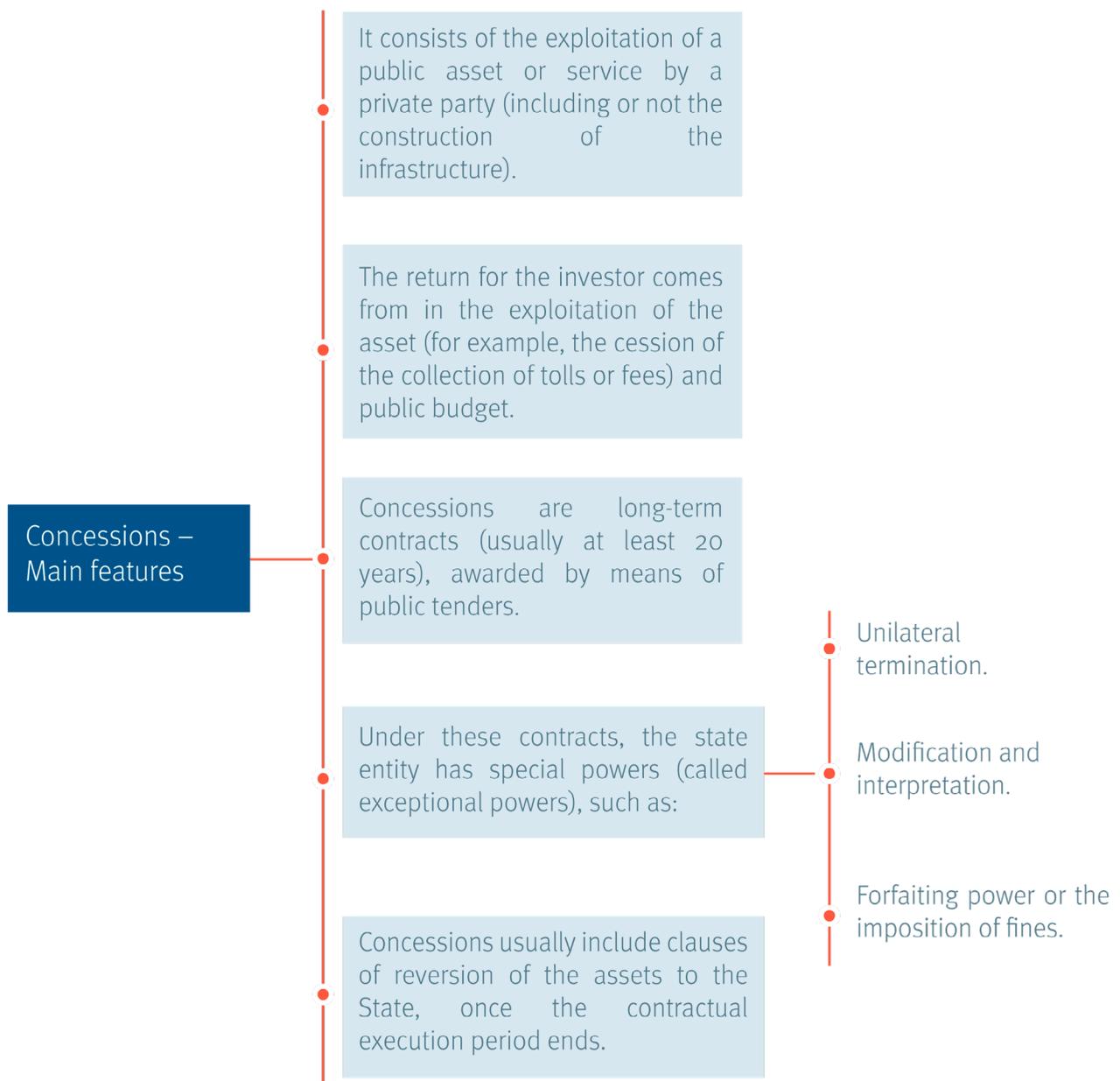
It is the most basic contracting scheme, governed by public law (Law 80 of 1993), and awarded on a public tender. It applies to the construction of infrastructure, such as buildings or roads.



