Doing Business in Colombia 2008

COMPARING 12 CITIES AND 178 ECONOMIES

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COMPARING REGULATION IN 12 CITIES AND 178 ECONOMIES

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Copies of *Doing Business 2008*. *Doing Business 2007: How to Reform, Doing Business in 2006: Creating Jobs, Doing Business in 2005: Removing Obstacles to Growth,* and *Doing Business in 2004: Understanding Regulation* and other subnational studies may be obtained at http://www.doingbusiness.org.

Contents

Doing Business in Colombia 2008 is a new subnational report of the *Doing Business* series in Latin America, following the *Doing Business* reports in Mexico and Brazil. *Doing Business in Colombia 2008* covers 12 cities and provinces (known as departments), which can be compared against each other, and with 178 countries around the world. Comparisons with other cities, regions and countries are based on the indicators in *Doing Business 2008* and *Doing Business in Mexico 2007*.

Doing Business measures the ways in which government regulations enhance business activity or restrain it. The indicators cover five *Doing Business* topics: starting a business, registering property, paying taxes, trading across borders and enforcing contracts. These indicators have been selected because they cover areas of local jurisdiction or practice. The indicators are used to analyze the economic outcomes of the regulations and to identify what reforms have worked, where and why.

The methodology has limitations. Other areas important to business, such as proximity to major markets, the quality of infrastructure services (other than services related to trading across borders), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the quality of institutions, are not studied directly by *Doing Business*. Nor does the report address the impact of violence or security conditions in specific Colombian cities. In order to make the data comparable across countries, the indicators refer to a specific type of company—generally a limited liability company.

Overview 1

Starting a business 5

Registering property 8

Paying taxes 11

Trading across borders 15

Enforcing contracts 18

Data notes 21

***Doing Business* indicators** 30

City tables 32

List of procedures

Starting a business 37

Registering property 52

Acknowledgments 62

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Doing Business

Overview

If you were opening a new business in Villavicencio, the start-up procedures would take three weeks. In Popayán, they would take almost three times longer—63 days. If your company purchased a warehouse in the outskirts of Pereira, transferring the title would cost 2.1% of the property value. You would pay more than double to do the same in Barranquilla. If you needed to take a customer to court in Santa Marta, resolving the dispute would take 15 months. In Bogotá, the same case would take 45 months, almost 4 years. Colombia is not a federal country and regulatory functions are centralized. Still, these examples show that there are large variations in the way government regulations enhance business activity or restrain it in different Colombian cities.

Bogotá, as Colombia's most populous city, represents Colombia in the global *Doing Business* report, which compares regulatory practices in 178 countries. *Doing Business in Colombia 2008* expands 5 of the 10 *Doing Business* topics to another 12 Colombian cities. The results are presented here (table 1.1). Doing business is easier in Pereira and Manizales. It is more difficult in Neiva and Cartagena. Bogotá does not always rank highest in the five topics measured. While Bogotá has the lowest number of procedures to start a business or register property, it lags behind other selected cities in time to enforce a contract, the total tax burden on businesses or the ease of trading across borders. Among the "big four" cities in the country (Bogotá, Medellín, Cali and Barranquilla) only Cali ranks among the top four; the other three cities rank ninth, tenth and eleventh respectively. This ranking may in part reflect the lower demand for business services in the smaller cities.

In 2004/05, 65% of Latin American countries reformed at least one area benchmarked by *Doing Business*.

TABLE 1.1
Doing business in Colombia—where is it easiest?

Rank	City, Department	Rank	City, Department
1	Pereira, Risaralda	8	Villavicencio, Meta
2	Manizales, Caldas	9	Bogotá, Cundinamarca
3	Bucaramanga, Santander	10	Medellín, Antioquia
4	Cali, Valle del Cauca	11	Barranquilla, Atlántico
5	Santa Marta, Magdalena	12	Cartagena, Bolívar
6	Cúcuta, Norte de Santander	13	Neiva, Huila
7	Popayán, Cauca		

Source: Doing Business database.

FIGURE 1.1
Latin America and the Caribbean lags behind in reforms

Source: Doing Business database.

TABLE 1.2
The top 10 reformers in 2006/07

Economy	Starting a business	Dealing with licenses	Employing workers	Registering property	Getting credit	Protecting investors	Paying taxes	Trading across borders	Enforcing contracts	Closing a business
Egypt	✓	✓		✓	✓			✓		
Croatia	✓			✓	✓					✓
Ghana	✓			✓	✓			✓	✓	
Macedonia, FYR	✓	✓					✓			
Georgia	✓	✓		✓	✓	✓				✓
Colombia						✓	✓	✓		
Saudi Arabia	✓				✓			✓		
Kenya	✓	✓		✓	✓					
China		✓			✓					✓
Bulgaria		✓					✓		✓	

Note: Economies are ranked on the number and impact of reforms. First, *Doing Business* selects the economies that reformed in 3 or more of the *Doing Business* topics. Second, it ranks these economies on the increase in rank in the ease of doing business from the previous year. The larger the improvement, the higher the ranking as a reformer.
Source: Doing Business database.

In 2005/06, 58% of them did. Last year, however, Latin America and the Caribbean became the least reformist region, with only one-third of the countries reforming (figure 1.1). Compare that with Eastern Europe and Central Asia, where 79% of countries reformed. The slowdown in reforms in Latin America since 2005 could be due to busy election years: 13 countries saw new governments sworn in last year, including Colombia. Analysis suggests that the tide might be turning and that the region might experience a reform boom next year, as nearly 85% of reforms take place in the first 15 months of a new government.[1]

Colombia, represented by Bogotá, defeated the regional trend to become one of the top-10 global reformers this year (table 1.2). This is no accident. It is the second time in five years that Colombia has been among the 10 most reformist countries in the world—and the top reformer in the region.

An important step in the reform process was law 962, known as the "Anti-Red Tape Law" (*Ley Antitrámites*). The law eliminated a number of bureaucratic processes and prevented government agencies from creating new ones. It permitted documentation to be submitted electronically. It eliminated the need for the notarization of many procedures. To simplify the tax structure, the government reduced the number of taxes, expanded electronic filing and reduced the frequency of payments. It eliminated the complicated inflation adjustment method, thus simplifying tax computation. A new decree improved investor protection by expanding the scope of reporting obligations for listed companies. Decree 3139 introduced a list of specific events to be immediately reported to the Finance Superintendence and described in the annual report. Other reforms reduced the time to import by 4 days and 3 days for export, and the cost fell by USD 100.

Central American countries are also reforming, following a trend observed in other regions inspired by free trade agreements. Guatemala, Honduras, El Salvador and Costa Rica introduced reforms. Two of the largest Latin American countries, Mexico and Brazil, also made it easier to do business. In contrast, Venezuela had the largest negative reforms worldwide.

Colombia is not the only country among emerging markets to make reforms. China, Egypt, India, Indonesia, Nigeria, Turkey and Vietnam all improved in the ease of doing business. Other countries are reforming too. Two hundred reforms—in 98 economies—were introduced between April 2006 and June 2007. Reformers simplified business regulations, strengthened property rights, eased tax burdens, increased access to credit and reduced the cost of exporting and importing.

Comparing business regulations across Colombian cities

When compared to other countries, Colombia stands out by the large number of procedures. Starting a business takes on average 14 procedures, four more than the Latin American average. The procedures to register property range between 9 and 14 across 13 Colombian cities. This compares poorly with Mexico, where the number of procedures varies between 4 and 10 in the 31 states and the Federal District. Every additional procedure increases the hassle for businesses and each point of contact is an opportunity for corruption. Often, procedures vary across cities due to different municipal or departmental regulations and practices. Studies like

Doing Business identify these differences and help policy makers review them from a comparative perspective.

Municipal requirements make up 7 of the 19 procedures required to start a business in Neiva, but only 1 of 13 in Villavicencio—the city with the fewest start-up procedures. Obtaining the municipal certificate of land use is frequently a source of delays. It takes six weeks in Cartagena. Things are easier in Pereira, where the entrepreneur can verify the appropriate land use at the Chamber of Commerce. The registration tax accounts for a large share of the start-up costs. It is 0.7% of capital in most cities, but 0.3% of the capital in Pereira and Santa Marta.

The procedures to register property also vary depending on local requirements. In Manizales, the property tax receipt can be used as proof of no pending property taxes. Other cities require a separate certificate (*Paz y Salvo Predial*). Entrepreneurs in Medellín must even complete an additional step—obtain a stamped receipt confirming payment of the registration tax before the public deed is registered. Differences in cost come largely from departmental and municipal taxes and stamp duties.

Procedures at the port and inland transportation dictate the differences in the time to import and export. Firms in Santa Marta take 19 days to complete the requirements to export a container of non-perishable goods, whereas those from Manizales, Neiva and Villavicencio must wait 26 days to do the same. Traders in the latter cities use mostly the port of Buenaventura, which is the busiest and most congested in Colombia. Obtaining all the documentation, including the letter of credit, accounts for 61% of time to import and 63% of time to export. The share of inland transportation in the total cost of trading across borders ranges between 20% and 73%.

When it comes to enforcing contracts the same laws apply throughout Colombia. But within the country there are big differences in time and costs to enforce contracts. It takes 14 months to resolve a simple commercial dispute in Villavicencio and Pereira compared to 4 long years in Bogotá and Barranquilla. Case backlog is reportedly the main source of delays in most cities. From 1998 to 2004, more cases were filed than resolved. The cost to enforce a contract ranges from 21.9% of the claim value in Villavicencio to 52.6% in Bogotá. Differences in legal and expert fees explain these variations.

Most taxes in Colombia are collected by the national government. But departments have authority over vehicle tax and municipalities determine the rates for the industry and commerce tax (ICA), as well as the property tax. Overall, the tax burden on businesses ranges between 66.5% and 82.4% of gross profit across cities. Local regulations also determine the number of payments required in each city to comply with all taxes.

TABLE 1.3
Best practices in Colombia

Indicator	Global ranking (178 economies)
Procedures to start a business	
Bogotá, Villavicencio (11 procedures)	124
Days to open a business	
Villavicencio (22 days)	59
Cost to open a business	
Pereira (13.1% of income per capita)	71
Procedures to register property	
Bogotá (9 procedures)	151
Days to register property	
Manizales (20 days)	33
Cost to register property	
Pereira (2.1% of property value)	35
Days to export	
Santa Marta (19 days)	61
Days to import	
Santa Marta (16 days)	39
Days to enforce a contract	
Villavicencio (422 days)	52
Cost to enforce a contract	
Villavicencio (21.9% of claim)	59
Total tax rate	
Pereira (66.5% of profit)	158
Tax payments	
Bucaramanga (63 payments per year)	164

Source: Doing Business database.

Cities and departments can learn from each other and adopt the best existing regulations and practices. If a hypothetical city "Colombiana" were to adopt the best existing practices in Colombia, it would rank 35 among the 178 economies.[2] This would mean adopting Bogotá's and Villavicencio's procedures to start a business, Manizales' time to register property and Villavicencio's contract enforcement practices, for example. It would bring the time to start a business to 22 days, similar to Villavicencio, and the cost to 13.1% of income per capita, comparable to Pereira. Manizales and Pereira could share their know-how on efficient and inexpensive property registration, which compares to the United Kingdom, where it takes 21 days to register property. Cutting the time to import and export to the level of Santa Marta would put Colombian traders at par with those in Portugal. Court procedures from Villavicencio could be borrowed by other cities, making them similar to Switzerland. Finally, other cities could improve their tax systems by adopting the number of payments from Bucaramanga. But even the best Colombian cities are not internationally competitive in some indicators (table 1.3).

What gets measured, gets done

Publishing comparable data on the ease of doing business inspires governments to act. Comparisons among cities within a country are even stronger drivers of reform. That was the case in Mexico, where a subnational *Doing Business* study covering 12 states was first published in 2005. The study created competition to reform, as governors and mayors had a difficult time explaining why it took longer or cost more to comply with administrative procedures in their city or state than in their neighbors'—despite sharing identical federal laws and regulations. The second benchmarking in 2006 showed that 9 of the 12 states measured the first time had reformed in at least one of the areas measured by *Doing Business*. The conclusion: what gets measured, gets done.

Payoffs from reform can be large.[3] Higher rankings on the ease of doing business are associated with more growth, more jobs and a smaller share of the economy in the informal sector.[4] In Mexico reforms cut the time to start a business from 58 to 27 days. A recent study reports a boom in new business entry: the number of registered businesses rose by nearly 6%, employment increased by 2.6% and prices fell by 1% because of the competition from new entrants.[5] In Colombia, improvements in business registration at the Chamber of Commerce have led the Commercial Registry to grow 11% annually since 2003.[6]

The benefits of reform are especially large for women. Countries with higher scores on the ease of doing business have larger shares of women in the ranks of both entrepreneurs and workers. In Colombia, where women outnumber men almost 2 to 1 among the unemployed, more reforms are needed. And as the news about reform spreads, there is more interest in replicating success stories.

