



PROCOLOMBIA
EXPORTS TOURISM INVESTMENT COUNTRY BRAND



**Gobierno de
Colombia**

LEGAL GUIDE TO DO BUSINESS IN

COLOMBIA 

2023



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CHAPTER 3

*CORPORATE
REGULATIONS*

COLOMBIA 

CORPORATE REGULATIONS

Five things an investor should know about corporate regulations in Colombia:

1. Corporate Law in Colombia enjoys great stability by means of stable legislation that has progressed continuously.
2. Investors who wish to engage in permanent businesses in Colombia must, as a general rule, channel their investments through a legal vehicle such as a subsidiary or branch of a foreign company.
3. Colombia's commercial law is flexible and modern with regard to subsidiaries. It allows the creation of sole-shareholder investment vehicles, whereby the liability of the sole shareholder is limited to the amount of the corresponding contribution.
4. In order to carry out businesses in Colombia, foreign investors do not need a local partner or investor. With few exceptions,

the entire equity participation of a legal entity can be foreign-owned and there are no legal restrictions on its subsequent repatriation.

5. The incorporation of a legal vehicle is, in general terms, simple and expeditious, and does not require prior government authorization, except for special cases.

In Colombia, constitutional principles such as the right of association, the right to equality, and the protection of free enterprise and private initiative, enables the creation of entities that receive local and foreign investments. This chapter summarizes some relevant legal aspects of the most commonly used types of legal entities in Colombia.

3.1. Common Legal Vehicles to Carry Out Permanent Activities in Colombia

The most frequently used vehicles to undertake permanent activities in Colombia are commercial companies and foreign company branches.

3.1.1. Commercial Companies

These types of vehicles create a separate legal entity from that of its shareholders or partners. Commercial companies most frequently used to channel investments in Colombia are: (i) simplified stock companies (S.A.S. by its acronym in Spanish); (ii) limited liability companies; and (iii) corporations (S.A. by its acronym in Spanish). In recent years, the S.A.S. has become the legal vehicle of choice for the business community, particularly because of its flexibility in terms of the incorporation process, administration, and the ample freedom its shareholders have to establish the terms and conditions for its functioning and internal structure.

On the other hand, as a general rule, companies do not require operating permits in Colombia. There are exceptions for companies created to carry out certain types of activities of interest to the State (for example, financial, stock market, insurance, private security and surveillance services with weapons, or any other activity that involves the management, use and investment of funds collected from the public), which require prior authorization from the competent administrative authorities for their incorporation and operation.

3.1.2. Branches

Branches are ongoing entities opened in Colombia by a foreign company for the development of its corporate purpose. This is the reason why they do not have a legal personality different from that of its main office, which is equivalent to saying that the branch and the main office are the same legal entity and, therefore, the branch does not have any legal capacity superior to, or different from, that of its main office, which is liable for all

obligations acquired through its branch in the country.

The Commercial Code establishes that for a foreign company to undertake permanent activities in Colombia, it must establish a branch with a domicile in the national territory. Permanent activities (a concept different from the notion of permanent establishment for tax purposes) are established by law in a non-exhaustive manner, as follows:

1. **Opening commercial establishments and/or business offices in Colombia, even if these only provide advisory services;**
2. **Participating as a contractor in the performance of works or in the provision of services;**
3. **Participating in any form or activities aimed at the management, use or investment of funds from private savings;**
4. **Devoting itself to the extractive industry in any of its branches or services;**
5. **Obtaining from the Colombian Government a concession or that the concession has been assigned to any title, or that in any way participates in the exploitation of it; and**
6. **The performance of its associate assemblies, boards of directors, management or administration in the national territory.**

For these purposes, in addition to considering the aforementioned activities, it is important to note that Colombian legislation does not provide

specific criteria, nor a term of duration, in order to determine whether an activity is permanent or not. Therefore, permanence depends on the particular circumstances and development of the activity in Colombia. Some examples are: the nature or scope of the activity, the infrastructure required in the country

for its performance, the regularity of the activity and the recruitment of personnel in Colombia, among others.