This scheme has been traditionally used by local governments for projects such as the construction of the BRT mass transit systems, as well as at the national level for the construction and maintenance of roads by INVIAS.

## Concessions

This is the general regime for the execution of infrastructure projects in which private financing is required.

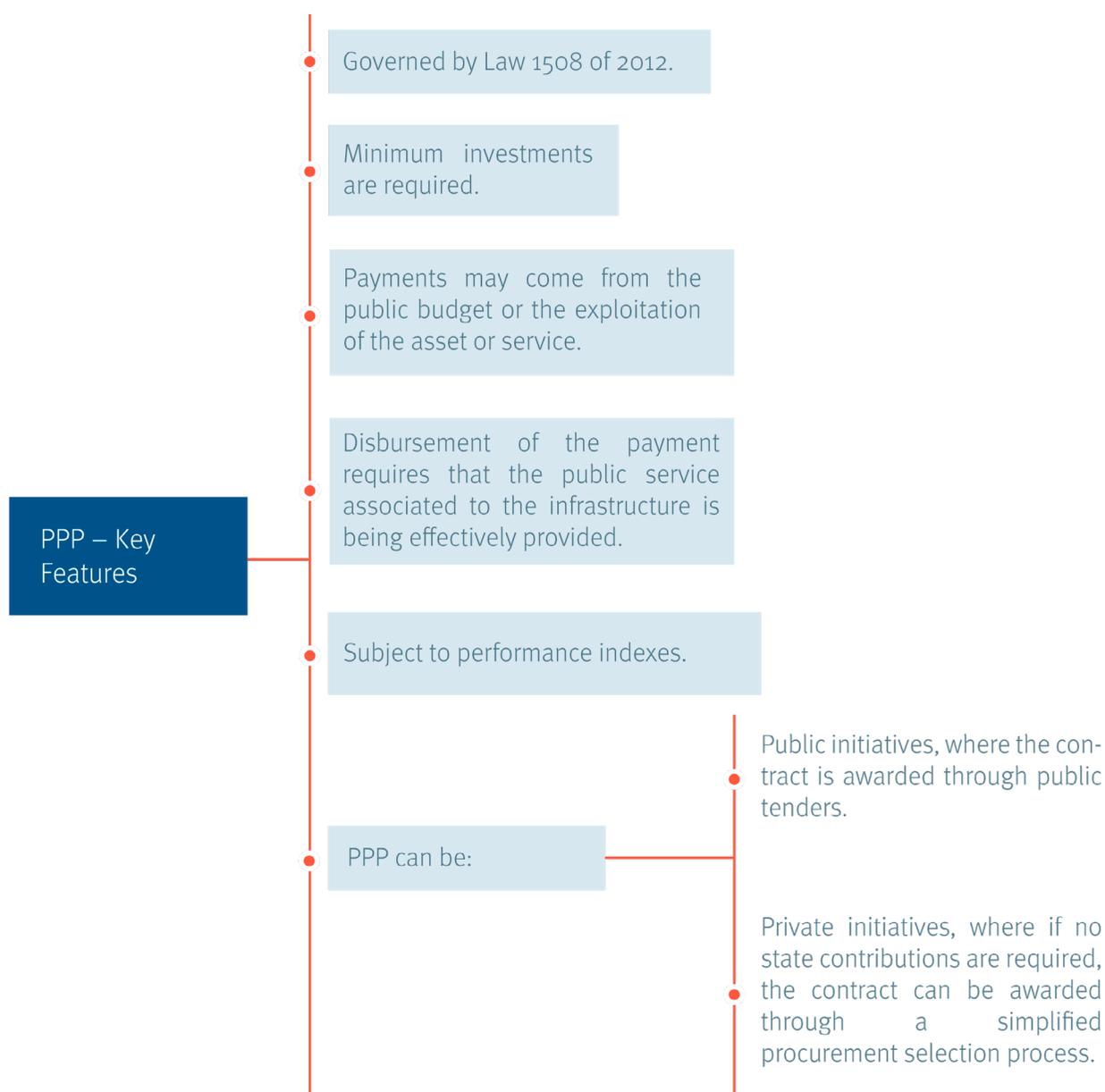


Examples of these projects are First and Third Generation Road and Airport Concessions (1G and 3G), contracts for the provision of fleet and fleet operation of mass Passenger transport systems, and even the construction and operation of metro lines (such as the Bogota Metro).

