Colombia:
Tax authorities clarify VAT treatment of digital supplies made by nonresidents

On 21 March 2017, the Tax and Customs Administration clarified that supplies of digital services by nonresident companies to recipients located in Colombia are subject to Colombian VAT as from 1 January 2017 (for prior coverage, see World Tax Advisor, 27 January 2017).

URL: http://newsletters.usdbriefs.com/2017/Tax/WTA/170127_1.html

In the case of business-to-business digital supplies (i.e. when the service is provided to a business customer in Colombia that itself is a VAT taxpayer), the business customer must account for and remit VAT under the reverse-charge mechanism. In contrast, business-to-consumer supplies (i.e. when the service is provided to a private individual in Colombia), in theory, are subject to VAT, but the mechanism for VAT accounting with respect to such supplies is that credit and debit card issuers and other payment processors must withhold the VAT due before payment is made to the nonresident supplier. The latter rule, which will not apply until 1 January 2018, also will apply to supplies made to individuals in Colombia in cases where the nonresident service provider fails to fulfill its VAT filing and payment obligations.

The Tax and Customs Administration is expected to issue a list of nonresident service providers whose services could be subject to VAT under these rules. The Colombian government has not yet issued any rules or guidance as to how credit/debit card issuers and other payment processors are to determine when VAT is due or how nonresident service providers are to fulfill their filing and payment obligations, including any registration requirements.

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