Notes

1. World Bank. 2006. *Doing Business in 2007: How to Reform*. Washington, D.C.: World Bank Group.
2. For the topics not measured in *Doing Business in Colombia 2008*, the values reported for Colombia in *Doing Business 2008* were used to calculate this ranking.
3. World Bank. (forthcoming) "Colombia: Inputs for Sub-Regional Competitiveness Policies." Mimeo. Washington, D.C.: World Bank Group.
4. Djankov, Simeon, Caralee McLiesh and Rita Ramalho. 2006. "Regulation and Growth." *Economics Letters* 92 (3): 395-401.
5. Bruhn, Miriam. 2007. "License to Sell: The Effects of Business Registration Reform on Entrepreneurial Activity in Mexico." Cambridge, Mass.: Massachusetts Institute of Technology, Department of Economics.
6. Colombian Confederation of Chambers of Commerce *(Confecámaras)*.

Doing Business

Starting a business

María wants to set up a jewelry shop in Villavicencio. She sells her necklaces and bracelets on a street market and her stand is always the busiest. Her dream is to set up a jewelry store but she is afraid of dealing with the bureaucratic proceedings to formalize her business. Little does María know that if she decided to formalize her business today, her first customer could be walking through the door in 3 weeks. If María's cousin in Popayán wanted to do the same, she would have to wait at least 2 months.

Starting a business in the average city in Colombia takes 14 procedures, 43 days and costs 21% of income per capita. A city with this performance would rank 103 when compared with the 178 representative cities worldwide; roughly the same as Lima (Peru) or Taiwan (China). A hypothetical city that combines the best business start-up practices from 13 Colombian cities would rank 53rd globally, 50 places higher than the average Colombian city. Starting a business in such a city would take 11 procedures and 22 days—as in Villavicencio—and cost 13.1% of income per capita—as in Pereira (figure 2.1).

Despite having a unified Code of Commerce regulating business entry across the country, there are significant differences in terms of start-up requirements. The variation stems from department and municipality-specific regulations and practices that affect the business registration tax, the social security registration process and other start-up procedures, permits and licenses. Pereira is the easiest city in which to set up a business, Neiva and Popayán the most difficult (table 2.1).

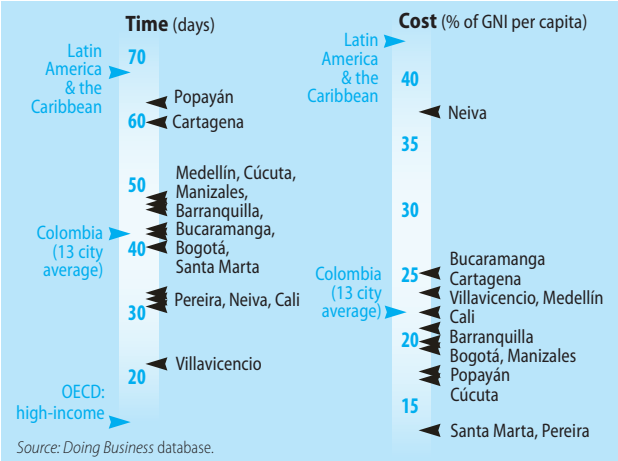
When compared globally, Colombian cities stand out for the high number of start-up procedures. Variations among cities are driven by local requirements, such as the need to obtain permits and undergo inspections prior to or after the business starts operating.

TABLE 2.1
Where is it easy to start a business—and where not?

	Rank		Rank
Pereira (easiest)	1	Bucaramanga	8
Bogotá	2	Barranquilla	9
Villavicencio	3	Medellín	9
Cúcuta	4	Cartagena	11
Manizales	5	Neiva	12
Santa Marta	5	Popayán (most difficult)	13
Cali	7		

Note: The ease of starting a business is a simple average of the city rankings on the number of procedures, the associated time and cost and minimum capital (% of GNI per capita) required at the start of the business. See the Data notes for details.
Source: Doing Business database.

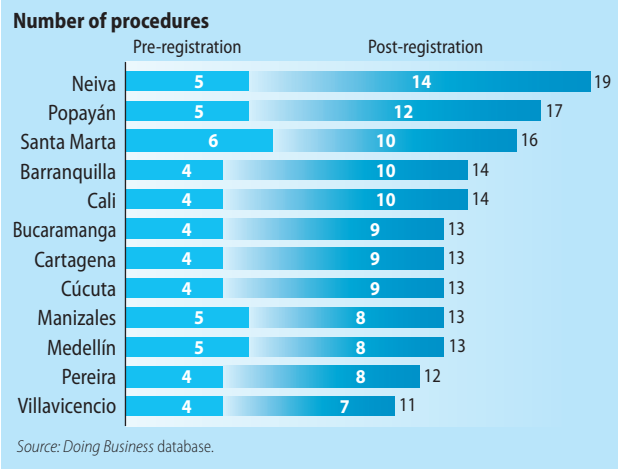
FIGURE 2.1
Starting a business in Colombia—big range in time and cost



Source: Doing Business database.

FIGURE 2.2

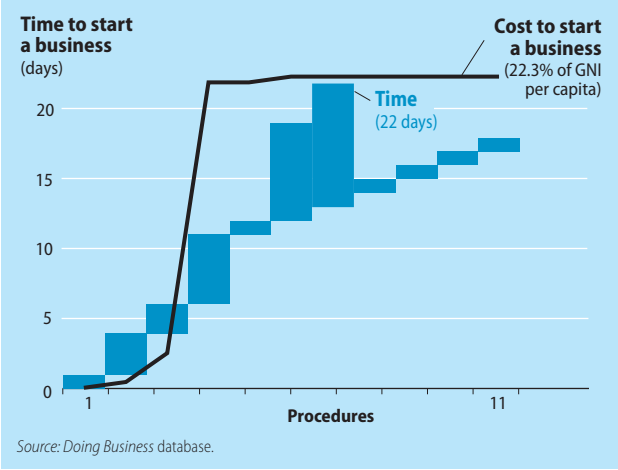
Many post-registration procedures to start a business



Source: Doing Business database.

FIGURE 2.3

Starting a business in Villavicencio—fastest in Colombia



Source: Doing Business database.

Because many of these procedures can be completed simultaneously, the total start-up time remains relatively short—if everything goes smoothly. In Popayán, 5 of the 17 procedures involve local requirements, in Neiva, 7 of 19. Pereira and Villavicencio, however, manage to get the same done in fewer than 13 procedures, making them the cities with the fewest start-up procedures.

Post-registration requirements are the reason behind the high number of procedures (figure 2.2). This fits the regional trend, as the average Latin American entrepreneur faces 10 procedures to start a business and more than half occur after the business is registered. In Colombia, these include registering with up to 6 separate agencies that deal with social security, the pension system, health coverage and the severance fund. Recent improvements allow for the payments and contributions to all agencies to be completed through a single electronic form. Why not unify registration as well?

The certificate for land use is one of the requirements that make the entry process lengthy. Since March 2007, those doing business in Pereira can avoid a separate procedure with the municipal authority to obtain the certificate for land use. The Chamber of Commerce and the Municipality of Pereira signed an agreement that allows the Chamber of Commerce to verify the appropriate land use for commercial establishments. Once the business is up and running, the municipality can visit the premises to verify the use of land. Compare this to Cartagena, where it takes 6 weeks just to get the certificate.

Registrations with social security for health coverage and the pension system are also common sources of delay. In Villavicencio, where it takes the least time to start a business (figure 2.3), such services are provided by private entities. Because private agencies have to compete for customers, they provide a faster and more convenient service.

The cost to start a business represents on average 21% of income per capita. The biggest portion of the cost—84% on average—must be paid at the time of registering the company, which includes the Certificate of Existence and Legal Representation, the registration tax and the legalization of the company books. The legalization of books is an outdated practice as enterprises increasingly use electronic means for accounting purposes. It has been argued that having company books registered and stamped minimizes tax evasion. This is not necessarily the case, as the books can be forged. In Colombia, the average cost of getting the books stamped is 11% of the cost to start a business.

In most cities, the registration tax is 0.7% of capital, but in Santa Marta and Pereira—the cheapest cities in which to start a business—it is 0.3%. This scheme seems unjustified, as the registration process is the same, regardless of the company size or location. Although the tax is a source of revenue for the department, the uniform tax rate may hinder formal economic activity. Introducing a fixed registration fee could lower costs.

Efforts to improve business registration are starting to pay off. The Colombian Confederation of Chambers of Commerce (*Confecámaras*) is leading this effort through the Procedure Simplification Program. The program came about as a response to the high level of informality. It aims to integrate informal businesses into the formal sector by facilitating access to information about business start–up procedures, as well as minimizing costs, requirements and time to start a business. Initially, efforts focused on the implementation of one-stop shops (*Centro de Atención Empresarial*—CAE). Through

the CAE the entrepreneur can, via a single access point, register the articles of association and company books and obtain the Tax Identification Number. CAEs currently operate in Barranquilla, Bogotá, Bucaramanga, Cali, Cartagena and Medellín. Fifteen additional cities plan to open one-stop shops by the end of 2007.

In Bogotá, where the CAE has been working longest, the Certificate of Existence and Legal Representation is issued in 4 hours. The Chamber employs more than 20 lawyers, who receive electronic copies of the incorporation documents, revise them and approve them electronically. The Procedure Simplification Program is also expanding the scope of online services, with Bogotá and Bucaramanga leading these efforts. Online services include the option to order company books, submit the public deed to the notary and, most recently, use standardized articles of association (*Módulo de Minutas por Internet*). Although these improvements have been central to the development of a market-oriented economy, much remains to be done. The next challenge is to strengthen cooperation among government agencies.

What to reform?

Expand the number and efficiency of single access points

Since 2003, 24 countries have created one-stop shops, cutting on average 5 procedures and more than halving start-up time. One-stop shops like the CAE can show results quickly.[1] In 2003, it took 19 procedures, 60 days and 29% of income per capita to start a business in Bogotá; today it takes 11 procedures, 42 days and 19% of GNI per capita. Although CAE has played an important role in simplifying the entry process, actual implementation was not the same across cities. Also, in cities like Manizales, Pereira and Villavicencio, simplification of procedures has gone a long way even before the arrival of CAE.

Lower the number of requirements

Another way to reduce the number of procedures is by strengthening cooperation among institutions. In some cities, the Chamber notifies local institutions of the existence of a new company. It can also register the company with the Professional Risks Administration (*Administradora de Riesgos Profesionales*—ARP), the Family Compensation Fund (*Caja de Compensación Familiar*), the Governmental Learning Service (*Servicio Nacional de Aprendizaje*—SENA) and the Colombian Family Institute (*Instituto Colombiano de Bienestar Familiar*—ICBF).

Promote standardized incorporation documents

With standardized incorporation documents, entrepreneurs ensure legality without visiting notaries and lawyers. Users may be initially reluctant to change their ways, but investing in the promotion of standardized incorporation documents pays off—easing the workload at the registry and preventing errors. It is also an easy way to cut costs for the entrepreneur. The Chamber of Commerce of Bogotá took the first step in this direction. A happy entrepreneur reports being able to prepare all the documentation necessary for his company while on a plane to the Netherlands.[2] Once back in Bogotá, he visited the Chamber of Commerce to sign the documents and make the necessary payments.

Start-up online

Making registration electronic is one of the most effective ways to speed start-ups. In the past 4 years, 13 countries introduced electronic registration, including Belgium, Ireland, Mauritius and Norway, which lowered the average time to start a business from 40 to 17 days.[3] Colombia is taking steps in that direction. The electronic registry database (*Registro Único Empresarial*—RUE) allows searching for the company name online. An online portal will soon allow access to the registration services of six Chambers of Commerce.[4] By allowing digital signatures and standardized articles of association, the entrepreneur will be able to register with the commercial registry online. If all data were validated electronically, like in Denmark, there would be no need to involve public officials in the process.

Notes

1. World Bank. 2007. *Doing Business 2008*. Washington, D.C.: World Bank Group.
2. Dinero, published on March 3, 2006.
3. World Bank. 2007. *Doing Business 2008*. Washington, D.C. World Bank Group.
4. The portal can be accessed at http://www.crearempresa.com.co/cae3.

Doing Business

Registering property

"My credit history is not enough. The key for expanding my business is in my house." Marcela, a young entrepreneur in Cali, knows that her most valuable asset is her property. One of the main arguments why property registration is crucial for growth is that it can be transformed into credit when used as collateral. In turn, credit becomes investment for starting or expanding a business.

Both the private sector and government can benefit from an efficient registration system. The registration process has to be easy and affordable, in order to include the big majority who cannot afford to live in over-regulated societies. The reforms that need to be undertaken seem small in comparison to the enormous potential they offer. The future success of economic policies depends on the ability to channel the informally owned assets into business opportunities for the poorer.