It is important to note that port concessions, while governed by public law, their particular regime (Law 1 of 1991) implies that competitive processes are exceptional. Further, these projects include special clauses, such as the payment the payment of consideration or the regulation on access to assets for public use and adjacent areas.

### Public-private partnerships (PPP)

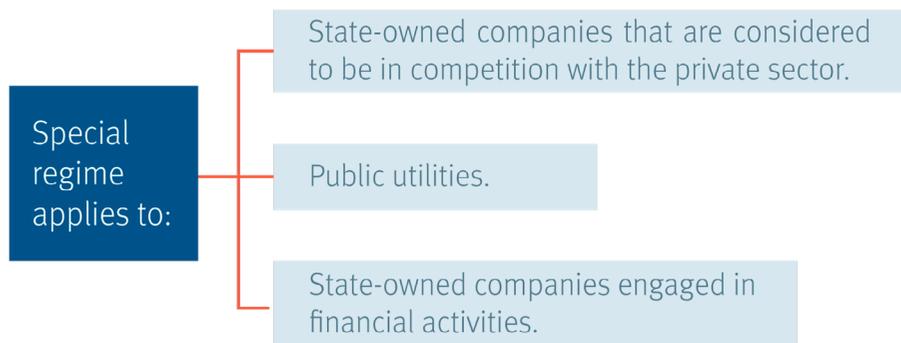
This is a particular type of concessions, that incorporate state-of-the-art parameters in aspects such as bankability (project finance), sustainability (including ESG criteria), secondary market (M&A) and dispute resolution (dispute boards and international arbitration).



This is the scheme used for the awarding of most transport infrastructure projects during the last decade (in particular, the Fourth and Fifth Generation, 4G and 5G Concessions), including airports, concessions for access to Bogota (Alo Sur, Accesos Norte I and II) and the biggest road project of Colombian history, the Estanquillo – Popayán toll road.

### Public entities with special procurement regime

There are several state entities that have a special procurement regime (Law 142 of 1994, Law 489 of 1998, and Law 1150 of 2007, among others), allowing them to award and perform their contracts under private law (instead of the public procurement system).



Thus, these entities resort to traditional figures of private law (such as EPC contracts) or adaptations of concession contracts (through public works contracts with additional periods of operation and maintenance), where the inclusion and exercise of exorbitant powers are excluded.

Examples of this kind of projects are the Metro de la 80 awarded by the Metro de Medellín Company, or the Canoas Wastewater Treatment Plant (PTAR) under the Empresa de Acueducto y Alcantarillado de Bogotá.

## 4.3 Real estate projects

The real estate sector in Colombia is one of the largest generators of profitability, stability and growth in the country. In turn, national regulations provide guarantees to protect investment.

### Real estate project structure in Colombia:

The purpose of this section is to present to the reader the steps that real estate developers normally carry out for their projects in Colombia. In this sense, we have identified 3 stages:



### Acquisition

During this first stage, the developer carries out a due diligence process through which it analyzes the real estate assets from two perspectives:

- A title search report, through which the history of the property is reviewed.
- A land use report, through which a full analysis of the zoning and planning. regulations is carried out to confirm the project's viability.

In addition to real estate due diligence, the developer usually executes the following preparatory documents: A non-disclosure agreement. A letter of intent, a memorandum of understanding, or promise contract, where the parties express their intent to develop the project and the main terms and conditions of the deal.

Such documents seek to guarantee exclusivity over the property and establish the basis for the negotiation.

Once the due diligence is finished, the developers complete the acquisition of the real estate assets. Trust vehicles are normally used in this stage, which have the purpose of managing the resources of the project and its assets.

### Development and construction

Once the property is acquired, the developer will carry on with the construction according to the desired purpose, whether it be: sell off the units, lease them directly or through build to suit plans, among others.

