

Tax Alert

Colombia - Tax

BAKER & MCKENZIE

Legal Alert



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New tax ruling regarding legal services income characterization under the Double Taxation Convention in force between Spain and Colombia

Recently the Colombian Tax Office revoked its interpretation of "legal advice services" and its tax treatment under the Double Taxation Convention ("DTC") in force between Spain and Colombia.

On April 7, 2016 the Colombian Tax Office ("DIAN") issued the tax ruling No. 5945, through which it answered a query regarding the classification of "legal advice services" rendered by a Spanish tax resident to a Colombian tax resident under the DTC.

By interpreting the DTC, its protocol and applying the interpretation rules set forth in the Vienna Convention on the Law of Treaties, the DIAN determined that legal services are considered as *consulting services*, and as such, income derived therefrom is deemed as *royalty* subject to an income tax withholding of 10% upon gross payment.