For illustrative purposes, a comparative table of the main characteristics of the corporate vehicles that can be used by investors in Colombia is presented below:

CORPORATE VEHICLES THAT CAN BE USED BY INVESTORS IN COLOMBIA

	LIMITED LIABILITY COMPANY	CORPORATION	SIMPLIFIED STOCK COMPANY	FOREIGN COMPANY BRANCH
Incorporation/ Establishment	By means of a public deed.	By means of a public deed.	Usually by means of a private document. Nonetheless, if the contributions include assets that, according to the applicable law, require public deed for its assignment (i.e. real estate property), incorporation must be formalized by means of a public deed.	Resolution from the main office must be formalized by means of a public deed.
Number Of Partners/ Shareholders	Minimum two partners. Maximum 25.	Minimum five shareholders, none of which may have 95% or more of the outstanding capital stocks of the company.	Minimum one shareholder, no maximum limitation provided by law.	It is considered an extension of the foreign company (they are the same entity). Consequently, the branch itself has no partners or shareholders

	LIMITED LIABILITY COMPANY	CORPORATION	SIMPLIFIED STOCK COMPANY	FOREIGN COMPANY BRANCH
Liability Of Partners/ Shareholders	<p>Limited to the amount of the capital contribution for any obligation, unless the bylaws stipulate a greater responsibility for all or some of the partners. Partners are not liable for the payment of any corporate liability, with the exception of the following cases:</p> <ul style="list-style-type: none"> a. Failure to comply with labor or tax obligations. b. That the company is not identified with the acronym "Ltda". c. Overvaluation of in-kind contributions. d. Capital stock has not been paid in full. e. Willful misconduct or negligence deteriorating the common pledge of creditors. <p>Additionally, there may be administrative liability of the parent company for acts of transnational corruption.</p>	<p>The shareholder's liability is limited, at the beginning, to the amount of their contributions, except in the following cases:</p> <ul style="list-style-type: none"> a. Liability for outstanding obligations of the bankruptcy affiliate if the actions by the parent company gave rise to the insolvency of the affiliate. b. Willful misconduct or negligence deteriorate the common pledge of creditors. c. Overvaluation of in-kind contributions. <p>Additionally, there may be administrative liability of the parent company for acts of transnational corruption.</p>	<p>The shareholders' liability is limited, at the beginning, to the amount of their contributions, except in cases of fraud or abuse by the company to the detriment of third parties (willful misconduct or negligence deteriorating the common pledge of creditors).</p> <p>Additionally, there may be administrative liability of the parent company for acts of transnational corruption.</p>	<p>The foreign main office is liable for the assets and liabilities of the Branch in Colombia. The foreign company and the branch are liable for the tax obligations of the company.</p> <p>Additionally, there may be administrative liability of the foreign company for acts of transnational corruption.</p>

	LIMITED LIABILITY COMPANY	CORPORATION	SIMPLIFIED STOCK COMPANY	FOREIGN COMPANY BRANCH
Capital	Partner contributions shall be paid in full when the company is incorporated as well as when any increase is agreed upon.	During the incorporation, the shareholders must subscribe at least 50% of the authorized capital and pay at least 1/3 of the subscribed capital. The remaining 2/3 must be paid within a year.	The subscription and payment of capital can be made under the conditions, in the proportion and terms which have been established by the shareholders. In any case, shareholders have a term of two years to pay for the subscribed shares.	It is comprised by the assigned capital and the supplementary capital from the investment. Assigned capital must be fully paid and its increase requires authorization by the respective body of the parent company as well as an amendment to the by-laws. The increase of the supplementary investment does not require such amendment and may be made in cash from abroad.
Assignment Of Shares/Stock	Sale or assignment of the limited partnership shares implies that the company's bylaws must be amended. Such an amendment must be approved by the shareholders' assembly following a right of first refusal. The decision to sell or assign shares must be legalized by means of a public deed duly registered with the Chamber of Commerce.	Initially, shares are freely transferable, and no bylaw reform is required for their negotiation. Share assignment may be carried out by endorsing the certificates and registering them in the stock ledger. The transfer of shares may be limited by a lien in favor of the company and the shareholders at the time of negotiation, if included in the bylaws.	Initially, shares are freely transferable, and no bylaws reform is required for their negotiation. Share assignment may be carried out by endorsing the certificates and registering them in the stock ledger. Assignment can be limited to up to ten years or can be subject to authorization of a shareholders' meeting or to preferential subscription rights.	Does not apply.

