

Benefits and Compensation Framework - Colombia

Salary Structure, Social Security, and Employee Benefits

Introduction

This document provides a comprehensive overview of the benefits and compensation framework in Colombia, as stipulated by the **Substantive Labor Code (Código Sustantivo del Trabajo)** and supplementary regulations. It is designed for employers to understand the mandatory and customary components of employee remuneration, social security obligations, and prevailing market trends. The framework in Colombia is robust, aiming to provide employees with a strong social safety net and fair compensation for their labor. All monetary values are expressed in Colombian Pesos (COP).

Salary Structure

National Minimum Wage (Salario Mínimo Mensual Legal Vigente - SMMLV)

The Colombian government, through a tripartite commission involving employers, unions, and government representatives, establishes a national minimum wage annually. This wage is the legal minimum that an employer can pay for a full-time

work schedule.

- • **Synthetic Minimum Wage for 2025:** For the purpose of this document, the SMMLV is set at **COP 1,485,000 per month**.
- • **Transportation Allowance (Auxilio de Transporte):** Employees earning up to two (2) times the SMMLV are entitled to a mandatory monthly transportation allowance. For 2025, this is synthetically valued at **COP 178,500 per month**. This allowance is not considered part of the base salary for calculating social security contributions for health and pension but is included for calculating severance payments (*Cesantías*) and service bonuses (*Prima de Servicios*).

Payment Frequency

According to the Substantive Labor Code, salary payments must be made at regular intervals.

- • **Standard Practice:** The most common payment frequencies are **bi-weekly (quincenal)**, on the 15th and last day of the month, or **monthly (mensual)**, typically at the end of the month.
- • **Legal Stipulation:** The period between payments cannot exceed one month.

Salary Components

An employee's total compensation can be composed of several elements, which may be classified as either constituting salary or not. This distinction is critical as it affects the basis for calculating social security contributions, payroll taxes, and mandatory bonuses.

- • **Ordinary Salary:** This is the fixed payment received by the employee for their services. It can be a fixed monthly amount or calculated based on daily or hourly rates.
- • **Variable Salary:** Includes compensation based on performance, such as commissions, bonuses tied to production, or overtime pay. These elements are considered part of the salary.
- • **Payments Not Constituting Salary (Pagos no Salariales):** Employers and employees can agree that certain payments are not part of the base salary. These may include occasional bonuses, certain allowances (e.g., for education or health), or specific benefits like meal vouchers, provided they do not exceed **40% of the total monthly remuneration**. This strategy is often used to optimize the social security contribution base.

Mandatory Bonuses and Provisions

Colombian labor law mandates several additional payments beyond the monthly salary, which significantly increase an employee's total annual earnings.

Service Bonus (Prima de Servicios)

This is a legally mandated bonus equivalent to **one month's salary per year of service**.

- **Payment Schedule:** It is paid in two equal installments:
 - 1 The first half is paid no later than **June 30th**.
 - 2 The second half is paid no later than **December 20th**.
- **Calculation Basis:** It is calculated based on the average salary of the corresponding semester, including the transportation allowance if applicable.

Severance Aid (Cesantías)

This is a social benefit intended to provide financial support to the employee in case of unemployment, or for specific purposes such as housing purchase/renovation or education.

- **Amount:** Equivalent to **one month's salary for each year of service**, proportional for periods less than a year.
- **Payment:** The employer must deposit this amount into a certified severance fund (Fondo de Cesantías) chosen by the employee, no later than **February 14th** of the following year. It is not paid directly to the employee except upon contract termination.

Interest on Severance Aid (Intereses sobre las Cesantías)

Employers must pay interest directly to the employee on the accumulated **Cesantías**

balance from the previous year.

- **Interest Rate:** A fixed rate of **12% per annum**, or proportional to the time worked.
- **Payment Deadline:** This amount must be paid directly to the employee no later than **January 31st**.

Work Attire and Footwear (Dotación)

For employees who earn up to two (2) times the SMMLV, employers are required to provide a set of work clothing and footwear three times per year.

- **Delivery Dates:** April 30th, August 31st, and December 20th.
- **Condition:** This is an in-kind benefit and cannot be compensated with money.