New Zealand is the world's top performer in this area, requiring only 2 procedures, 2 days and 0.1% of property value. Colombia's average, on the other hand, is 12 procedures, 26 days and a cost of 2.6% of the property value. Although this cost is only half of the Latin American and Caribbean average, Colombians still pay for property registration 26 times more than New Zealanders and 5 times more than entrepreneurs in the United States.

Similar procedures for registering property apply across Colombian cities. However, the time, cost and number of procedures vary among cities due to local administrative practices and taxes paid locally. The city of Manizales ranks first with 11 procedures, 20 days and a cost of 2.2% of the property value (table 3.1). Registering property is most difficult in Cartagena—where it takes an entrepreneur 13 procedures, 32 days and costs 2.8% of the property value—and Barranquilla, with 14 procedures, 26 days and a cost of 4.4% of the property value.

The number of procedures ranges from 9 in Bogotá to 14 in Barranquilla (table 3.2). Local requirements account for the difference across cities. For example, in Manizales, the entrepreneur does not need to request a special certificate showing that the property is up to date on municipal taxes (*Paz y Salvo Predial*). The latest property tax (*Impuesto Predial*) receipt is sufficient proof. In Medellín, entrepreneurs face an additional procedure—not required in the other cities—before the registration of the deed. Once the registration tax is paid at the departmental government (*gobernación*), the entrepreneur needs to obtain a stamped receipt, confirming that the registration tax has been paid. Except for Bogotá, Cali and Medellín, where cadastre offices are

TABLE 3.1
Where is it easy to register property—and where not?

	Rank		Rank
Manizales (easiest)	1	Popayán	8
Bogotá	2	Cúcuta	9
Cali	3	Villavicencio	10
Bucaramanga	4	Neiva	11
Medellín	5	Barranquilla	12
Pereira	6	Cartagena (most difficult)	13
Santa Marta	7		

Note: The ease of registering property is a simple average of the city rankings on the number of procedures, and the associated time and cost (as % of property value) required to register a property. See the Data notes for details.
Source: Doing Business database.

TABLE 3.2
Who regulates property registration the least—and who the most?

City	Procedures (number)	City	Time (days)	City	Cost (% of property value)
Bogotá (fewest)	9	Manizales (least)	20	Pereira (lowest)	2.09
Manizales	11	Bucaramanga	21	Manizales	2.19
Santa Marta	11	Bogotá	23	Cali	2.28
Villavicencio	11	Cali	23	Popayán	2.35
Bucaramanga	12	Medellín	23	Bucaramanga	2.46
Cali	12	Neiva	24	Bogotá	2.49
Cúcuta	12	Santa Marta	24	Medellín	2.54
Medellín	12	Barranquilla	26	Cúcuta	2.55
Pereira	12	Cúcuta	26	Villavicencio	2.59
Popayán	12	Pereira	29	Santa Marta	2.61
Cartagena	13	Popayán	30	Neiva	2.71
Neiva	13	Cartagena	32	Cartagena	2.83
Barranquilla (most)	14	Villavicencio (most)	35	Barranquilla (highest)	4.38

Source: Doing Business database.

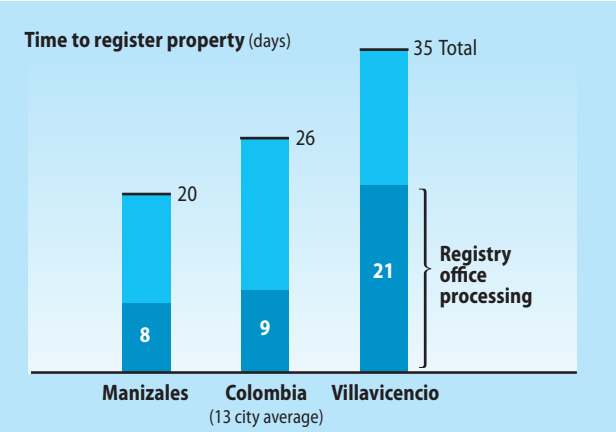
decentralized and linked to the registry, all other cities require a procedure that consists of notifying the change in ownership to the cadastre office (*Instituto Geográfico Agustín Codazzi*—IGAC).

Time to register property also varies across the 13 cities. Manizales and Bucaramanga—the fastest cities—take 20 and 21 days respectively. This is the same time as the United Kingdom and Costa Rica, but 10 times more than the world's leader, Thailand. In Villavicencio, the entrepreneur has to wait two weeks longer. The main bottlenecks are at the registry offices, which on average account for 35% of the total time to register property (figure 3.1). The reasons for the delays are the lack of qualified personnel, as well as the inadequate and outdated equipment. In some cases, there is even a critical lack of basics supplies. "There is no toner for the printers and the copy machine is more than 10 years old," says a public official in Villavicencio.

The new System of Registry Information (*Sistema de Información Registral*—SIR), which meant to integrate all the legal information on property titles in Colombia into a sole national database, has encountered implementation problems and is causing further delays in many cities. "It looks modern but, ironically, this procedure used to take 5 days and now it takes 2 weeks," argues an entrepreneur in Pereira.

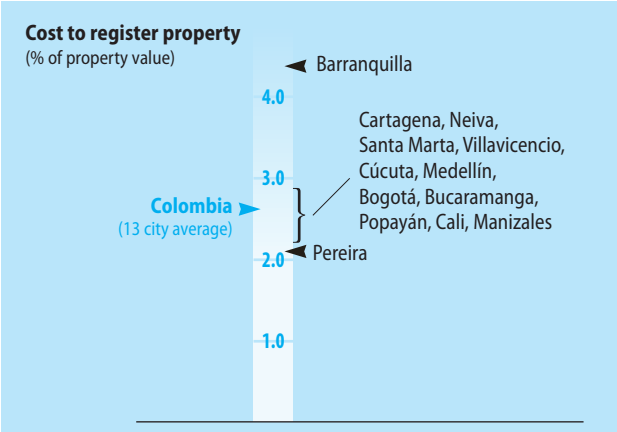
Pereira has the lowest cost to register property—2.1% of the property value. Pereira performs better than Singapore and China, but lags behind countries in the region such as Guatemala and Chile. Costs come largely from local taxes such as registration tax or special stamp duties, and from the registration fees. Barranquilla is

FIGURE 3.1
Registry offices: the main bottleneck



Source: Doing Business database.

FIGURE 3.2
Registering a property in Barranquilla is costly



Source: Doing Business database.

the city where registering property is most expensive (4.4% of the property value), more than twice that in Manizales (figure 3.2). The main reason is the municipal stamp duty to finance public hospitals (*estampilla pro-hospitales nivel I y II*), which accounts for 1.5% of the property value. "It was supposed to be temporary but we are afraid that pro-hospitales has become a permanent tax" says Nabil, a real estate agent in Barranquilla. The Colombian Chamber of Construction has challenged the constitutionality of the tax in court.

What to reform?

Eliminate special certificates, such as *Paz y Salvo Predial* and *Paz y Salvo de Valorización*

Doing Business promotes cutting unnecessary or redundant procedures. Each procedure can be a cause of corruption and delays. Eliminating the requirement to obtain a formal certificate that the property is up to date on municipal tax payments (*Paz y Salvo Predial*) and that there is no outstanding contribution obligation on property value increases due to public works (*Paz y Salvo de Valorización*) would cut at least two procedures for each city. The receipts issued once the *Predial and Valorización* taxes are paid should be considered a sufficient proof. Other cities should follow the lead of Manizales, which has already eliminated this requirement.

Keep cadastres updated and link them with the Registry

Once the property is registered, the new owners have to be updated in the cadastre. In Bogotá, Cali and Medellín, the update is automatic, as the registry shares information with the cadastre. This is not the case in other cities and the cadastre records are often outdated. An updated cadastre gives governments more accurate information and helps increase tax collection. Banks also can access the information, to verify the value and characteristics of properties to be used as collateral.

Improve the implementation of the SIR

The time needed to register property at the registry office is the main bottleneck of property registration. The SIR intends to cut the time to formalize a title by creating a single electronic database of property titles. Yet, the success of its implementation remains to be proved.

Introduce fixed fees and allow electronic payments

High costs discourage the formalization of titles. Fees charged on a percentage basis encourage fraudulent declarations of the value of the property. Governments can reduce registration taxes and fees and still increase tax collection by broadening the number of transactions. Registry offices will not necessarily see their revenues decrease. In Egypt—this year's global top reformer for this indicator—the reduction of registration fees from 3% of the property value to a low fixed fee has led to a boom of property registration as well as to an increase of 39% of registry revenues when comparing the six months before and after the reform.[1]

Introduce electronic payment of registration tax and registration rights

Being able to make these payments online would allow the entrepreneur not to go personally to the departmental government or a commercial bank to pay for registration tax and registration rights. She would be able to go straight from her own desk to the registry to register the deed. This reform would cut at least two procedures.

Make the use of notaries optional

Three out of four countries in the world do not require notaries for property registration. Standard deeds can be provided or downloaded to be filled by the entrepreneur. If the law requires the deed to be notarized, governments can endow registrars with the requisite notary powers for this purpose.

Notes

1. World Bank. 2007. *Doing Business 2008*. Washington, D.C.: World Bank Group.

Doing Business

Paying taxes

There is no country where businesses do not complain about taxes. But taxes are essential. Without them there would be no money to build schools, hospitals, courts, roads, airports or other infrastructure that help business to be more productive and society to be better off. Still, some countries are better at collecting taxes than others. Colombia is mostly in the latter category, ranking 167th out of 178 economies around the world on the ease of paying taxes.

The *Doing Business* paying taxes indicator records all taxes[1] that a medium-size business producing and selling consumer goods has to pay to all levels of government within the second year of operations. The report measures the number of procedures it takes to pay taxes, the tax burden and the time businesses devote to prepare, file and pay taxes among cities in Colombia.

Most taxes are collected by the national government. Yet, departments impose different tax rates with regard to the vehicle tax. Also, municipalities set the rates for the industry and commerce tax (ICA) and the property tax. While Colombia deals with more than 10 different national, departmental and municipal taxes, the Maldives collect 9.1% of companies' gross profit relying on only 1 tax.[2]

In Colombia, the average number of payments per year is 71 while in Sweden several taxes can be filed using a single online form. "In Sweden we pay taxes online. The corporate income tax, value added tax, labor contributions and property tax are filed on a single form. Doesn't everyone do it that way?" asks Astrid, a Swedish business owner. Not yet. In Santa Marta tax forms are brought in person to the tax office and "discussed" with a tax officer to make sure calculations are correct. The entrepreneurs need more than 445 hours per year to comply with all tax requirements in this Colombian city.

Within Colombia, filing taxes is most difficult in Medellín and Santa Marta. The process is less complicated in Popayán, Pereira (table 4.1).

Cities differ in the number of payments per year necessary to comply with local taxes. The number of payments ranges from 63 payments in Bucaramanga to 91 in Manizales. The Colombian average of 71 payments a year is higher than the Latin American and Caribbean average of 39 payments and more than the 51 payments necessary in the countries of the Central American Free Trade Agreement (CAFTA) (figure 4.1).

The tax burden varies among departments and municipalities. Businesses in Pereira pay the lowest taxes—66.5% of gross profit—followed by Barranquilla with 70.4% of gross profit and Manizales with 73.9%. In the 13 cities, the tax burden represents on average 77.1% of gross profits. In contrast, businesses in Latin America

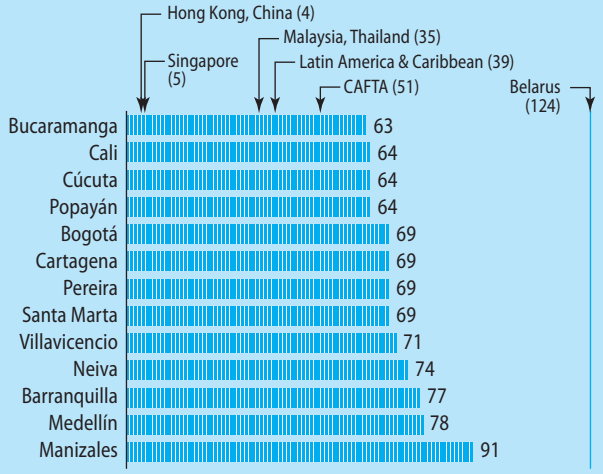
TABLE 4.1
Where is it easy to pay taxes—and where not?

	Rank		Rank
Popayán (easiest)	1	Villavicencio	8
Pereira	2	Bogotá	9
Cúcuta	3	Cartagena	10
Bucaramanga	4	Neiva	10
Barranquilla	5	Santa Marta	12
Manizales	6	Medellín (most difficult)	13
Cali	7		

Note: The ease of paying taxes is a simple average of the city rankings on the number of payments, time and total tax rate. See the Data notes for details.
Source: Doing Business database.

