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## ***Colombian political party submits new tax bill to Congress***

*September 5, 2018*

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### ***In brief***

On August 14, 2018, a Colombian minority political party (the *Cambio Radical* party) submitted a tax bill to Congress.

The proposed bill would:

- reduce the general corporate income tax rate to 30% (10% for certain tourism-related activities and certain agribusiness activities) from 33%
- reduce the corporate income tax rate applicable to foreign portfolio investments to 0%
- amend thin-capitalization rules to include only debt with foreign related parties
- no longer require the registration of a technology agreement in order for the expenses related to the importation of the technology (e.g., technical services, technical assistance services, licensing of IP) to be deductible for corporate income tax purposes
- not subject to further tax any dividend distributions out of earnings that were already subject to corporate income tax
- allow full deductibility of taxes, fees, and contributions, regardless of whether they are related to the taxpayer's income-producing activity
- reenter into force the ability to deduct the amount of undistributed book profits from the taxable gain on a share disposal
- allow indefinite carryforward of net operating losses (NOLs). Moreover, NOLs from companies that were absorbed in a merger process would be available in the resulting company without limitation
- make creditable for income tax purposes the Industry and Trade Tax paid
- make fully deductible for corporate income tax purposes any Financial Transactions Tax paid.

The passage of this bill (as currently drafted) is uncertain since the Executive Branch and its majority coalition in Congress have expressed their intention to introduce their own tax reform bill. However, we expect that some form of tax reform will be enacted before year-end.

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## ***Let's talk***

For a deeper discussion of how this may affect your business, please contact:

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*This Latin American Tax Insight has been prepared by PwC professionals that are integrated in Europe's Latin American Center of Excellence (LACoE) and the US's Latin American Tax Group (LATAX) practice. Their objective is to assist clients with business activities in the Latin American region.*

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