	LIMITED LIABILITY COMPANY	CORPORATION	SIMPLIFIED STOCK COMPANY	FOREIGN COMPANY BRANCH
Reserves	The mandatory legal reserve is equivalent to 10% of the annual net gains up to an equivalent of 50% of the company's equity.	The mandatory legal reserve is equivalent to 10% of the annual net gains up to an equivalent of 50% of the subscribed capital.	No legal reserve is mandatory, unless otherwise contemplated in the company's bylaws.	The mandatory legal reserve for a branch is equivalent to 10% of the annual net gains up to an equivalent of 50% of the assigned capital.
Social Purpose	Shall be determined, and the company's legal capacity will be restricted to activities contemplated under such social purpose.	Shall be determined, and the company's legal capacity will be restricted to activities contemplated under such social purpose.	May be undetermined, allowing the company to perform any licit act of commerce.	Shall be determined, and the branch's legal capacity will be restricted to the main office's social purpose.
Term Of Duration	Defined (with the possibility to be extended by the partners).	Defined (with the possibility to be extended by the shareholders).	May be indefinite.	Defined (with the possibility to be extended by the main office depending on the term of duration of such entity).
Foreign Investment	Investment of capital in money is automatically registered before the Colombian Central Bank when the corresponding required information of the exchange operation is submitted by an exchange market intermediary (commercial bank), or through a compensation account registered before the Colombian Central Bank.	Investment of capital in money is automatically registered with the Colombian Central Bank when the corresponding required information of the exchange operation is submitted by an exchange market intermediary (commercial bank), or through a compensation account registered before the Colombian Central Bank.	Investment of capital in money is automatically registered with the Colombian Central Bank when corresponding required information of the exchange operation is submitted by an exchange market intermediary (commercial bank), or through a compensation account registered before the Colombian Central Bank.	Investment of capital in money is automatically registered with the Colombian Central Bank when corresponding required information of the exchange operation is submitted by an exchange market intermediary (commercial bank), or through a compensation account registered before the Colombian Central Bank. If the main office forwards additional funds as supplementary investment to the assigned capital, such foreign currency shall be channeled through the foreign exchange market.

	LIMITED LIABILITY COMPANY	CORPORATION	SIMPLIFIED STOCK COMPANY	FOREIGN COMPANY BRANCH
Statutory Auditor	Not required, except when (i) the value of the gross assets is equivalent to or greater than 5,000 times the current minimum legal monthly wage ¹ , which is equivalent to COP \$5.800.000.000 (approx. USD 1.362.462 ²), or (ii) the gross income for the immediately preceding year are equivalent to or greater than 3,000 times the current minimum legal monthly wage, which is equivalent to COP \$3.480.000.000 (approx. USD 817.447).	Mandatory for stock companies.	Not required, except when (i) the value of the gross assets is equivalent to or greater than 5,000 times the current minimum legal monthly wage, which is equivalent to COP. \$5.800.000.000 (approx. USD 1.362.462), or (ii) the gross income for the immediately preceding year are equivalent to or greater than 3,000 times the current minimum legal monthly wage, which is equivalent to COP \$3.480.000.000 (approx. USD 817.477).	Mandatory for branches since its establishment.
Dividends & Remittances	If the foreign investment has been duly registered with the Colombian Central Bank, the investor will have foreign exchange rights to pay dividends based on real and reliable financial statements.	If the foreign investment has been duly registered with the Colombian Central Bank, the investor will have foreign exchange rights to pay dividends based on real and reliable financial statements.	If the foreign investment has been duly registered with the Colombian Central Bank, the investor will have foreign exchange rights to pay dividends based on real and reliable financial statements.	If the foreign investment has been duly registered with the Colombian Central Bank, the investor will have exchange rights to pay profits based on real and reliable financial statements.
Board Of Directors	The company is not required to have a board of directors. This body is optional.	The board of directors is a mandatory corporate body.	The company is not required to have a board of directors. This body is optional.	Does not apply.

3.2. Main obligations when incorporating a legal vehicle in Colombia

3.2.1. Commercial Registration

Commercial companies and branches must register in the commercial registry kept by the Chamber of Commerce of the city where is to be based.

In order to obtain the commercial registration, the following documents have to be submitted: (i) the company's bylaws or the branches' public deed; (ii) other forms or

¹ A minimum salary in 2023 is equivalent to COP 1.160.000

² The reference exchange rate used is USD 1 = COP 4.257

documents requested by the Chamber of Commerce may request; and (iii) the letters of acceptance for the persons appointed as managers and statutory auditors (in the event the company requires one). The Chamber of Commerce also processes the form that is issued for the application/registration in the National Tax and Customs Office (DIAN) in which the provisional registration is requested, for the “National Tax Registry” (RUT per its acronym in Spanish). This form contains the general data for the taxpayer, as well as tax and customs responsibilities. Additionally, in order to obtain the company’s registration, the corresponding fees and taxes must be paid before the Chamber of Commerce, following the approximated cost described in this Chapter.