FIGURE 4.1

Too many tax payments



Source: Doing Business database.

and the Caribbean pay on average 48%.

Differences in tax burdens stem from local exemptions. Pereira has a 50% exemption on the corporate income tax during the first four years of a firm's life based on a decree to help the economy recover after an earthquake in 1999.[3] Barranquilla, Manizales and Cartagena all offer tax exemptions aimed at promoting employment. In Barranquilla, the municipal government has declared a 5-year tax holiday on the ICA for firms created after 2005 that generate at least 40 jobs.[4] In Manizales, the local authorities established an exemption from the ICA in 2001. To benefit from the tax holiday, firms are required to generate a minimum of 5 jobs and maintain them until 2011.[5] Finally, since 2005, firms founded or relocated to Cartagena with a minimum start-up capital of USD 1,600,000 are exempted from paying the ICA.[6]

To simplify the tax structure, Colombia undertook a reform in 2006/07 that improved its tax system at the national level. It reduced the number of taxes and surcharges paid by businesses, simplified the process of paying taxes by expanding electronic filing and reducing the frequency of payments, and eliminated the system of adjustment for inflation, thus simplifying tax computation (table 4.2).[7]

These reforms are worth pursuing not only at the national level but at the local level, too. Tax systems matter for investors. Countries with more payments have fewer formal businesses per capita and lower rates of business entry (figure 4.2).[8] Countries that make it easier to pay taxes and contributions also have higher rates of work-

TABLE 4.2

Making it easier to pay taxes in Colombia

- The current corporate tax rate of 35% is progressively reduced to 34% in 2007 and 33% in 2008. Also, the corporate tax surcharge rate of 10% was eliminated.
- The full amount of the property tax and of the ICA paid in the tax year may be deducted from the income tax, provided that they are necessary for the production of the income.
- The withholding tax rate on dividends or distributions paid to non-residents is reduced from 7% to 0%.
- Taxpayers may deduct 25% of the levy on financial transactions paid, even if it is not related to the production of the income.
- The integral system of adjustment for inflation is eliminated, thus total financial expenses may be deducted and total financial income is subject to tax.
- A capital tax is introduced for the years 2007–2010 with respect to taxpayers whose capital is equal to or more than COP 3,000 million. The tax is levied at the rate of 1.2%.
- The deduction in respect of actual investments in productive fixed assets is increased from 30% to 40%.
- Goods and services subject to a 10% VAT rate are now subject to a 16% tax rate, with some exceptions. New VAT tax rates ranging from 0% to 35% depending on the type of good are applicable. Tax rates are 1.6%, 3%, 5%, 10%, 16%, 20%, 25% and 35%.
- The minimum presumptive income is reduced from 6% to 3% of the taxpayer's net worth as of the end of the preceding year.
- Equity tax eliminated effective as of January 1, 2007.
- Tax credit with respect to the tax on investment in shares of agricultural companies is established with a ceiling of 1% of taxable net income of the tax year.
- Stamp tax: for 2007, the rate is 1.5% of the total contract price, with special rates and exemptions for certain cases. Documents exempted from this tax include, among others, private documents whereby the parties agree to export nationally produced goods and services. The rate will be gradually phased out and thus, it will be 1% for 2008, 0.5% for 2009 and 0% beginning in 2010.

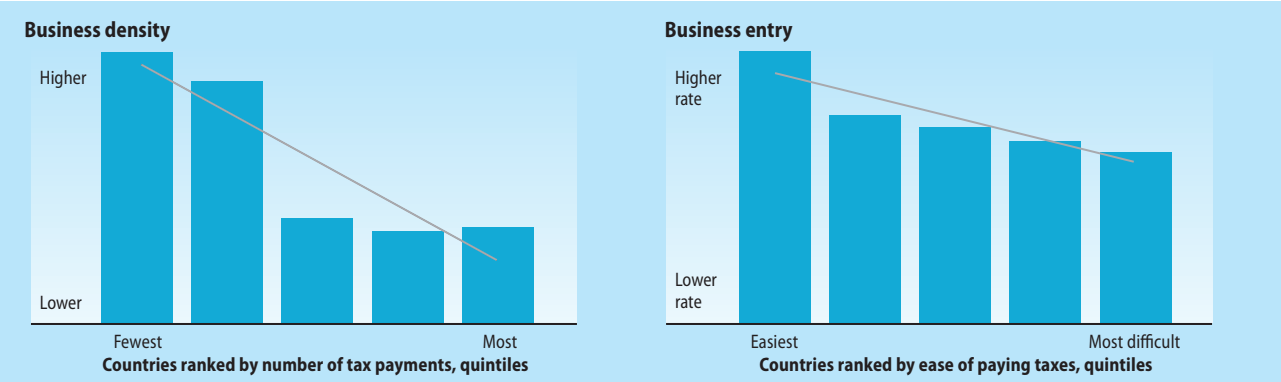
Source: Doing Business database.

force participation, and lower rates of unemployment among women.[9] The reason is simple: a burdensome tax system disproportionately hurts smaller businesses, especially in the services sector, and this is where most women work. In Colombia, where women outnumber men almost 2 to 1 among the unemployed, small businesses within the 13 cities have to spend on average 272 hours to comply with all tax requirements.

Tax reforms are often controversial, attracting intense political debate. The choice is often perceived as being between lower taxes with more votes but potentially less government revenue—and higher rates with discontented voters but potentially smaller fiscal deficits. In reality there is often no tradeoff between revenues and votes. Since 2005, 90 reforms took place in 65 economies around the globe. A number of successful reforms have been identified that could benefit a number of cities in Colombia.

FIGURE 4.2

More burdensome taxes and contributions, fewer formal businesses



Note: Relationships are significant at the 1% level and remain significant when controlling for income per capita. Business density is the number of formally registered firms per capita. Business entry is the number of firms created in a year as a percentage of all registered firms.

Source: Doing Business database; and Djankov, Simeon, Caralee McLiesh, Rita Ramalho and Andrei Shleifer. 2007. "Taxation, Investment and Entrepreneurship." Cambridge, Mass.: Harvard University, Department of Economics.

What to reform?

Introduce online filing

A quarter of the world's countries have electronic filing and payment of business taxes. That means no need for paper documents—and no need for personal interaction with tax officers. In Colombia, there is a notable contrast between the technological infrastructure that the national authorities use to levy taxes and the lack of it at the municipal level. When it comes to local taxes, firms have to fill all forms by hand and deliver them in person to the tax authorities. But this is changing. In Medellin, the authorities in close cooperation with the Chamber of Commerce have launched a pilot project to allow firms to declare and pay the ICA online. As an added benefit, this project will also compile all the relevant tax laws, decrees and agreements and make them available in one place online. Other cities should learn from Medellin's experience to start their own reforms.

Simplify tax administration

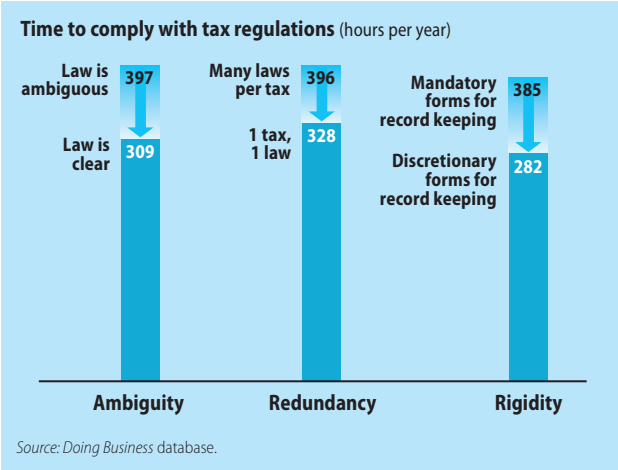
Businesses in Colombia spend a lot of time complying with tax regulations. Making the tax rules for businesses complex is unlikely to bring more revenue—quite the opposite (figure 4.3). "The Colombian municipal tax laws are obscure, complicated and sometimes contradictory. For instance, cities charge different ICA tax rates for different activities. Local authorities claim that a firm registered in municipality X but with business activities in municipality Y has to pay the ICA in X and Y computed using the same base, but this is not necessarily the right interpretation and many disputes have emerged. To make things even more complicated, in Bogotá a special tax regime exists for the ICA. The base is current net sales while in all other cities it is computed using last year's net sales," complained a local expert in Cali. International evidence shows that having a clear tax law increases tax revenue by 6% on average.[10]

Ease the tax burden by combining taxes

Almost 50% of countries have more than one labor tax or contribution, 27% more than one tax on profits and 41% more than one tax on property. If the base is the same (salaries, profits or property value), why not just combine these? In Colombia the social security contributions and the payroll tax use gross salaries as tax base. Both are national taxes and could be combined into one. Having multiple taxes increases the bureaucratic burden for both the taxpayer and the tax administration. Local authorities should also focus their fiscal efforts on a compact set of non-distortionary taxes like the property tax. They should rely less on the ICA and exemptions.

FIGURE 4.3

More complexity, more time paying taxes



Source: Doing Business database.

Notes

1. The indicator includes taxes as defined by the system of national accounts, as well as government-mandated contributions, such as compulsory payments to the employee social security fund, where the statutory incidence is on the employer. Corporate income tax, social security contributions, turnover tax, value-added tax, property tax, property transfer tax, dividend tax, capital gains tax, financial transactions tax and vehicle tax are included. A range of standard deductions and exemptions is considered.
2. World Bank. 2007. *Doing Business 2008.* Washington, D.C.: World Bank Group.
3. This is the so-called *Ley Quimbaya* or Law 608 of 2000. An exemption schedule grants any firm created before December 31, 2005 a 50% exemption on the corporate income tax for the first four years, a 40% exemption for the next four years, and a 30% exemption for the last two years.
4. Agreement 022 of 2005 grants firms that create more than 40 jobs a 100% exemption from the ICA for two years, a 75% exemption during the third year and a 50% exemption for the next two years.
5. Agreement 521 of 2001, which establishes an exemption schedule for which any firm that creates more than 5 jobs has a 20% discount on the ICA payment until 2011, plus 4% for each additional job with a limit of 100%.
6. Agreement 016 establishes incentives for the industrial, commercial and services economic development, increase on investment and employment generation in the District of Cartagena. The District Council of Cartagena de Indias, August 22, 2005.
7. Law 1111 of December 27, 2006 entered into force as of January 1, 2007.
8. Djankov, Simeon, Caralee McLiesh, Rita Ramalho and Andrei Shleifer. 2007. "Taxation, Investment and Entrepreneurship." Cambridge, Mass.: Harvard University, Department of Economics.
9. Alesina, Alberto and Andrea Ichino. 2007. "Gender Based Taxation." Working Paper. Cambridge, Mass.: Harvard University, Department of Economics; and Azmat, Ghazala, Maia Guell and Alan Manning. 2006. "Gender Gaps in Unemployment Rates in OECD Countries." *Journal of Labor Economics* 24 (1): 1–38.
10. World Bank, *World Development Indicators* database.

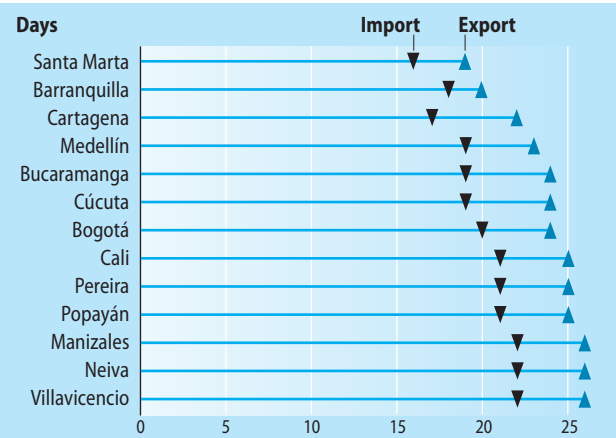
Trading across borders

Between the first half of 2005 and the first half of 2007, Colombian exports increased by 30%. Exports are expected to grow even more since the free trade agreements with Chile, Central America and the United States have been signed. In order to reap the benefits of an open economy, countries have to reduce trade logistics costs. Each additional day that an export product is delayed at the border reduces exports by more than 1%. For agricultural time-sensitive products, a 10% reduction in delays increases exports by over 30%.[1]

Exporting a container of apparel requires on average 6 documents, 24 days and USD 1,067 in Colombia. The same procedures can be completed in just 5 days in Estonia and at a cost of USD 390 in China—the world's best. The export process measured in *Doing Business* starts with the preparation of the original documents and ends with the departure of the vessel from a port towards its final destination. Colombian importers require on average 8 documents and spend 20 days and USD 1,160 to complete all import procedures from the arrival of the vessel until the goods are delivered at the warehouse. As expected, cities at or close to efficient ports have the shortest time for imports and exports—Santa Marta, Barranquilla and Cartagena (figure 5.1). The time to assemble the documents is the same across cities. Obtaining the letter of credit is the main source of delays. It accounts for almost half of export time and one-third of import time.