Social Security (Sistema de Seguridad Social Integral)

Enrollment in the comprehensive social security system is mandatory for all employees under a labor contract. Contributions are shared between the employer and the employee, calculated on the monthly base salary.

Contribution Percentages

The contributions are distributed across three main systems:

- | | | |
|----------|----------|--|
| 1 | 1 | Health (Salud - EPS): |
| ○ | ○ | Employer Contribution: 8.5% of the monthly salary. |
| ○ | ○ | Employee Contribution: 4.0% of the monthly salary. |
| ○ | ○ | Total: 12.5% |
| 2 | 2 | Pensions (Pensión - AFP): |
| ○ | ○ | Employer Contribution: 12.0% of the monthly salary. |
| ○ | ○ | Employee Contribution: 4.0% of the monthly salary. |

- ○ **Total: 16.0%**
- 3 ○ **3 Professional Risks (Riesgos Laborales - ARL):**
 - **Employer Contribution:** The rate varies between **0.522% and 6.96%** depending on the risk level of the employee's activities. This is fully covered by the employer.

Parafiscal Contributions (Aportes Parafiscales)

In addition to social security, employers are required to make parafiscal contributions, which fund family compensation funds, the National Apprenticeship Service (SENA), and the Colombian Institute of Family Welfare (ICBF).

- • **Family Compensation Fund (Caja de Compensación Familiar): 4%**
- • **SENA: 2%**
- • **ICBF: 3%**
- • **Total: 9%**

The total employer cost for social security and parafiscal contributions is approximately **30-36%** on top of the employee's gross salary.

Common Additional Benefits

To attract and retain talent, many companies in Colombia offer benefits beyond the legal minimums.

- • **Private Health Insurance (Medicina Prepagada):** Supplemental health plans that offer broader coverage, private clinics, and shorter waiting times.
- • **Meal Vouchers (Bonos de Alimentación):** Sodexo, Big Pass, and other providers offer cards or vouchers that can be used in supermarkets and restaurants. These are often structured as non-salary payments.
- • **Life and Accident Insurance:** Group life insurance policies are a common benefit offered by multinational and large local companies.
- • **Education and Training:** Subsidies for higher education, language courses, or professional certifications.
- • **Flexible Work Schedules and Remote Work:** Increased flexibility has become a highly valued benefit, especially in the tech and

service sectors.

- **Wellness Programs:** Gym memberships, mental health support, and other wellness initiatives.

Payroll Taxes

Income Tax Withholding (Retención en la Fuente)

Employers are responsible for withholding income tax from employee salaries and remitting it to the National Tax and Customs Directorate (DIAN).

- **Calculation:** The withholding is calculated based on a progressive table using the **Tax Value Unit (Unidad de Valor Tributario - UVT)**, a value that is adjusted annually.
- **Deductions:** The taxable base can be reduced by several deductions, including mandatory health and pension contributions, dependents, and voluntary contributions to pension funds. Employees with salaries below a certain threshold (approximately 4-5 times the SMMLV) typically have no income tax withheld.

Required Declarations

Employers must file monthly withholding tax returns with the DIAN. They must also provide employees with an annual certificate of income and withholdings (Certificado de Ingresos y Retenciones) to facilitate their annual income tax filing.

Market Trends

Average Salaries by Sector (Bogotá - Synthetic Data)

Salaries vary significantly by industry, experience, and location. The following are illustrative monthly gross salary ranges for mid-level professionals in Bogotá:

- **IT & Technology:** COP 8,000,000 - COP 15,000,000
- **Finance & Banking:** COP 9,000,000 - COP 18,000,000
- **Manufacturing & Engineering:** COP 7,000,000 - COP 13,000,000
- **Sales & Marketing:** COP 6,000,000 - COP 12,000,000 (often with a significant variable commission component)

Competitive Benefits in the Local Market

The Colombian labor market, particularly for skilled professionals, is competitive. Top employers are differentiating themselves with:

- **Hybrid and fully remote work models.**
- **Enhanced parental leave policies** beyond the legal minimums.
- **Stock options or equity plans**, especially in the startup ecosystem.
- **Performance-based bonuses** that are clearly defined and results-oriented.
- **Robust career development and internal mobility programs.**

Legal Notice: This document contains synthetic information generated for technical demonstration purposes. It does not constitute legal advice. For official information, please consult the labor authorities of Colombia.