This registration must be renewed every year before March 31.

3.2.2. Appointment of Directors / Legal Representatives

The appointment of directors, legal representatives, agents, and statutory auditors, among others, must be registered before the commercial registry kept by the Chamber of Commerce of its domicile. For such purposes, the document deciding the appointment must be filed (in the case of general agents designated for a branch, the document must be issued by the main office and has to be duly apostilled or legalized before the competent authority), with the letter of acceptance and a copy of the appointed person’s identification document.

The managers of the company may be foreigners not domiciled in Colombia, with few exceptions (i.e. utility companies). The statutory auditors must be Colombian public accountants.

3.2.3. Registration under the National Tax Registry (RUT in Spanish)

The tax ID shall be obtained prior to the performance of any commercial activity. As a general rule, it is obtained automatically when the company or branch is registered with the Chamber of Commerce. In the event that for any reason the tax ID is not assigned to the company or branch at the time of incorporation or establishment, the procedure must be carried out directly with the tax authority (DIAN) once the company or branch has been incorporated or established and duly registered in the Chamber of Commerce.

Whenever said procedure is undertaken directly before DIAN, an appointment must be requested and presented before this entity, with a copy of the identification document of the person who will be filing the request before the DIAN, for which the exhibition of the original identification card will be required. If the person who files the request is an attorney, a copy of the power of attorney must also be presented and the original copy must be exhibited as well. If the power of attorney is granted for a period that exceeds six (6) months, a certificate of its state of being in force is also requested by the authorities. In such case, once the corresponding RUT has been obtained, the company will receive the Tax Identification Number (NIT per its acronym in Spanish), which will have to be updated before the corresponding Chamber of Commerce.

It is important to bear in mind that the legal representative of the company or branch, as well as their substitutes, must in turn have a Single Tax Registry (RUT) of their own and an electronic signature, regardless they are not residents. The obtaining of the RUT for nonresident legal representatives may be done online with a copy of the identification document,

and a power of attorney granted by the legal representative. Such power of attorney must be legalized before a notary and apostilled or legalized before the Colombian Consul, for its validity in Colombia. The foregoing does not imply any type of tax liability in Colombia per se, but rather seeks to demonstrate that the individual who is represented by the company has the capacity to comply with formal obligations and file tax returns on behalf of the company being represented.

3.2.4. Payment of Capital and Registration of the Foreign Investment

By general rule, Colombian legislation does not require a minimum capital contribution to incorporate commercial companies or to register a branch. The capital contribution is set by the shareholders or partners, with regard to the activities that the company plans to carry out in Colombia.

Depending on the legal vehicle to be established, there are rules applicable at the time of payment of the capital:

- **For branches and limited liability companies, the capital must be paid at the time of their incorporation.**
- **For corporations, at least one third of the value of each stock paid at the time of incorporation as well as 50% of that paid-in capital, must be paid. The outstanding placed capital must be entirely paid within a year.**
- **With respect to the simplified stock companies S.A.S., there are no capital ratios that determine the proportions by**

which shares must be paid at its incorporation, however, the placed capital must be paid within a maximum period of two (2) years.

Foreign currency which is entering the country on behalf of non-residents, and which is destined to become a capital contribution for a company or a branch, must be registered as a foreign investment with the Colombian Central Bank. This will be done by submitting through intermediaries of the exchange market ("IMC" by its acronym in Spanish) duly authorized in Colombia for that purpose. The required information for the operation ("Declaración de Cambio") submission of the minimum required information will be sufficient to obtain the automatic registration of the foreign investment.

In the case of branches, the transaction of funds from the main office can be channeled as a capital supplementary investment (ISCA per its acronym in Spanish) which is a direct foreign investment. This type of investment must be registered before the Central Bank, however, registration before the Chamber of Commerce is not required.

For more detail, please consult the Foreign Exchange Regime Chapter of the Legal Guide.