FIGURE 5.1

Time to import and export in Colombia

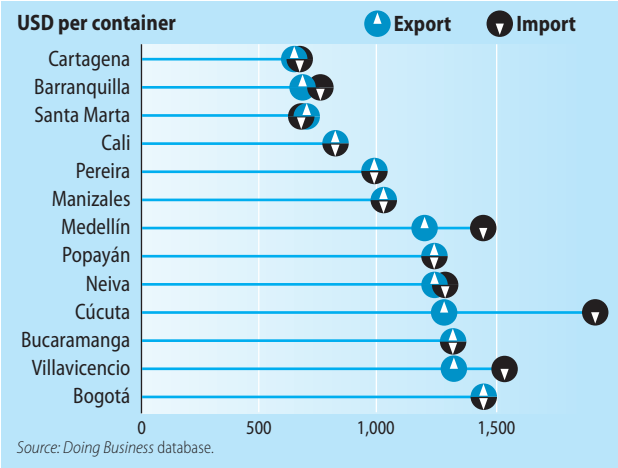


Source: Doing Business database.

Colombian ports work 24 hours a day but their processing times differ. Buenaventura is the busiest port, moving 46% of sea-bound trade, and it is also the most congested. Customs procedures and terminal handling activities for export take 3 days in Santa Marta compared with 7 days in Buenaventura. Delays in Buenaventura may occur due to congestion in the inspection zone. In 2006, a landslide cut the access road to the port, resulting in a massive gridlock. For months, customs and other authorities at the port worked 24-hour shifts to make up for the delays. The situation has improved, but the waiting time for trucks to enter the port can be long—it can range from a few hours to one day. Security is a concern; as one respondent put it, "the waiting time is dangerous and sometimes trucks are robbed by armed gangs."

Inland transportation affects the total time of trading across borders and is the main source of variation in total costs among cities (figure 5.2). The costs depend on the distance from a port, quality of the roads and security issues. It costs more than USD 1,000 to transport

FIGURE 5.2
Cost to import and export in Colombia



Source: Doing Business database.

a container by road from the nearest port to Bogotá, Cúcuta and Villavicencio. Other trading costs are similar across locations. The custom brokers (*Sociedades de Intermediación Aduanera*—SIAs) charge between 0.3% and 0.5% of shipment value to process the import or export requirements. Port and terminal handling fees average USD 150 for a 20-foot container and are similar across ports. The port regulatory authority (*Superintendencia de Puertos y Transporte*) sets the fees charged by the privately operated ports. Competition among port operators dictates other terminal handling costs such as unloading, transporting the container to the inspection area, emptying and filling the container for physical inspection.

Much has improved in Colombia's import-export regime in recent years. The government eliminated the requirement to register for most imports or obtain import licenses for many goods. The total time for assembling all documents excluding the letter of credit now takes 3 days for exports and 5 days for imports. The electronic system of the tax and customs authority (*Dirección de Impuestos y Aduanas Nacionales*—DIAN) allows customs brokers to file the export or import declaration online. It automatically calculates the duties to be paid and notifies the user whether the goods will be subject to physical, document or no inspection.

A single access point (*Ventanilla Unica de Comercio Exterior*—VUCE) was introduced in 2006 to centralize information for traders and obtain permits and clearances from 18 different authorities including electronic payments. More than 600 users including custom brokers and traders have obtained the electronic certificate to use the VUCE, which costs USD 500. Small importers who cannot afford that cost use the SIAs as intermediaries to complete requirements at the VUCE.

Customs clearance was accelerated by the introduction of risk-based inspections. The different control authorities such as customs, health and sanitary authorities are in most cases coordinated into a single inspection. About 30% of the goods have to go through physical inspection at customs, based on risk profiles—still more than the international best practice of 5-10%. Most exports must undergo an antinarcotics inspection by the police. Sometimes the goods are damaged during this inspection.

Other reforms have sought to improve the efficiency of the ports. The number of days the goods can be stored free of charge at the port was cut from 5 to 3 days in Cartagena, Santa Marta and Buenaventura. Traders must have all documentation ready to clear the goods in 3 days to avoid extra charges. Yet, many complain about increasing costs due to delays in document arrival or lack of coordination between control authorities at the ports. Unclaimed goods are removed from customs deposits after 60 days compared with 120 days before the reform.

Port infrastructure has also improved. In 1993, before the reform granting concessions of key ports to the private sector, ships had to wait on average 10 days to enter ports. Now their waiting time is a few hours. But ports have had a difficult time keeping up with growing trade volumes, which surged from 2.9 million tons in 1995 to 76.6 million tons in 2005.[2] Reforms of the port of Cartagena included the addition of six large cranes in 2006. Projects are underway to invest USD 178 million in the next 25 years to expand the port of Barranquilla and stabilize the depth of its access canal. Similarly, the port of Buenaventura plans to add two new large cranes by April 2008. A system of performance indicators will be introduced as part of a renewed concession agreement. The port of Santa Marta, which deals mainly with bulk cargo, will expand its container terminal and add a new multipurpose terminal.

What to reform?

Improve and expand electronic systems

Colombian traders would benefit from expanding the use of technology to allow 100% electronic processing of documentation, following the example of Singapore or Mauritius. This would especially benefit traders in cities like Neiva or Villavicencio, where there are no custom brokers and no offices of the Ministry of Commerce or the customs authority. Currently, traders in Neiva or Villavicencio go to Bogotá for many trade-related procedures. Accepting electronic documents for import would also cut delays; currently traders must submit originals of the bill of lading and the certificate of origin to clear imports.

Reduce delays in granting approvals and clearances

While traders agree on the benefits of having different procedures centralized at the VUCE, obtaining clearances is still a source of delays—especially health or technical clearances. Registering a product the first time to qualify for certificates of origin is a cumbersome process that can take several weeks. Completing the import registration for those goods where it is required takes up to two weeks. Streamlining sanitary clearances would expedite exports of goods in which Colombia has great potential, such as exotic fruits and vegetables and fish.

Improve road infrastructure

According to a recent World Bank study, Colombia needs to invest USD 1.6 billion to upgrade its road network.[3] As improvements in security have improved the mobility of goods, more needs to be done to improve the condition of the roads.

Notes

1. Djankov, Simeon, Caroline Freund, and Cong S. Pham 2007. "Trading on Time." Policy Research Working Paper 3909. Washington, D.C.: World Bank Group.
2. *Superintendencia de Puertos y Transporte. Anuario Estadístico.* http://www.supertransporte.gov.co.
3. World Bank. 2006. *Infraestructura Logística y de Calidad para la Competitividad de Colombia.* Washington, D.C.: World Bank Group.

Doing Business

Enforcing contracts

Why do many Italians live with their parents? A recent study finds that renting an apartment is difficult in countries where the courts are slow.[1] In Italy, resolving disputes in the courts takes 1,210 days on average, so landlords hesitate to rent to young people. The same may be true in some cities in Colombia where enforcing a contract takes even longer.

Based on a survey and analysis of pertinent regulation, *Doing Business* tracks the efficiency of contract enforcement by measuring the number of procedural steps, and the time and cost to resolve and enforce a standard commercial case. The number of procedural steps is 34 for all cities; however, cost and time differ. On average, it costs 29.5% of the value of the claim and takes 883 days to enforce a contract—less than India. It is still twice the time of China or Mexico. The easiest cities in which to enforce a contract are Villavicencio and Manizales; the most difficult ones Barranquilla and Bogotá (table 6.1).

The Code of Civil Procedures and the Commercial Code govern commercial claims in all departments and cities. As a result of the 2003 Code of Civil Procedures reform, the number of procedures is lower than the Latin American and Caribbean average. The more complex the procedures for resolving disputes, the less likely firms are to report that judges are impartial and that decisions are fair.[2] Accordingly, in Colombia, more companies believe that the judicial system is fair, impartial and not corrupt relative to the Latin American and Caribbean average.[3]

In spite of identical regulations and the fact that Colombia has a central body—the Supreme Judicial Council—managing all aspects of the judiciary system in the entire country, the time to enforce a contract varies a great deal in different cities. An entrepreneur has to wait 1 year and 2 months to enforce a contract in Villavicencio and Pereira—similar to Switzerland. In Bogotá and Barranquilla, she must wait 3 times as long—as much time as she would spend in any of the 10 countries with the slowest courts in the world, such as Bangladesh and Afghanistan.

Doing Business measures the time it takes to conclude the entire dispute resolution process: notification, judgment and enforcement. The judgment period is the main cause of delays (figure 6.1). A popular saying illustrates this point—"the lifetime of a lawyer is just long enough to go through one and a half judgments." From Santa Marta to Bucaramanga, it is consistently the most time-consuming phase of contract enforcement. It is also the main reason behind regional differences. An entrepreneur waits about 4 times less in Villavicencio, Santa Marta and Pereira than in Bogotá, Barranquilla and Cali to have a decision on the merits of the case.

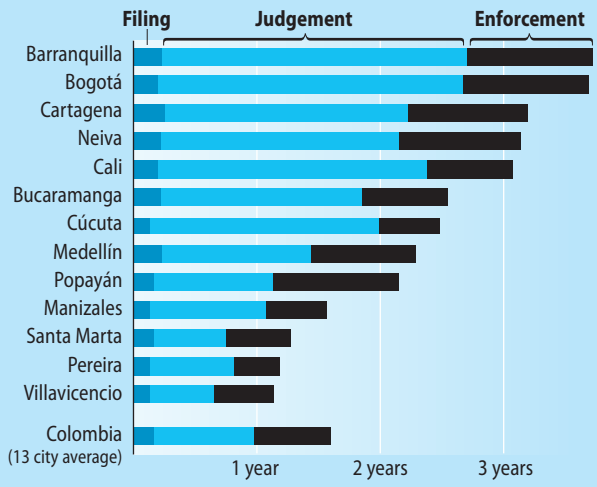
In 2003, Colombia eliminated the monopoly of courts to enforce judge's rulings. As a consequence, the

TABLE 6.1
Where is enforcing contracts easy—and where not?

	Rank		Rank
Villavicencio (easiest)	1	Cali	8
Manizales	2	Medellín	9
Santa Marta	3	Cartagena	10
Bucaramanga	4	Neiva	10
Popayán	5	Barranquilla	12
Pereira	5	Bogotá (most difficult)	13
Cúcuta	7		

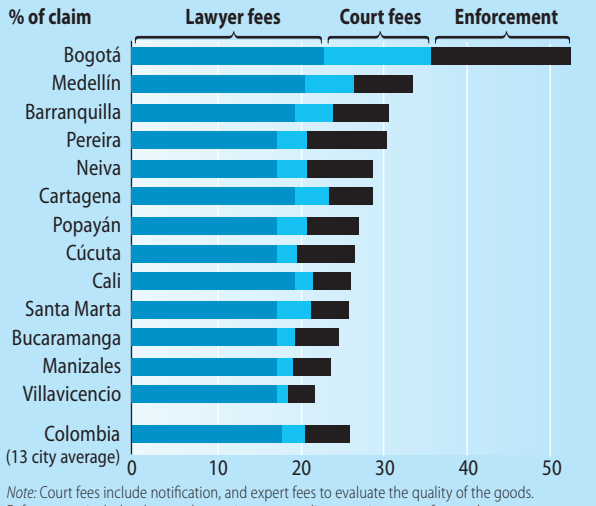
Note: The ease of enforcing contracts is a simple average of the city rankings on the procedures, time and cost to resolve a commercial dispute through the courts. See Data notes for details.
Source: Doing Business database.

FIGURE 6.1
Time to enforce a contract in Colombia



Source: Doing Business database.

FIGURE 6.2
Cost to enforce a contract in Colombia



Note: Court fees include notification, and expert fees to evaluate the quality of the goods. Enforcement includes the attachment insurance policy, security, expert fees and expenses to confiscate goods, estimate their value, and advertise the public auction.

Source: Doing Business database.

time to enforce a decision dropped by 2 months in Bogotá between 2004 and 2005.[4] Still, there is a long way to go. Even in Pereira, where enforcement is fastest—140 days—the time needed to enforce a judgment is still higher than in countries like the United Kingdom and Switzerland, where it takes 56 and 60 days respectively.

Efficiency goes hand in hand with lower costs. Villavicencio stands out with the fastest procedures, but it is also the least costly city to enforce a contract—21.9% of the value of the claim (figure 6.2). On average, Colombia is somewhat less expensive than the Latin American average of 30.7% of the value of the claim, but lags behind countries like Russia and Singapore.