To start, the builder must apply for the necessary urban development licenses (urban planning, construction licenses, planning instruments, among others) based on land use designation. Once the licenses have been obtained, the construction of the project can begin.

For the construction, the property developers sign the construction contracts, which have different modalities that are adapted to the different needs of the project (delegated administration, unit prices, fixed global price). During the construction stage, the obligations established in the urban development licenses must be met, such as: delivery and provision of assignment areas, execution of roads and additional urban development charges.

### **Project delivery**

Once the construction is completed, the developer will proceed to deliver the sold units or the leased asset to its final consumers. It is important to bear in mind that the developer will be liable to its final consumers for defects in the buildings for a term of 10 years for structural faults and 1 year for faults on the finishes (this responsibility may be required in the same way to the builder of the construction).

Finally, it must be noted that the marketing of real estate assets is subject to consumer law provisions. Therefore, particular care must be taken in the manner in which they are advertised and marketed.



5

# Foreign Investment Protection



## 5.1 Foreign exchange regulation

Colombia has established itself as an attractive destination for foreign investment due to its sustained economic growth and the availability of opportunities across multiple sectors. However, it is essential for foreign investors to understand and comply with Colombia's foreign exchange regulatory framework, which governs the inflow and outflow of capital, foreign currency transactions, and the registration of investments.

In this section, we will present the key aspects of the Colombian foreign exchange regime, highlighting the importance of investment registration and its benefits in terms of capital protection and repatriation.

### 1. Sectors Open to Foreign Investment

Colombia offers ample opportunities for foreign investment in various sectors. Except for activities related to the processing, disposal and elimination of toxic, hazardous or radioactive waste not produced in the country, as well as defense and national security activities, foreign investors may invest in any other sector of the Colombian economy.

### 2. Mandatory channeling operations

In Colombia, although it is possible to invest in almost any sector, it is important to carry out the following operations through an Exchange Market Intermediary or through a Clearing Account:

- The import and export of goods.
- Foreign indebtedness operations entered into by residents and the financial costs inherent thereto.
- Foreign capital investments in the country, as well as the returns associated.
- Investments of Colombian capital abroad, as well as the yields.
- Associated-financial investments in securities issued and assets located abroad, as well as the yields associated therewith.
- Guarantees and collateral in foreign currency.
- Derivative transactions.

This channeling is a fundamental requirement to access the benefits and protections established in Law 9 of 1991. In recent years, Colombian authorities have increased oversight and enforcement of foreign exchange obligations, particularly with respect to reporting accuracy, consistency with tax filings, and the proper use of clearing accounts.

As a result, foreign investors should ensure robust internal controls and documentation to mitigate foreign exchange risk.

### 3. Benefits obtained with the registration

The main benefits obtained with the registration made through the channeling are the following:

- **Protection against Regulatory Changes:** Once the investment is registered, foreign investors enjoy protection against unforeseen regulatory changes that may affect their acquired rights. Changes in the rules and regulations related to foreign investment may not retroactively affect the rights and guarantees granted to foreign investors who have complied with the corresponding registration.
- **Profit Sharing and Repatriation of Investment:** The registration of foreign investment in Colombia is also fundamental to carry out profit sharing and repatriation of capital. Foreign investors that have complied with this obligation may transfer abroad the dividends and profits generated by their investment, as well as repatriate the capital initially invested, without significant restrictions.

Colombia's foreign exchange law constitutes a solid legal framework that provides security and protection to foreign investors. In order to take full advantage of investment opportunities in the country, it is essential to comply with the registration of the investment, which allows both protection against regulatory changes and the distribution of profits and repatriation of capital.

In this sense, having the appropriate legal advice to comply with the obligations and take advantage of the benefits of the Colombian exchange regime is fundamental for a successful investment experience in the country.



## 5.2 Régimen de protección a la inversión extranjera

Colombia offers one of Latin America's most reliable investment climates. With 19 bilateral and multi-lateral investment treaties currently in force, the country provides strong legal protections for foreign investors.

Notably, Colombia has successfully defended most investment arbitration claims—of approximately fifteen concluded ICSID cases, only a handful have resulted in outcomes partially favorable to investors. In that regard, Colombia's investment protection regime rests on two foundations: investment treaties and international investment arbitration.

