

National Tax Authority Provides Clarifications on Determination of Individual Income Tax After Tax Reform

4 October 2023

Report from our correspondent Maria Bocachica, International Tax Consultant, Colombia

The national tax authority has clarified that the Tax Value Unit (TVU) that must be used to assess the income tax withholding for employees in the second semester of 2023 corresponds to the TVU set for tax year 2023. This clarification is introduced as an addition to the General Official Ruling on individual income tax after the latest tax reform (Law 2277 of 2022).

The clarification is relevant considering that, in order to determine the applicable income tax withholding rate, it is necessary to subtract the non-taxable income, exempt income and deductions from the gross income received by the employee. In this regard, the national tax authority reminded that 25% of the total employment income is exempt up to an annual amount of 790 TVUs.

Furthermore, the tax authority clarified that individuals who report income in the general schedule and acquire goods and/or services may deduct 1% of the amount of the acquisition up to 240 TVUs in the year, even if the goods are not related to the income producing activity of the taxpayer. The tax authority stated that such individuals may apply this deduction along with the general exemption (25% of the total employment income) in order to determine the taxable income.

These clarifications were made by Ruling 973 of 2023, which was issued on 13 September 2023 and was recently made available to the public.