Averages do not tell the full story. The cost to enforce a contract in Colombia varies a great deal. In Bucaramanga, it costs 24.9% of the claim value, less than half than in Bogotá with 52.6%. These differences are mainly due to legal and expert fees.[5] Manuel, the owner of a gift shop, would need to pay 23.2% of the claim to hire a lawyer in Bogotá. In Manizales and Bucaramanga, the legal bill would amount to 17.4%. The Colombian bar association sets guidelines for fees for simple commercial cases. However, lawyers claim they charge more because even in simple cases they need to closely focus on the case, otherwise judges will never reach a judgment.

The Supreme Judicial Council sets guidelines for expert fees, but these also vary across cities. In Cali, experts earn about 1.5 times less than in Medellin, and about 5 times less than in Bogotá, the city with the highest cost to enforce a contract.

The biggest challenge is to reduce the time to enforce a contract. Most private experts and government officials see the backlog in the judiciary as the main cause of delays. The backlog in turn is a consequence of inefficiency and the high percentage of cases interrupted due to lack of action by either party. From 1998 to 2004, the numbers of cases filed were higher than the number of cases resolved.[6] The civil branches responsible for solving commercial cases had the highest backlogs, accumulating 217,229 new cases during the period of 2001 to 2005.[7]

Recently, the Supreme Judicial Council has been implementing a new case management model in the *Juzgados Civiles de Circuito,* with jurisdiction over claims more than USD 14,000. This model includes tools to evaluate and reward judges' performance and change the courts' organizational structure in order to improve efficiency. The project is currently being implemented in the five largest cities. Since the start of this program, the difference between the number of cases initiated and cases concluded has decreased, although it is still positive.[8] Colombia also plans to expand the oral procedures used at criminal courts to civil courts. This is a promising initiative to reduce excessive formality and speed up contract enforcement.

Running an efficient court system is no easy task and even industrialized countries face challenges. Colombia is no exception, and although many reforms have been undertaken to reduce backlogs, there is still a long way to go for the judiciary system to be as efficient as in Hong Kong and Luxembourg—the easiest places to enforce a contract in the world. Examples of successful reforms in other countries can be helpful in identifying what can be done.

What to reform?

Introduce specialized commercial courts

Civil courts accumulate more cases than any other court in Colombia.[9] Introducing specialized courts would help reduce this backlog. This year, 6 countries in Africa did so. Countries like Ghana, Nigeria and Gambia reduced considerably the time to enforce a contract. On average, countries with specialized commercial courts resolve commercial disputes 40% faster than those without them. If reforms in the specialized courts yield satisfied users, they embolden governments to try broader reforms.[10]

Reduce backlog in courts

The backlog in the Colombian judicial system is related to the high number of cases that cannot be concluded due to a deadlock between the parties. Macedonia faced a similar issue, and after introducing a program to reduce delays, cut the number of cases pending for more than 3 years by 46%. Litigants in longstanding disputes were contacted and asked to appear in court. If neither party showed up, the case was dismissed. The reforms cut the time to enforce a contract from 509 to 385 days.[11]

Expand performance-based incentive model to small claims courts

Small claims courts do not benefit from the case management model implemented by the *Juzgados Civiles de Circuito* in the most populated cities in Colombia. Yet these courts deal with a high number of commercial cases. The expansion of the model to small claims courts would help speed up contract enforcement all over the country.

Notes

1. Casas-Arce, Pablo, and Albert Saiz. 2006. "Do Courts Matter? Rental Markets and the Law." Working Paper Series. Philadelphia: University of Pennsylvania, Wharton School.
2. Based on analysis of the *Doing Business 2005* indicators with indicators of impartiality of the judiciary from the Economic Freedom of the World; and Geeta, Batra, Daniel Kaufmann and Andrew Stone. 2003. *Investment Climate Around the World: Voices of the Firms from the World Business Environment Survey.* Washington, D.C.: World Bank Group. Results are significant at the 5% level, controlling for income per capita.
3. World Bank. 2006. *Colombia: Country Profile.* Enterprise Surveys. Washington, D.C.: World Bank Group.
4. World Bank. 2005. *Doing Business in 2006: Creating Jobs.* Washington, D.C.: World Bank Group.
5. Three experts are required in Colombia to solve the case studied by *Doing Business:* the expert who decides on the quality of the goods contracted between the parties, the expert who confiscates the defendant's goods and the expert who evaluates the value of the goods to be sold at a public auction.
6. Consejo Superior de la Judicatura, *Plan Sectorial de Desarrollo de la Rama Judicial 2007-2010,* p.35.
7. Ibid., p. 40.
8. Except for the years of 2002 and 2003, when the difference was negative. Ibid., p.34.
9. Ibid., p.40.
10. World Bank. 2007. *Doing Business 2008.* Washington, D.C.: World Bank Group.
11. World Bank. 2006. *Doing Business 2007: How to Reform.* Washington, D.C.: World Bank Group.

Data notes

Starting a business
Trading across borders
Registering property
Enforcing contracts
Paying taxes

The indicators presented and analyzed in *Doing Business in Colombia 2008* measure business regulation and the protection of property rights—and their effect on businesses, especially small and medium-size domestic firms. First, the indicators document the degree of regulation, such as the number of procedures to start a business or register commercial property. Second, they gauge regulatory outcomes, such as the time and cost to enforce a contract and to trade across borders. Finally, they document the tax burden on business. The data for all sets of indicators in *Doing Business in Colombia 2008* are for July 2007. In this project, *Doing Business* indicators have been created for 12 Colombian cities—the complete list is available in page 1. The data presented in this report for Bogotá and the rest of the world is based on the report *Doing Business 2008.*

The *Doing Business* data are collected in a standardized way. To start, the *Doing Business* team, with academic advisers, designs a survey. The survey uses a simple business case to ensure comparability across countries and over time—with assumptions about the legal form of the business, its size, its location and the nature of its operations. Surveys are administered through more than 150 local experts, including lawyers, business consultants, accountants, freight forwarders, government officials and other professionals routinely administering or advising on legal and regulatory requirements. These experts have several (typically 4) rounds of interaction with the *Doing Business* team, through conference calls, written correspondence and country visits. The data from surveys are subjected to numerous tests for robustness, which lead to revisions or expansions of the information collected.

The *Doing Business* methodology offers several advantages. It is transparent, using factual information about what laws and regulations say and allowing multiple interactions with local respondents to clarify potential misinterpretations of questions. Having representative samples of respondents is not an issue, as the texts of the relevant laws and regulations are collected and answers checked for accuracy. The methodology is inexpensive and easily replicable, so data can be collected in a large sample of cities. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across countries. And the data not only highlight the extent of obstacles to doing business; they also identify their source and point to the needed reform.

Limits to what is measured

The *Doing Business* methodology has 5 limitations that should be considered when interpreting the data. First, the collected data refer to businesses in the department's most populous city and may not be representative of regulation in other parts of the department. Second, the data often focus on a specific business form—a limited liability company of a specified size—and may not be representative of the regulation on other businesses, for example, sole proprietorships. Third, transactions described in a standardized case study refer to a specific set of issues and may not represent the full set of issues a business encounters. Fourth, the measures of time involve an element of judgment by the expert respondents. When sources indicate different estimates, the time indicators reported in *Doing Business* represent the median value of several responses given under the assumptions of the standardized case.

Finally, the methodology assumes that a business has full information on what is required and does not waste time when completing procedures. In practice, completing a procedure may take longer if the business lacks information or is unable to follow up promptly. Alternatively, the business may choose to disregard some burdensome procedures. For

both reasons the time delays reported in *Doing Business in Colombia 2008* would differ from the perceptions of entrepreneurs reported in the World Bank Enterprise Surveys or other perception surveys.

Economy characteristics

Gross national income (GNI) per capita

Doing Business in Colombia 2008 reports 2006 income per capita for Colombia as published in the World Bank's *World Development Indicators 2007*. Income is calculated using the Atlas method (current USD). For cost indicators expressed as a percentage of income per capita, 2006 GNI in local currency units is used as the denominator.

Region

Doing Business in Colombia 2008 uses the World Bank regional classification available at http://www.worldbank.org/data/countryclass.

Exchange rate

The exchange rate used in this report is: 1 USD = 2,361.14 COP

Starting a Business

Doing Business in Colombia 2008 records all procedures that are officially required for an entrepreneur to start up and formally operate an industrial or commercial business. These include obtaining all necessary licenses and permits and completing any required notifications, verifications or inscriptions for the company and employees with relevant authorities.

After a study of laws, regulations and publicly available information on business entry, a detailed list of procedures is developed, along with the time and cost of complying with each procedure under normal circumstances and the paid-in minimum capital requirements. Subsequently, local incorporation lawyers and government officials complete and verify the data.

Information is also collected on the sequence in which procedures are to be completed and whether procedures may be carried out simultaneously. It is assumed that any required information is readily available and that all agencies involved in the start-up process function without corruption. If answers by local experts differ, inquiries continue until the data are reconciled.

To make the data comparable across countries, several assumptions about the business and the procedures are used.

Assumptions about the business

The business:

- Is a limited liability company. If there is more than one type of limited liability company in the country, the limited liability form most popular among domestic firms is chosen. Information on the most popular form is obtained from incorporation lawyers or the statistical office.
- Operates in the country's selected cities.
- Is 100% domestically owned and has 5 owners, none of whom is a legal entity.
- Has start-up capital of 10 times income per capita at the end of 2006, paid in cash.
- Performs general industrial or commercial activities, such as the production or sale of products or services to the public. The business does not perform foreign trade activities and does not handle products subject to a special tax regime, for example, liquor or tobacco. It is not using heavily polluting production processes.
- Leases the commercial plant and offices and is not a proprietor of real estate.
- Does not qualify for investment incentives or any special benefits.
- Has at least 10 and up to 50 employees 1 month after the commencement of operations, all of them nationals.
- Has a turnover of at least 100 times income per capita.
- Has a company deed 10 pages long.

Procedures

A procedure is defined as any interaction of the company founder with external parties (for example, government agencies, lawyers, auditors or notaries). Interactions between company founders or company officers and employees are not counted as procedures. Procedures that must be completed in the same building but in different offices are counted as separate procedures. If founders have to visit the same office several times for different sequential procedures, each is counted separately. The founders are assumed to complete all procedures themselves, without middlemen, facilitators, accountants or lawyers, unless the use of such a third party is mandated by law. If the services of professionals are required, procedures conducted by such professionals on behalf of the company are counted separately. Both pre- and post- incorporation procedures that are officially required for an entrepreneur to formally operate a business are recorded (table 7.1).

Procedures required for official correspondence or transactions with public agencies are also included. For example, if a company seal or stamp is required on official documents, such as tax declarations, obtaining the seal or stamp is counted. Similarly, if a company must open a bank account before registering for sales tax or value added tax, this transaction is included as a procedure. Shortcuts are counted only if they fulfill 4 criteria: they are legal, they are available to the general public, they are used by the majority of companies, and avoiding them causes substantial delays.

Only procedures required of all businesses are covered. Industry-specific procedures are excluded. For example, procedures to comply with environmental regulations are included only when they apply to all businesses conducting general commercial or industrial activities. Procedures that the company undergoes to connect to electricity, water, gas and waste disposal services are not included.

Time

Time is recorded in calendar days. The measure captures the median duration that incorporation lawyers indicate is necessary to complete a procedure with minimum follow-up with government agencies and no extra payments. It is assumed that the minimum time required for each procedure is 1 day. Although procedures may take place simultaneously, they cannot start on the same day (that is, simultaneous procedures start on consecutive days). A procedure is considered completed once the company has received the final document, such as the company registration certificate or tax number. If a procedure can be accelerated for an additional cost, the fastest procedure is chosen. It is assumed that the entrepreneur does not waste time and commits to completing each remaining procedure without delay. The time that the entrepreneur spends on gathering information is ignored. It is assumed that the entrepreneur is aware of all entry regulations and their sequence from the beginning but has had no prior contact with any of the officials.

TABLE 7.1
What does starting a business measure?

Procedures to legally start and operate a company
- Preregistration (name verification, notarization)
- Registration in the economy's most populous city
- Postregistration (social security registration, company seal)

Time required to complete each procedure
- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior contact with officials

Cost required to complete each procedure
- Official costs only, no bribes
- No professional fees unless services required by law

Paid-in minimum capital
- Deposited in a bank or with a notary before registration begins

Source: Doing Business database.

Cost

Cost is recorded as a percentage of the country's income per capita. It includes all official fees and fees for legal or professional services if such services are required by law. Fees for purchasing and legalizing company books are included if these transactions are required by law. The company law, the commercial code and specific regulations and fee schedules are used as sources for calculating costs. In the absence of fee schedules, a government officer's estimate is taken as an official source. In the absence of a government officer's estimate, estimates of incorporation lawyers are used. If several incorporation lawyers provide different estimates, the median reported value is applied. In all cases the cost excludes bribes.