3.2.5. Registration of control situation and corporate group

It is important to take into account that, in Colombia, there is an obligation to register a situation of control and/or corporate group within 30 business days following the date of configuration of the

situation of control or corporate group. Such situation must be registered by the controlling entity in the commercial registry of the domicile of each of the related parties, i.e., both the controlling and the subordinate, in order to make such circumstance known to third parties.

According to commercial law, a control situation is understood to exist when a company's decision-making authority is subject to the will of one or more person(s). These persons can be either individuals or legal entities, the latter being the company in question's parent or controlling company.

If the parent company exercises direct control over the subordinate company, the latter is considered an affiliate; if on the contrary, the parent company exercises control with the assistance of the subordinate company or through it, that is, indirectly, it is called a subsidiary. In this regard, it is important to highlight the following:

- **The law recognizes that an entity may exercise control over another entity without any capital participation in it.**
- **Likewise, it is recognized that corporate control can be exercised by individuals or non-corporate legal entities. Nonetheless, the controlled company may only have a corporate nature.**
- **Additionally, it is recognized that corporate control can be exercised by more than one person or entity.**

In order to determine the existence of a corporate group, in addition to the relationship of subordination or control, all entities which comprise the group must share a common purpose and direction. The law establishes that a common purpose and direction exist when the activities of all the entities are designed to achieve an objective that is defined by the parent or controlling company by virtue of the direction that it exercises over the group, notwithstanding the ability of each member to pursue its corporate purpose individually.

3.2.6. Financial Statements

Commercial companies and branches must close their books and issue certified³ and audited⁴ general purpose financial statements at least once a year on December 31. For mergers, spin-offs and conversion or capital reduction with effective reimbursement of capital contributions, financial statements for special purposes must be issued.

General -purpose financial statements are prepared at the end of a specific period to provide information to undetermined users who are interested in evaluating the capacity of an economic entity to generate positive cash flows. The financial statements include: the financial situation, the income statement as well as other results for the period (ORI per its acronym in Spanish), the statement of changes in equity of the period, the statement of changes and the cash flow statement.

³ Certified financial statements are those for which the legal representative and the accountant of the company declare that the contents of the financial statements have been previously verified according to the regulations, and that said contents have been drawn directly from the company's records

⁴ Audited financial statements are certified financial statements that are accompanied by the auditor's professional judgment or of the independent accountant that elaborated them, regarding the fact that all the information provided is in accordance with generally accepted auditing standards.

The financial statements shall be deposited annually in the Chamber of Commerce of the company's domicile within 30 days after being approved by the shareholders' meeting or partners' meeting as long as the company is not obligated to submit them before the Superintendence of Companies.

For tax control purposes, corporate groups that are registered in the commercial registry of the Chambers of Commerce must submit their consolidated financial statements on magnetic media before the DIAN no later than June 30 of each year.

3.3. Other considerations

3.3.1. Bylaw Amendments

Bylaw amendments do not require authorization from state authorities, despite the following exceptions:

- **Amendments to bylaws associated with mergers, spin-offs, or decrease in capital or premium with cash reimbursement of contributions may require the prior authorization of the Superintendence of Companies, provided certain conditions are met⁵, otherwise it may require the authorization of the corresponding supervisory entity.**
- **The amendment consisting of the decrease in capital with effective reimbursement of contributions requires, in addition, the prior authorization of the Ministry of Labor, if certain conditions are met.**
- **In some cases which imply**

an economic integration, the previous authorization or notice to the Superintendence of Industry and Commerce (antitrust authority) is required.

- **In some cases of voluntary liquidation, the prior approval of the inventory by the Superintendence of Companies is required.**

Bylaw amendments for companies incorporated by means of a private document, such as S.A.S. companies, are also carried out by means of private document. On the other hand, bylaw amendments for companies incorporated through public deeds must also be formalized through a public deed. Under no circumstance can an amendment involving the increase of capital as a result of an asset contribution, one which requires a transfer by means of a public deed, be done through a private document.

The amendments to the incorporation documents of the branches must be legalized, as they come from outside the country. They must also be formalized in the notary of the domicile of the branch and registered before the Chamber of Commerce.

3.3.2. Profits

Profits are distributed based on true and reliable year-end financial statements which are prepared in accordance with generally accepted accounting principles, after setting aside the legal, statutory and occasional reserves. It is also necessary to set aside the appropriations for the payment of taxes which is in proportion to the paid portion of the value of stocks, shares or equity stake of each partner or shareholder so long as the bylaws do

⁵ Basic Legal Circular 100-000008 of July 12, 2022, of the Superintendency of Companies.

not provide otherwise. It must be noted that for the S.A.S., the legal reserve is not mandatory provided such reserve is not contemplated in the company's bylaws.

