



UK-COLOMBIA DOUBLE TAX TREATY – A SUMMARY OF KEY PROVISIONS

The Colombia-United Kingdom income tax treaty was signed on 2 November 2016 (the **Treaty**) and will enter into force once the respective ratification procedures of both countries are completed.

UK-Colombia Treaty Withholding Tax Rates

A summary of the withholding tax rates proposed in the Treaty is set out below as compared with the domestic withholding tax rates that would otherwise apply:

	<i>Dividends</i>	<i>Interest</i>	<i>Royalties</i>
Pre-treaty UK	0%	20%	20%
Pre-treaty Colombia	33%	33%	33%
Treaty	15%	10%	10%

Capital gains are taxed at up to 28% for individuals and 20% for corporates in the UK and 14% in Colombia. The Treaty permits the double taxation of capital gains of residents of one contracting state from the sale of shares, business assets and real estate (or shares in real estate investment companies) based in the other contracting state.

However, where the gains relate to the sale of shares and the seller has held (for at least 12 months prior to the sale) a shareholding of no less than 10%, the withholding tax rate may be capped at 10%.

UK-Colombia Treaty Tax Relieving Provisions

Whilst the Treaty seeks to reduce the applicable rates of withholding tax, generally there will still remain at least some liability to tax in both contracting states, which would unfairly impact the financial returns on investments undertaken between the UK and Colombian residents.



Article 21 of the Treaty permits the use of domestic tax credits, deductions, exemptions and reliefs to mitigate the total tax exposure if income or gains are taxable in both the UK and Colombia.

Summary and Next Steps

The Treaty reflects the intention by both the UK and Colombia to encourage cross border trade, opportunities in employment and investment in real estate, business and intellectual property and other assets by mitigating and providing long term certainty over the related tax exposure.

The provisions ensure fair taxation on transactions between UK and Colombian corporates and individuals in a manner that is aligned with other major economies by implementing key OECD Base Erosion and Profit Shifting tax avoidance initiatives.

For both the UK and Colombia, the Treaty establishes a basic framework under which both governments can administer tax matters easily and exchange fiscal information more readily.

Contacts

Ontier's global presence and expert lawyers are ideally placed to assist your business with the challenges and opportunities that lie ahead. If you would like more information on how the UK-Colombia double tax treaty might impact the income from any current or proposed investments in the UK, please do not hesitate to contact Deepash Patel (deepash.patel@scaontier.com).