Paid-in minimum capital

The paid-in minimum capital requirement reflects the amount that the entrepreneur needs to deposit in a bank or with a notary before registration and up to 3 months following incorporation and is recorded as a percentage of the country's income per capita. The amount is typically specified in the commercial code or the company law. Many countries have a minimum capital requirement but allow businesses to pay only a part of it before registration, with the rest to be paid after the first year of operation. In Germany in June 2007 the minimum capital requirement for limited liability companies was €25,000, of which at least €12,500 was payable before registration. The paid-in minimum capital recorded for Germany is therefore €12,500, or 42.8% of income per capita. In Serbia the minimum capital requirement was €500, of which only half needed to be paid before registration. The paid-in minimum capital recorded for Serbia is therefore €250, or 8% of income per capita.

This methodology was developed in Djankov, Simeon, Rafael La Porta, Forencio López-de-Silanes and Andrei Shleifer. 2002. "The Regulation of Entry." Quarterly Journal of Economics 117 (1): 1-37; and is adopted here with minor changes.

Registering property

Doing Business in Colombia 2008 records the full sequence of procedures necessary when a business purchases land and a building to transfer the property title from another business so that the buyer can use the property for expanding its business, as collateral in taking new loans or, if necessary, to sell to another business. Every procedure required by law or necessary in practice is included, whether it is the responsibility of the seller or the buyer or must be completed by a third party on their behalf. Local property lawyers, notaries and property registries provide information on procedures as well as the time and cost to complete each of them. To make the data comparable across countries, several assumptions about the parties to the transaction, the property and the procedures are used.

Assumptions about the parties

The parties (buyer and seller):

- Are limited liability companies.
- Are located in the periurban area of the selected cities.
- Are 100% domestically and privately owned.
- Have 50 employees each, all of whom are nationals.
- Perform general commercial activities.

Assumptions about the property

The property:

- Has a value of 50 times income per capita. The sale price equals the value.
- Is fully owned by the seller.
- Has no mortgages attached and has been under the same ownership for the past 10 years.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.
- Consists of land and a building. The land area is 6,000 square feet (557.4 square meters). A 2-story warehouse of 10,000 square feet (929 square meters) is located on the land. The warehouse is 10 years old, is in good condition and complies with all safety standards, building codes and other legal requirements. The property of land and building will be transferred in its entirety.
- Will not be subject to renovations or additional building following the purchase.
- Has no trees, natural water sources, natural reserves or historical monuments of any kind.
- Will not be used for special purposes, and no special permits, such as for residential use, industrial plants, waste storage or certain types of agricultural activities, are required.
- Has no occupants (legal or illegal), and no other party holds a legal interest in it.

TABLE 7.2
What does registering property measure?

Procedures to legally transfer title on real property • Preregistration (checking for liens, notarizing sales agreement) • Registration in the economy's most populous city • Postregistration (paying taxes, filing title with municipality)
Time required to complete each procedure • Does not include time spent gathering information • Each procedure starts on a separate day • Procedure completed once final document is received • No prior contact with officials
Cost required to complete each procedure • Official costs only, no bribes • No value added or capital gains taxes included

Source: Doing Business database.

Procedures

A procedure is defined as any interaction of the buyer or the seller, their agents (if an agent is legally or in practice required) or the property with external parties, including government agencies, inspectors, notaries and lawyers. Interactions between company officers and employees are not considered. All procedures that are legally or in practice required for registering property are recorded, even if they may be avoided in exceptional cases. It is assumed that the buyer follows the fastest legal option available and used by the majority of property owners. Although the buyer may use lawyers or other professionals where necessary in the registration process, it is assumed that it does not employ an outside facilitator in the registration process unless legally or in practice required to do so (table 7.2).

Time

Time is recorded in calendar days. The measure captures the median duration that property lawyers, notaries or registry officials indicate is necessary to complete a procedure. It is assumed that the minimum time required for each procedure is 1 day. Although procedures may take place simultaneously, they cannot start on the same day. It is assumed that the buyer does not waste time and commits to completing each remaining procedure without delay. If a procedure can be accelerated for an additional cost, the fastest legal procedure available and used by the majority of property owners is chosen. If procedures can be undertaken simultaneously, it is assumed that they are. It is assumed that the parties involved are aware of all regulations and their sequence from the beginning. Time spent on gathering information is not considered.

Cost

Cost is recorded as a percentage of the property value, assumed to be equivalent to 50 times income per capita. Only official costs required by law are recorded, including fees, transfer taxes, stamp duties and any other payment to the property registry, notaries, public agencies or lawyers. Other taxes, such as capital gains tax or value added tax, are excluded from the cost measure. Both costs borne by the buyer and those borne by the seller are included. If cost estimates differ among sources, the median reported value is used.

Paying taxes

Doing Business in Colombia 2008 records the taxes and mandatory contributions that a medium-size company must pay or withhold in a given year, and measures of the administrative burden in paying taxes and contributions. Taxes and contributions measured include the profit or corporate income tax, social contributions and labor taxes paid by the employer, property taxes, property transfer taxes, the dividend tax, the capital gains tax, the financial transactions tax, waste collection taxes and vehicle and road taxes.

Doing Business measures all taxes and contributions that are government mandated (at any level—national, departmental or municipal), apply to the standardized business and have an impact in its income statements. In doing so, *Doing Business* goes beyond the traditional definition of a tax: as defined for the purposes of government national accounts, taxes include only compulsory, unrequired payments to general government. *Doing Business* differs from this definition because it measures imposts that affect business accounts, not government accounts. The main differences are in labor contributions and value added tax. The *Doing Business* measure includes government-mandated contributions paid by the employer to a required private pension fund or workers' insurance fund. The indicator includes, for example, Australia's compulsory superannuation guarantee and workers' compensation insurance. It excludes value added taxes because they do not affect the accounting profits of the business—that is, they are not reflected in the income statement.

To measure the taxes and contributions paid by a standardized business and the complexity of a country's tax system, a case study is prepared with a set of financial statements and assumptions about transactions made over the year. Experts in each country compute the taxes and contributions owed in their jurisdiction based on the standardized case facts. Information is also compiled on the frequency of filing, audits and other costs of compliance.

To make the data comparable across countries and cities, several assumptions about the business and the taxes and contributions are used.

TABLE 7.3
What does paying taxes measure?

Tax payments for a manufacturing company in 2006
- Total number of taxes and contributions paid, including consumption taxes (value added tax)
- Method and frequency of payment

Time required to comply with 3 major taxes
- Collecting information to compute tax payable
- Completing tax forms, filing with proper agencies
- Arranging payment or withholding
- Preparing separate tax accounting books

Total tax rate
- Profit or corporate income tax
- Social contributions and labor taxes paid by the employer
- Property and property transfer taxes
- Dividend, capital gains and financial transactions taxes
- Waste collection, vehicle, road and other taxes

Source: Doing Business database.

Assumptions about the business

The business:

- Is a limited liability, taxable company. If there is more than one type of limited liability company in the country, the limited liability form most popular among domestic firms is chosen. The most popular form is reported by incorporation lawyers or the statistical office.
- Started operations on January 1, 2005. At that time the company purchased all the assets shown in its balance sheet and hired all its workers.
- Operates in the country's selected cities.
- Is 100% domestically owned and has 5 owners, all of whom are natural persons.
- Has a start-up capital of 102 times income per capita at the end of 2005.
- Performs general industrial or commercial activities. Specifically, it produces ceramic flowerpots and sells them at retail. It does not participate in foreign trade (no import or export) and does not handle products subject to a special tax regime, for example, liquor or tobacco.
- Owns 2 plots of land, 1 building, machinery, office equipment, computers and 1 truck and leases 1 truck.
- Does not qualify for investment incentives or any benefits apart from those related to the age or size of the company.
- Has 60 employees—4 managers, 8 assistants and 48 workers. All are nationals, and 1 manager is also an owner.
- Has a turnover of 1,050 times income per capita.
- Makes a loss in the first year of operation.
- Has a gross margin (pretax) of 20% (that is, sales are 120% of the cost of goods sold).
- Distributes 50% of its profits as dividends to the owners at the end of the 2nd year.
- Sells one of its plots of land at a profit during the 2nd year.
- Has annual fuel costs for its trucks equal to twice income per capita.
- Is subject to a series of detailed assumptions on expenses and transactions to further standardize the case. All financial statement variables are proportional to 2005 income per capita. For example, the owner who is also a manager spends 10% of income per capita on traveling for the company (20% of the expenses are purely private, 20% for entertaining customers and 60% for business travel).

Assumptions about the taxes and contributions

- All the taxes and contributions paid or withheld in the second year of operation (fiscal 2006) are recorded. A tax or contribution is considered distinct if it has a different name or is collected by a different agency. Taxes and contributions with the same name and agency, but

charged at different rates depending on the business, are counted as the same tax or contribution (table 7.3).

- The number of times the company pays or withholds taxes and contributions in a year is the number of different taxes or contributions multiplied by the frequency of payment (or withholding) for each one. The frequency of payment includes advance payments (or withholding) as well as regular payments (or withholding).

Tax payments

The tax payments indicator reflects the total number of taxes and contributions paid, the method of payment, the frequency of payment and the number of agencies involved for this standardized case during the second year of operation. It includes payments made by the company on consumption taxes, such as sales tax or value added tax. These taxes are traditionally withheld on behalf of the consumer. Although they do not affect the income statements of the company, they add to the administrative burden of complying with the tax system and so are included in the tax payments measure.

The number of payments takes into account electronic filing. Where full electronic filing is allowed and it is used by the majority of medium-size businesses, the tax is counted as paid once a year even if the payment is more frequent. For taxes paid through third parties, such as tax on interest paid by a financial institution or fuel tax paid by the fuel distributor, only one payment is included even if payments are more frequent. These are taxes withheld at source where no filing is made by the company.

Where 2 or more taxes or contributions are paid jointly using the same form, each of these joint payments is counted once. For example, if mandatory health insurance contributions and mandatory pension contributions are filed and paid together, only one of these contributions would be included in the number of payments.

Time

Time is recorded in hours per year. The indicator measures the time to prepare, file and pay (or withhold) 3 major types of taxes and contributions: the corporate income tax, value added or sales tax and labor taxes, including payroll taxes and social contributions. Preparation time includes the time to collect all information necessary to compute the tax payable. If separate accounting books must be kept for tax purposes—or separate calculations made—the time associated with these processes is included. This extra time is included only if the regular accounting work is not enough to fulfill the tax accounting requirements. Filing time includes the time to complete all necessary tax forms and make all necessary calculations. Payment time is the hours needed to make the payment online or at the tax office. Where taxes and contributions are paid in person, the time includes delays while waiting.

Total tax rate

The total tax rate measures the amount of taxes and mandatory contributions payable by the business in the second year of operation, expressed as a share of commercial profits. Doing Business 2008 reports the total tax rate for fiscal 2006. The total amount of taxes is the sum of all the different taxes and contributions payable after accounting for deductions and exemptions. The taxes withheld (such as sales or value added tax or personal income tax) but not paid by the company are excluded. The taxes included can be divided into 5 categories: profit or corporate income tax, social contributions and labor taxes paid by the employer (for which all mandatory contributions are included, even if paid to a private entity such as a required pension fund), property taxes, turnover taxes and other small taxes (such as municipal fees and vehicle and fuel taxes).

Commercial profits are defined as sales minus cost of goods sold, minus gross salaries, minus administrative expenses, minus other expenses, minus provisions, plus capital gains (from the property sale) minus interest expense, plus interest income and minus commercial depreciation. To compute the commercial depreciation, a straight-line depreciation method is applied with the following rates: 0% for the land, 5% for the building, 10% for the machinery, 33% for the computers, 20% for the office equipment, 20% for the truck and 10% for business development expenses. The assumption on the interest expense was changed this year, reducing the value of this expense. Commercial profits therefore changed from 57.8 times income per capita to 59.4 times. The methodology is consistent with the calculation of total tax contribution by PricewaterhouseCoopers. The total tax contribution measures the taxes that are borne by companies and affect their income statements, as in *Doing Business*. However, PricewaterhouseCoopers bases its calculation on data from the largest companies in the country, while *Doing Business* focuses on a standardized medium-size company.

This methodology was developed in Djankov, Simeon, Caralee McLiesh, Rita Ramalho and Andrei Shleifer. 2007. "Taxation, Investment and Entrepreneurship." Cambridge, Mass.: Harvard University, Department of Economics.

Trading across borders

Doing Business in Colombia 2008 compiles procedural requirements for exporting and importing a standardized cargo of goods by ocean transport. Every official procedure for exporting and importing the goods is recorded—from the contractual agreement between the 2 parties to the delivery of goods—along with the time and cost necessary for completion. All documents required for clearance of the goods across the border are also recorded. For exporting goods, procedures range from packing the goods at the factory in the selected city to their departure from the port of exit. For importing goods, procedures range from the vessel's arrival at the port of entry to the cargo's delivery at the factory warehouse in the selected city. Payment is made by letter of credit.