Clauses that deprive any shareholder or partner of full participation in the profits will be disregarded.

For tax treatment of the distribution of dividends, please refer to the Tax Regime Chapter.

3.3.3. Dissolution and Liquidation

The extinction of a company or a branch occurs as a consequence of its dissolution and subsequent liquidation. Therefore, the dissolution marks the initiation of the liquidation process. This process ends with the actual liquidation of the entity and the cancellation of the commercial registration of the company.

Branches of foreign companies, as an extension of their main office, depend on their main office to survive. Because of this, they can be liquidated in accordance with the causes that have been agreed on by the main office for that case. These are also the general grounds for the dissolution of Colombian commercial companies.

When the company or branch is in process of liquidation it will have to include in its name the expression "in liquidation". If this is not done the company or branch will have to respond to the damages that can be caused for its omission. In the same sense, the company or branch's corporate purpose is restricted to the single objective of liquidating the assets to pay any outstanding liabilities.

Within the liquidating process, provided that, form and time requirements are

met, creditors are entitled to present themselves to file their claims and obtain payment of their credits in the order and with the priority and preferences established by law.

Once the final liquidation statement is registered in the commercial registry kept by the Chamber of Commerce, the company must also file income tax returns for the corresponding portion of the year, comply with other applicable formal obligations and proceed to cancel the RUT before the DIAN. Foreign investors must request the cancelation of the foreign investment before the Colombian Central Bank, and the cancelation of its investor RUT before the DIAN (if the operations or investments in Colombia will not continue).

3.4. Steps and Related Costs of Setting up the Legal Vehicles

3.4.1. General comments

It is important to bear in mind that if the prospective partners or shareholders or the legal representative of the main office cannot be in the country in order to attend the incorporation procedures for the company or branch, then they must grant a duly legalized written power of attorney to an attorney in Colombia (the person who will be appointed by the power of attorney, does not have to be a lawyer).

To that effect, if the investor country is a signatory to The Hague Convention, the documents issued outside the country, which have to be notarized and legalized, may be apostilled. If the country is not a part of The Hague Convention, then the document will have to be legalized before the Colombian consulate where the consular office is.

3.4.2. Company

For the incorporation of a company in Colombia, the following documents are required:

1. A document certifying the existence and validity of the main office (if it is a company that is going to act as founding shareholder), issued in the corresponding country of origin.
2. The documents which evidence that whoever is acting as

authorized representative and signatory as shareholder, has the powers to do so.

All documents issued abroad must also be apostilled or legalized before the corresponding Colombian consul for their validity in Colombia.

Additionally, documents issued in a language other than Spanish must be translated by an official translator authorized in Colombia, duly registered with the Colombian Ministry of Foreign Affairs.

3.4.2.1. Simplified Stock Company (S.A.S.)

NO.	ACTIVITY AND/OR DOCUMENT	COSTS FOR ITS IMPLEMENTATION
1	Incorporation by means of a private document with personal presentation before a public notary by the attorney-in-fact or shareholder(s).	Notary fees COP \$8,600 (approx. USD 2) + 19% VAT.
2	Registration of the private incorporation document (bylaws) in the Chamber of Commerce of the city where the company is to be based, together with the registration forms. Bylaws must be accompanied by all documents required by the Chamber of Commerce. Registration duties and taxes must be paid.	Up to 0.7% of the subscribed capital value of the company (registration tax) + applicable fee in accordance with the assets of the company (matrícula mercantil) + COP \$53,000 (approx. USD 12,5) (registration fees).
3	Request of the certificate of incorporation and legal representation issued by the Chamber of Commerce.	COP \$7.200 (approx. USD 1,7).
4	Registration of legal representatives before the RUT and update of the company's RUT.	No charge
5	Registration of corporate books	Approx. COP \$48.000 (USD 11,28)