Investment treaties are international agreements between Colombia and other countries that establish binding protections for foreign investors. When disputes arise, international arbitration provides investors with direct access to neutral tribunals—without requiring exhaustion of local remedies.

Colombia has ratified 19 investment protection treaties covering major trading partners across North America, Europe, Asia, and Latin America. Key treaties include:

Region	Treaty partners	Entry into force
North America	United States <sup>1</sup> , Canada, Mexico.	2011–2012
Europe	Spain, France, United Kingdom, EFTA States, Switzerland.	2007–2020
Asia-Pacific	China, Japan, South Korea, India, Israel	2012–2020
Latin America	Pacific Alliance, Chile, Peru, Costa Rica, Northern Triangle	2009–2016

In addition to the investment treaties and FTA investment chapters, Colombia has ratified The European Union Trade Agreement (effective July 16, 2013).

All of Colombia's bilateral investment treaties and FTA investment chapters guarantee the following standards:

- Most Favored Nation Treatment ensures investors receive treatment no less favorable than investors from any third country.
- National Treatment guarantees foreign investors treatment equal to domestic investors in comparable circumstances.

<sup>1</sup> In 2024, the Colombia-United States FTA Commission issued Decision No. 9, clarifying that arbitration claims require actual losses resulting directly from alleged breaches—excluding speculative claims.

- Fair and Equitable Treatment protects investors' legitimate expectations based on State representations.
- Protection Against Expropriation prohibits direct or indirect expropriation except for public purpose, on a non-discriminatory basis, with due process, and with prompt, adequate compensation.
- Free Transfer Clauses enable investors to freely transfer capital, profits, dividends, and proceeds from investment liquidation.

Regarding The European Union Trade Agreement, which provides additional protections for investors from EU Member States, it expressly excludes traditional investment protections. Article 111 of the Agreement clarifies that the establishment chapter "*does not cover provisions on investment protection, such as provisions specifically relating to expropriation and fair and equitable treatment, nor does it cover investor-State dispute settlement procedures*".

Despite these limitations, the Agreement establishes important market access and establishment guarantees. The Agreement grants EU investors National Treatment in sectors where Colombia has made specific commitments, ensuring treatment no less favorable than that accorded to Colombian investors. It also provides market access commitments that prohibit restrictions on the number of establishments, foreign capital participation limits, and requirements for specific types of legal entities. Additionally, the Agreement includes provisions on free movement of capital relating to direct investments and the repatriation of profits. For comprehensive investment protections including expropriation and fair and equitable treatment standards, EU investors should structure their investments through jurisdictions covered by Colombia's bilateral investment treaties.

When Colombia fails to meet its treaty obligations, investors can bring claims before international arbitration tribunals. While the International Centre for Settlement of Investment Disputes (ICSID) under the 1965 Washington Convention (ratified by Colombia in 1997) serves as the primary forum, most Colombian investment treaties also provide for arbitration under UNCITRAL Rules or other institutional frameworks such as the ICC, giving investors flexibility in choosing their preferred arbitral venue.



Colombia has generally maintained a favorable track record in investment arbitration, though recent decisions reflect a more nuanced picture:

- Three merits awards found Colombia did not violate fair and equitable treatment or expropriation standards, and four cases were dismissed on jurisdictional grounds<sup>2</sup>.
- Recent cases including *South32 v. Colombia* (June 2024, USD 9.5 million) and *Telefónica v. Colombia* (November 2024, approximately USD 380 million, under annulment proceedings) have resulted in awards against Colombia<sup>3</sup>.

For investors, it is important to note that:

- As regards mining and natural resources, recent cases demonstrate Colombia's right to regulate for environmental protection, particularly concerning páramo ecosystems.
- In the Telecomm sector, the *Telefónica case* highlights risks from retroactive regulatory interpretations affecting concession agreements.
- In infrastructure, long-term concession agreements and public-private partnerships qualify for treaty protection when properly structured.

