

The application of International Standards including the Global Standard of Automatic Exchange of Information in Colombia

Dr. Irma Mosquera Valderrama



IBFD, Your Portal to Cross-Border Tax Expertise

Overview Colombia

- In 1990 liberalization process: New Constitution, new Tax Code, relaxation of exchange controls, removal of trade barriers, and creation of free trade zones.
- However, until 2004 only some regional initiatives: Andean Community and few bilateral treaties (air and transportation).
- As of 2004: Regional initiatives: South American Nations and Pacific Alliance. Several free trade agreements, bilateral investment treaties and bilateral tax treaties.
- 2014 World Investment Report: Colombia in the list of the top 20 economies attractive for investment.



Tax system: Problems

- High effective tax burden for the taxpayer (more than 40%). Combination of several income taxes and VAT in fixed assets.
- Complex system (several tax reforms) and high compliance costs.
- Tax base erosion: Several tax incentives: (i) Free trade zones (more than 100 Permanent and Special Zones for investments with high economic and social impact), and (ii) corporate income tax exemptions (0%) for investments in different sectors: agribusiness, manufacturing, and services.
- Tax provisions are broad in scope, thus further regulation by the Ministry of Finance is needed. Regulations take time, and therefore, unclear and uncertain rules for the taxpayer.
- Lack of trust in the tax administration and still a hierarchical relationship.



International Tax Standards in Colombia

- Colombia in the process to become an OECD Member.
At this stage: Colombia is an Observer and participates actively in the working parties of the OECD.
- Ratified the Multilateral Convention on Mutual Assistance in Tax Matters.
- Global Transparency Forum: Colombia peer review phase 1: High level of commitment to the international standard of transparency. Phase 2 scheduled half 2015.
- Endorsed the Common Reporting Standard (early adopter by 2017)
- Colombia and BEPS
 - Very active in the BEPS. Participant in the International Conference to develop the BEPS Multilateral Instrument.
 - However, non-BEPS issues should be addressed: tax incentives, high compliance costs and high tax rate.



Implementation International Standards by developing countries

Developing countries constrains: How to ensure that confidentiality is protected?

- Technological: Equipment and software:
 - Access to information, storage of information, handling of information, use of databases, and use of electronic systems to exchange information
 - Electronic monitoring system to protect against unauthorised access and to monitor the use of the exchange of data
- Administrative: Personnel: To deal with the information received, to negotiate tax treaties, and to deal with transfer pricing issues, etc.

The sending of data should not constitute an excessive burden for the tax administration of the developing country that lacks of administrative capacity or technical knowledge to use the information and to develop a secure electronic system to exchange data.



Implementation International Standards by developing countries

Automatic Exchange of Information (bulks of information). How to guarantee the right to privacy and the confidentiality?

Right to privacy less important due to the peer review. Peer review 90 days effective exchange of information, thus, less rights to taxpayer in order to exchange information without any delay.

Tax administration will receive so much information that will be difficult to use all the information and to protect the confidentiality.

Safeguards are needed to guarantee the confidentiality and to prevent situations where the leak of information may result in risky situations for the taxpayer and the family (e.g. kidnapping).

Risk is higher in developing countries than in developed countries.



STATEMENT 1

The introduction of Standards, including on automatic exchange of information, is desirable for developing countries.



STATEMENTS

The introduction of International Standards, including on automatic exchange of information, is desirable for developing countries

A. Agree

B. Disagree

The question will open when you start your session and slideshow.

votes: 0

 Closed

Internet

This text box will be used to describe the different message sending methods.

TXT

The applicable explanations will be inserted after you have started a session.

Twitter

It is possible to move, resize and modify the appearance of this text box.  sendsteps™

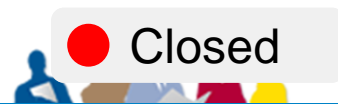
The introduction of International Standards, including on automatic exchange of information, is desirable for developing countries

A. Agree

We will set these example results to zero once you've started your session and your slide show.

In the meantime, feel free to change the looks of your results (e.g. the colours).

B. Disagree



**Internet
TXT
Twitter**

This text box will be used to describe the different message sending methods. The applicable explanations will be inserted after you have started a session. It is possible to move, resize and modify the appearance of this text box.



STATEMENT 2

Developed countries should finance technological equipment and training for developing countries, in order to deal with automatic exchange of information.



STATEMENTS

Developed countries should finance technological equipment and training for developing countries, in order to deal with automatic exchange of information


A. Agree

B. Disagree

The question will open when you start your session and slideshow.

votes: 0

 Closed

Internet This text box will be used to describe the different message sending methods.
TXT The applicable explanations will be inserted after you have started a session.
Twitter It is possible to move, resize and modify the appearance of this text box.  sendsteps™

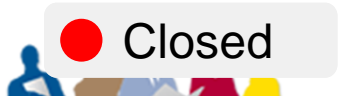
Developed countries should finance technological equipment and training for developing countries, in order to deal with automatic exchange of information


A. Agree

We will set these example results to zero once you've started your session and your slide show.

In the meantime, feel free to change the looks of your results (e.g. the colours).

B. Disagree



Internet This text box will be used to describe the different message sending methods.
TXT The applicable explanations will be inserted after you have started a session.
Twitter It is possible to move, resize and modify the appearance of this text box. 

Thanks for your attention!

Emails: i.mosquera@ibfd.org

Visit us at: www.ibfd.org/academic



IBFD, Your Portal to Cross-Border Tax Expertise