Title
Colombian Senate Shelves Proposed Tax Reform Bill

Brief Summary

On December 9, 2025, Colombia's Senate shelved a tax reform aimed at raising COP 16.3 trillion and modernizing the fiscal system. The proposal included higher income and dividend taxes, wealth levies, and consumption tax adjustments. It was withdrawn after criticism over its focus on tax hikes and potential economic impact, prompting the Government to rethink its fiscal strategy.

Detail/Facts

The Fourth Committee of the Senate resolved to shelve the Government's proposed tax reform, an initiative that had sparked extensive debate nationwide. The bill aimed to generate COP 16.3 trillion in additional revenue and modernize the fiscal framework; however, it faced scrutiny over its potential impact on households, businesses, investment, and employment.

The proposal included major measures such as income tax rates of up to 41% for individuals, a 30% tax on dividends, a wealth tax applicable from 40,000 UVT, deductions for electronic invoicing, and a 15% amnesty for undeclared assets. It also introduced rules on windfall gains, digital assets, and permanent establishments, imposing obligations equivalent to those of resident taxpayers.

The bill proposed raising the income tax rate to 50% for financial institutions, insurance and reinsurance companies, brokerage firms, and commodity exchanges. It also included a 1% tax on hydrocarbon and coal extraction, additional income tax surcharges tied to international prices, and the introduction of a carbon tax starting in 2026, which would be deductible from income tax.

In terms of consumption, the reform maintained a 5% VAT on electric vehicles, applied differentiated tariffs based on FOB value, and adjusted excise taxes on alcoholic beverages, beer, and tobacco through a mixed scheme, earmarking proceeds for public health initiatives.

Despite these provisions designed to strengthen revenue collection and update the tax system, the initiative was withdrawn following criticism for prioritizing tax hikes and its potential adverse effects on economic performance. As a result, the Government will need to reassess its fiscal strategy to balance funding requirements with macroeconomic stability.

Continue the conversation

The Latin America Markets, Tax Group and KPMG in Colombia have developed planning opportunities and would welcome the opportunity to continue the conversation with you.

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