Considering Colombia's political landscape, and the cases already decided, when deciding to invest in Colombia, investors should consider:

- To conduct thorough treaty coverage analysis to maximize available protection.
- Maintain comprehensive records of government commitments, regulatory representations, and investment decisions.
- Avoid inadvertent waiver of treaty claims through parallel domestic proceedings.
- Stay informed about potential treaty renegotiations while relying on existing protections.

In conclusion, Colombia offers a predictable legal framework for foreign investment, backed by 19 investment treaties and a demonstrated track record of respecting tribunal decisions. International Investment Arbitration ensures foreign investors can access neutral, specialized forums when disputes arise.

Although Following the *Telefónica* award, Colombia announced intentions to renegotiate arbitration clauses in certain trade agreements. However, all 19 existing treaties remain in full force, and Colombia has not denounced the ICSID Convention.

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<sup>2</sup> *Red Eagle Exploration v. Colombia* (February 2024): Colombia successfully invoked its essential security interest to protect páramo ecosystems—a first in investment arbitration history.  
*Eco Oro Minerals v. Colombia* (July 2024): Despite an earlier finding of a fair and equitable treatment breach, the tribunal awarded no damages regarding mining rights affected by environmental restrictions

<sup>3</sup> *Telefónica v. Colombia* (November 2024): The tribunal ordered approximately USD 380 million in damages for breaches related to telecommunications concession reversions; Colombia has initiated annulment proceedings

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# Main Contacts



# Main Contacts

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## Starting a business

María Isabel Romero de la Torre

[maria.romero@perezllorca.com](mailto:maria.romero@perezllorca.com)

+57 601 319-2900 Ext. 378



## Labor and immigration matters

Mauricio Montealegre León

[mauricio.montealegre@perezllorca.com](mailto:mauricio.montealegre@perezllorca.com)



## Main taxes

Mauricio Piñeros Perdomo

[mauricio.pineros@perezllorca.com](mailto:mauricio.pineros@perezllorca.com)

+57 601 319-2900 Ext. 921



## Compliance systems

Adriana Bueno Buitrago

[adriana.bueno@perezllorca.com](mailto:adriana.bueno@perezllorca.com)

+57 601 319-2900 Ext. 359



## Customs and free trade zones

Nicolás Potdevin Stein

[nicolas.potdevin@perezllorca.com](mailto:nicolas.potdevin@perezllorca.com)

+57 601 319-2900 Ext. 249



## Financing, capital markets and fintech

Ricardo Fandiño de la Calle

[ricardo.fandino@perezllorca.com](mailto:ricardo.fandino@perezllorca.com)

+57 601 319-2900 Ext. 920



## Foreign exchange regulation

Germán Villamil Pardo

[german.villamil@perezllorca.com](mailto:german.villamil@perezllorca.com)

+57 601 319-2900 Ext. 919



## M&A considerations

Lina Uribe García

[lina.uribe@perezllorca.com](mailto:lina.uribe@perezllorca.com)

+57 601 319-2900 Ext. 204

# Main Contacts

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## **International regime for protection**

David Araque Quijano

[david.araque@perezllorca.com](mailto:david.araque@perezllorca.com)

+57 601 319-2900 Ext. 274



## **Antitrust law / Personal data regulation**

Mauricio Jaramillo Campuzano

[mauricio.jaramillo@perezllorca.com](mailto:mauricio.jaramillo@perezllorca.com)

+57 601 319-2900 Ext. 203



## **Intellectual property and franchises**

Juanita Pérez Botero

[juanita.perez@perezllorca.com](mailto:juanita.perez@perezllorca.com)

+57 601 319-2900 Ext. 222



## **Energy and natural resources**

Patricia Arrázola Bustillo

[patricia.arrazola@perezllorca.com](mailto:patricia.arrazola@perezllorca.com)

+57 601 319-2900 Ext. 918



## **Public procurement**

Paola A. Larrahondo Cuesta

[paola.larahondo@perezllorca.com](mailto:paola.larahondo@perezllorca.com)

+57 601 319-2900 Ext. 229



## **Real estate**

Paula Samper Salazar

[paula.samper@perezllorca.com](mailto:paula.samper@perezllorca.com)

+57 601 319-2900 Ext. 910



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