3.4.2.2. Corporations and Limited Liability Companies

NO.	ACTIVITY AND/OR DOCUMENT	COST
1	Bylaws must be formalized by means of a public deed.	0.3% over the social capital or subscribed capital (notarial fees) + 19% VAT over notarial fees, in the event of the public deed. In the case of notarization of a private document of incorporation, COP \$8,800 (approx. USD 2,1)+ VAT.
2	Registration of the public deed before the chamber of commerce of the jurisdiction where the company is to be based. Bylaws must be accompanied by all documents required by the Chamber of Commerce. Registration duties and taxes must be paid.	Up to 0.7% of the subscribed capital value of the company (registration tax) + applicable fee in accordance with the assets of the company (matrícula mercantil) + COP \$53,000 (approx. USD 12,5) (registration fees).
3	Request of the certificate of incorporation and legal representation issued by the Chamber of Commerce.	COP \$7.200 (approx. USD 1,7).
4	Registration of legal representatives before the RUT and update of the company's RUT.	No charge
5	Registration of corporate books	Approx. COP \$48.000 (USD 11,28)

3.4.3. Foreign Company Branch

For the registration of a branch in Colombia, the following documents are required in order to be included in the public deed:

1. The incorporation documents and the bylaws of the main office
 2. The documents that provide evidence of the existence and validity of the main office issued in the country of origin by the corresponding authority;
 3. The documents which evidence that whoever is acting on behalf of the main office, has the power to do so.
 4. The resolution by which the decision of opening a branch in Colombia was made, which must be issued by the corresponding organ of the main office, and must include at least:
 - The name of the branch (which must be related to the main office, following the criteria of the Superintendence of Companies)
 - The corporate purpose to be developed in Colombia.
- The assigned capital and funds originated in other sources, if any.
 - The domicile of the branch.
 - The term of duration in the country and the grounds for termination.
 - The appointment of general agents, with one or more alternates, to represent the branch in the performance of the business in Colombia.
 - The appointment of a statutory auditor, who must be a Colombian accountant.

All documents issued abroad must also be apostilled or legalized before the corresponding Colombian consul for their validity in Colombia.

Additionally, documents issued in a language other than Spanish must be translated by an official translator authorized in Colombia, duly registered with the Colombian Ministry of Foreign Affairs.

NO	ACTIVITY AND/OR DOCUMENT	COST
1	The bylaws of the main office and any other document required by the Colombian Code of Commerce must be formalized by means of a public deed.	0.3% over the assigned capital to the branch (notarial fees) + 19% VAT over such notarial fees.

NO	ACTIVITY AND/OR DOCUMENT	COST
2	Registration in the Chamber of Commerce of the public deed indicated above.	Up to 0.7% of the subscribed capital value of the company (registration tax) + applicable fee in accordance with the assets of the company (matrícula mercantil) + COP \$53,000 (approx. USD 12,5) (registration fees).
3	Request of the certificate of incorporation and legal representation issued by the Chamber of Commerce.	COP \$7.200
4	Registration of legal representatives before the RUT and update of the company's RUT.	No charge

3.5. Time for the incorporation / establishment of Legal Vehicles in Colombia

As a result of the procedures and requirements necessary for the incorporation of the different vehicles analyzed above, please find below an estimate of the time required for the incorporation of such vehicles. The days are expressed in working days.



PREVIOUS PROCEDURES	Completion and legalization of corporate documents: (i) power of attorney for incorporation; (ii) bylaws of the subsidiary or affiliate; or (iii) resolution to open a branch office.
DAY 0	Receipt of corporate documents for the incorporation or opening of the company or branch.
DAY 2	Signature of the private document and/or public deed of incorporation or opening of the company or branch.
DAY 6	<ul style="list-style-type: none"> • Registration before the Chamber of Commerce of the private document or public deed of incorporation / establishment of the company or branch. • Registration of appointments (legal representative, members of the board of directors, statutory auditor, as applicable).
DAY 10	<ul style="list-style-type: none"> • Obtaining the Certificate of Existence and Legal Representation (CERL) of the company or branch. • As of this date, the company / branch has full legal capacity to make registrations, enter into contracts, etc.
15-20 DAYS	<ul style="list-style-type: none"> • Registration of corporate books. • Registration of the legal representatives in the RUT. • Channeling of foreign currency corresponding to the foreign contribution. Automatic registration of the foreign investment before the Central Bank.

3.6. Merger control

Colombian competitive governance establishes that corporate integration or concentration processes that fulfill certain obligations must be reported before the Superintendence of Industry and Commerce (SIC) which is the national authority on this matter.

The term “corporate integration” includes mergers, acquisitions, partnerships, cooperation agreements, joint ventures, and/or any other type of agreement or transaction in which one company takes

control⁵ of another, thereby eliminating competition through the consolidation of two market players into one.

