

## Legal Alert



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### New time extension for exempted income obtained by new hotels in Colombia

**Decree 463 of 2016 issued by the Ministry of Treasury modifies the former regulation regarding exempted income obtained from hotel services rendered by new hotels, granting an attractive extension for the benefit to apply.**

Article 207 - 2 of the Colombian Tax Code ("CTC") sets forth a beneficial tax treatment for the hotel sector as it provides as exempted income the revenues obtained from hotel services rendered by new hotels. This treatment pursues the enhancement of tourism in Colombia by encouraging the construction of new hotels in the country.

The Regulatory Decree 2755 of 2003 established the requirements that had to be fulfilled in order to be subject of the abovementioned tax treatment. Under Article 207-2 of the CTC and Decree 2755, only new hotels, understood as those constructed (construction had to be initiated and finished during this time-lapse) between January 1st 2003 and December 31st 2017 could apply for this exempted income. Additionally, only income obtained from hotel services during the thirty years following the issuance of the law creating the benefit would be considered as exempted income (up to 2033). After said period it would be considered as ordinary taxable income.

Nonetheless, due to the fact that there was a considerable amount of hotels in construction that would not comply with the time threshold, the Ministry of Treasury granted an extension with the issuance of Decree 463 of 2016. The modifications include a new definition of "new hotels" and the start point from which the thirty years of exempted income would be counted. Thus, "new hotels" will be those which complete 61% of their construction up to December 31st, 2017. Additionally, the thirty years of exempted income would now be counted as from the date the hotels begin operating.

As it may be noted, the Colombian Government is encouraging the construction of new hotels in Colombia granting an extra time for the hotel exempted income. Therefore, hotels that are currently in construction that were not going to benefit from the tax benefit of exempted income due to the deadlines set forth have a real opportunity to comply with the construction requirement.