Corporate integrations must be reported before the SIC, if the following conditions are met:

i. Subjective conditions:

a. If the companies involved in the operation perform the same activity (horizontal integration) or;

⁵ Article 45 of Decree 2153 of 1992 defines control as: “The possibility of directly or indirectly influencing corporate policy, the initiation or termination of the company’s activity, the variation of the activity to which the company is dedicated or the disposition of assets or rights essential for the development of the company’s activity.” In consequence, transactions that do not involve the acquisition of a majority interest in a competing company, but that allow the exercise of control must be reported to the SIC.

b. If the companies involved in the operation are part of the same value chain (vertical integration).

ii. Objective conditions:

- a. If the companies that fulfill any of the subjective conditions had, together or individually considered, operating incomes exceeding 1.641.044,99 Tax Value Units (UVT) (for the year 2023, COP\$ 69,600,000,115.88; approximately USD 16.349.541,96) in the fiscal year prior to the proposed transaction.
- b. If the companies that fulfill any of the subjective conditions had, together or individually considered, total assets exceeding 1,641,044.99 Tax Value Units (UVT) (for the year 2023, COP\$ 66.959.267.406,16; approximately USD 15.729.214,8) in the fiscal year prior to the proposed transaction.

Depending on the market share of the involved companies, the operation must be either informed to the SIC or authorization must be requested as follows:

- i. If the involved companies have a joint relevant market share lower than 20%, the operation is automatically authorized, however, it must be informed to the SIC before carrying it

out. The authority may require further information on the parties to determine if the relevant market share is lower than 20%;

- ii. When the companies jointly considered having a relevant market share higher than 20%, the operation requires a previous authorization to be completed.

When referring to horizontal integrations, the “relevant market” will be that in which all the companies involved in the operation offer products and/or services. Alternatively, when referring to vertical integrations, the “relevant market” will be that in which the companies involved in the operation are part of the same chain of value and offer their products and/or services. Therefore, the relevant market involves both the market of the products/ services as well as the geographical market involved in the operation. One operation may affect one or more relevant markets, either because there are several product markets or because there are more affected geographical markets⁶.

Failure to submitting a transaction to merger control proceedings, when there is a duty to do so, or closing a transaction before the expiration of the term for the SIC to issue a decision, is considered a violation of the Colombian Regime for the Protection of Free Competition. Therefore, the following sanctions may be imposed:

⁶ Guide for Corporate Integrations by the Superintendence of Industry and Commerce.

- a. Reversion of the proposed transaction (Art. 13, Law 1340 of 2009)
- b. Economic penalties against the parties. (Art. 25, Law 1340 of 2009)
- c. Economic sanctions against natural persons who collaborate, authorize, promote, encourage, execute, or tolerate the Transaction's closing. (Art. 26, Law 1340 of 2009)

3.7. Regulatory Framework

REGULATION	SUBJECT
Code of Commerce	General and specific regulation on corporations and foreign company branch.
Law 222 of 1995	Amends the Code of Commerce in matters pertaining to corporations and regulates aspects such as spin-offs, corporate groups, duties of managers, preferred stocks with dividends and without voting rights, majority required for the stock corporation and one-person business.
Law 1116 of 2006	Whereby the Corporate Insolvency Regime is established in the Republic of Colombia and other provisions are enacted.
Law 1258 of 2008	The simplified stock company (S.A.S.) is created and the applicable norm for this kind of corporation is set forth.
Regulatory Circular DCIN 83 issued by the Colombian Central Bank - Chapter 7	Foreign investment in Colombia.
Law 1340 of 2009	Law establishing rules relating to the protection of competition.
Law 1429 of 2010	Law on formalization of employment and job creation.
Decree 19 of 2012	Whereby provisions for the elimination and reform of procedures in the public administration are set forth.
Law 1607 of 2012	Whereby regulation in tax matters are set forth.

NORMA	MATERIA
Law 1739 of 2014	Whereby the Colombian tax code and Law 1607 is modified.
Statutory Law 1581 of 2012	Whereby the provision for the protection of the data privacy is issued.
Law 1778 of 2016	Law establishing rules on the liability of legal entities for acts of transnational corruption and other provisions.
Circular Basica Juridica 100-000008 of July 12, 2022 of the Superintendence of Companies.	General regulations on merger processes, capital decreases, among other corporate matters.

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