Local freight forwarders, shipping lines, customs brokers and port officials provide information on required documents and cost as well as the time to complete each procedure. To make the data comparable across countries, several assumptions about the business and the traded goods are used.

Assumptions about the business

The business:

- Has 100 or more employees.
- Is located in the country's selected cities.
- Is a private, limited liability company. It does not operate within an export processing zone or an industrial estate with special export or import privileges.
- Is domestically owned with no foreign ownership.
- Exports more than 10% of its sales.

Assumptions about the traded goods

The traded product travels in a dry-cargo, 20-foot, full container load. The product:

- Is not hazardous nor does it include military items.
- Does not require refrigeration or any other special environment.
- Does not require any special phytosanitary or environmental safety standards other than accepted international standards.

Documents

All documents required to export and import the goods are recorded. It is assumed that the contract has already been agreed upon and signed by both parties. Documents include bank documents, customs declaration and clearance documents, port filing documents, import licenses and other official documents exchanged between the concerned parties. Documents filed simultaneously are considered different documents but with the same time frame for completion.

TABLE 7.4
What does trading across borders measure?

Documents necessary to import or export
- Bank documents
- Customs clearance documents
- Port and terminal handling documents
- Transport documents

Time required to import or export
- Obtaining all the documents
- Inland transport
- Customs clearance and inspections
- Port and terminal handling
- Does not include ocean transport time

Cost required to import or export
- Obtaining all the documents
- Inland transport
- Customs clearance and inspections
- Port and terminal handling
- Official costs only, no bribes

Source: Doing Business database.

Time

Time is recorded in calendar days. The time calculation for a procedure starts from the moment it is initiated and runs until it is completed. If a procedure can be accelerated for an additional cost, the fastest legal procedure is chosen. It is assumed that neither the exporter nor the importer wastes time and that each commits to completing each remaining procedure without delay. Procedures that can be completed in parallel are measured as simultaneous. The waiting time between procedures—for example, during unloading of the cargo—is included in the measure (table 7.4).

Cost

Cost measures the fees levied on a 20-foot container in U.S. dollars. All the fees associated with completing the procedures to export or import the goods are included. These include costs for documents, administrative fees for customs clearance and technical control, terminal handling charges and inland transport. The cost measure does not include tariffs or trade taxes. Only official costs are recorded.

This methodology was developed by Djankov, Simeon, Caroline Freund, and Cong S. Pham. 2007. "Trading on Time." Policy Research Working Paper 3909. Washington, D.C.: World Bank Group; and is adopted here with minor changes.

Enforcing contracts

Indicators on enforcing contracts measure the efficiency of the judicial system in resolving a commercial dispute. The data are built by following the step-by-step evolution of a commercial sale dispute before local courts. The data are collected through study of the codes of civil procedure and other court regulations, surveys completed by local litigation lawyers as well as by judges.

Assumptions about the case

- The value of the claim equals 200% of the country's income per capita.
- The dispute concerns a lawful transaction between 2 businesses (Seller and Buyer), located in the country's selected cities. Seller sells goods worth 200% of the country's income per capita to Buyer. After Seller delivers the goods to Buyer, Buyer does not pay for the goods on the grounds that the delivered goods were not of adequate quality.
- Seller (the plaintiff) sues Buyer (the defendant) to recover the amount under the sales agreement (that is, 200% of the country's income per capita). Buyer opposes Seller's claim, saying that the quality of the goods is not adequate. The claim is disputed on the merits.
- A court in the country's selected cities with jurisdiction over commercial cases worth 200% of income per capita decides the dispute.
- Seller attaches Buyer's goods prior to obtaining a judgment because Seller fears that Buyer may become insolvent during the lawsuit.
- Expert opinions are given on the quality of the delivered goods. If it is standard practice in the country for parties to call witnesses or expert witnesses to give an opinion on the quality of the goods, the parties each call one witness or expert witness. If it is standard practice for the judge to appoint an independent expert to give an expert opinion on the quality of the goods, the judge does so. In this case the judge does not allow opposing expert testimony.
- The judgment is 100% in favor of Seller: the judge decides that the goods are of adequate quality and that Buyer must pay the agreed price.
- Buyer does not appeal the judgment. The judgment becomes final.
- Seller takes all required steps for prompt enforcement of the judgment. The money is successfully collected through a public sale of Buyer's movable assets (for example, office equipment).

Procedures

A procedure is defined as any interaction between the parties, or between them and the judge or court officer. This includes steps to file the case, steps for trial and judgment and steps necessary to enforce the judgment. This year the survey allowed respondents to record procedures that exist in civil law but not common law jurisdictions, and vice versa. For example, the judge can appoint an independent expert in civil law countries whereas both parties in common law countries send a list of their expert witnesses to the court. To indicate the overall efficiency of court procedures, 1 procedure is now subtracted for countries that have specialized commercial courts and 1 procedure for countries that allow electronic filing of court cases.

Time

Time is recorded in calendar days, counted from the moment the plaintiff files the lawsuit in court until payment. This includes both the days when actions take place and the waiting periods between. The respondents make separate estimates of the average duration of different stages of dispute resolution: the completion of service of process (time to file the case), the issuance of judgment (time for the trial and obtaining the judgment) and the moment of payment (time for enforcement).

Cost

Cost is recorded as a percentage of the claim, assumed to be equivalent to 200% of income per capita. Only official costs required by law are recorded, including court and enforcement costs and average attorney fees where the use of attorneys is mandatory or common.

This methodology was developed in Djankov, Simeon, Rafael La Porta, Forencio López-de-Silanes and Andrei Shleifer. 2003. "Courts." (2); 453-517; and is adopted here with minor changes.

Ease of doing business

The ease of doing business index ranks selected cities from 1 to 13. The index is calculated as the ranking on the simple average of city percentile rankings on each of the 5 topics covered in *Doing Business in Colombia 2008*. The ranking on each topic is the simple average of the percentile rankings on its component indicators.

The ease of doing business index is limited in scope. It does not account for a selected city's proximity to large markets, the quality of its infrastructure services (other than services related to trading across borders), the security of property from theft and looting, macroeconomic conditions or the strength of underlying institutions. There remains a large unfinished agenda for research into what regulation constitutes binding constraints, what package of reforms is most effective and how these issues are shaped by the country context. The *Doing Business* indicators provide a new empirical data set that may improve understanding of these issues.

Doing business indicators

City tables

DOING BUSINESS INDICATORS	**Barranquilla** *Atlántico*	**Bogotá** *Cundinamarca*	**Bucaramanga** *Santander*	**Cali** *Valle del Cauca*	**Cartagena** *Bolívar*	**Cúcuta** *Norte de Santander*	**Manizales** *Caldas*
STARTING A BUSINESS							
Procedures (number)	14	11	13	14	13	13	13
Time (days)	46	42	43	33	60	47	46
Cost (% of income per capita)	19.98	19.32	25.21	20.79	23.49	17.05	19.42
Ease of starting a business (rank)	9	2	8	7	11	4	5
REGISTERING PROPERTY							
Procedures (number)	14	9	12	12	13	12	11
Time (days)	26	23	21	23	32	26	20
Cost (% of property value)	4.38	2.49	2.46	2.28	2.83	2.55	2.19
Ease of registering property (rank)	12	2	4	3	13	9	1
TRADING ACROSS BORDERS							
Documents to export (number)	6	6	6	6	6	6	6
Time to export (days)	20	24	24	25	22	24	26
Cost to export (USD per container)	678	1,440	1,315	815	643	1,279	1,027
Documents to import (number)	8	8	8	8	8	8	8
Time to import (days)	18	20	19	21	17	19	22
Cost to import (USD per container)	749	1,440	1,315	815	657	1,914	1,032
Ease of trading across borders (rank)	3	11	7	4	1	9	10
ENFORCING CONTRACTS							
Time (days)	1,352	1,346	930	1,120	1,170	906	575
Cost (% of claim)	31	53	25	26	29	27	24
Procedures (number)	34	34	34	34	34	34	34
Ease of enforcing contracts (rank)	12	13	4	8	10	7	2
PAYING TAXES							
Payments (number per year)	77	69	63	64	69	64	91
Time (hours per year)	219	268	340	268	350	165	122
Total tax rate (% of profit)	70.42	82.40	74.32	81.08	78.81	79.47	73.91
Ease of paying taxes (rank)	5	9	4	7	10	3	6

DOING BUSINESS INDICATORS	**Medellín** *Antioquia*	**Neiva** *Huila*	**Pereira** *Risaralda*	**Popayán** *Cauca*	**Santa Marta** *Magdalena*	**Villavicencio** *Meta*
STARTING A BUSINESS						
Procedures (number)	13	19	12	17	16	11
Time (days)	48	32	33	63	40	22
Cost (% of income per capita)	22.05	37.62	13.14	17.68	13.20	22.33
Ease of starting a business (rank)	9	12	1	13	5	3
REGISTERING PROPERTY						
Procedures (number)	12	13	12	12	11	11
Time (days)	23	24	29	30	24	35
Cost (% of property value)	2.54	2.71	2.09	2.35	2.61	2.59
Ease of registering property (rank)	5	11	6	8	7	10
TRADING ACROSS BORDERS						
Documents to export (number)	6	6	6	6	6	6
Time to export (days)	23	26	25	25	19	26
Cost to export (USD per container)	1,194	1,239	984	1,239	698	1,323
Documents to import (number)	8	8	8	8	8	8
Time to import (days)	19	22	21	21	16	22
Cost to import (USD per container)	1,448	1,281	984	1,239	677	1,535
Ease of trading across borders (rank)	6	12	5	8	1	13
ENFORCING CONTRACTS						
Time (days)	828	1,145	434	781	470	422
Cost (% of claim)	34	29	31	27	26	22
Procedures (number)	34	34	34	34	34	34
Ease of enforcing contracts (rank)	9	10	5	5	3	1
PAYING TAXES						
Payments (number per year)	78	74	69	64	69	71
Time (hours per year)	359	312	296	86	445	309
Total tax rate (% of profit)	78.81	77.90	66.45	78.79	81.93	77.85
Ease of paying taxes (rank)	13	10	2	1	12	8

Doing Business

City tables

BARRANQUILLA		Department: Atlántico		Ease of doing business (rank)	11
Starting a business		**Registering property**		**Trading across borders**	
Procedures (number)	14	**Procedures** (number)	14	**Documents to export** (number)	6
Time (days)	46	**Time** (days)	26	**Time to export** (days)	20
Cost (% of income per capita)	19.98	**Cost** (% of property value)	4.38	**Cost to export** (USD per container)	678
Ease of starting a business (rank)	9	**Ease of registering property** (rank)	12	**Documents to import** (number)	8
				Time to import (days)	18
Enforcing contracts		**Paying taxes**		**Cost to import** (USD per container)	749
Procedures (number)	34	**Payments** (number per year)	77	**Ease of trading across borders** (rank)	3
Time (days)	1,352	**Time** (hours per year)	219		
Cost (% of claim)	30.75	**Total tax rate** (% of profit)	70.42		
Ease of enforcing contracts (rank)	12	**Ease of paying taxes** (rank)	5		

BOGOTÁ		Department: Cundinamarca		Ease of doing business (rank)	9
Starting a business		**Registering property**		**Trading across borders**	
Procedures (number)	11	**Procedures** (number)	9	**Documents to export** (number)	6
Time (days)	42	**Time** (days)	23	**Time to export** (days)	24
Cost (% of income per capita)	19.32	**Cost** (% of property value)	2.49	**Cost to export** (USD per container)	1,440
Ease of starting a business (rank)	2	**Ease of registering property** (rank)	2	**Documents to import** (number)	8
				Time to import (days)	20
Enforcing contracts		**Paying taxes**		**Cost to import** (USD per container)	1,440
Procedures (number)	34	**Payments** (number per year)	69	**Ease of trading across borders** (rank)	11
Time (days)	1,346	**Time** (hours per year)	268		
Cost (% of claim)	52.60	**Total tax rate** (% of profit)	82.40		
Ease of enforcing contracts (rank)	13	**Ease of paying taxes** (rank)	9		

BUCARAMANGA		Department: Santander		Ease of doing business (rank)	3
Starting a business		**Registering property**		**Trading across borders**	
Procedures (number)	13	**Procedures** (number)	12	**Documents to export** (number)	6
Time (days)	43	**Time** (days)	21	**Time to export** (days)	24
Cost (% of income per capita)	25.21	**Cost** (% of property value)	2.46	**Cost to export** (USD per container)	1,315
Ease of starting a business (rank)	8	**Ease of registering property** (rank)	4	**Documents to import** (number)	8
				Time to import (days)	19
Enforcing contracts		**Paying taxes**		**Cost to import** (USD per container)	1,315
Procedures (number)	34	**Payments** (number per year)	63	**Ease of trading across borders** (rank)	7
Time (days)	930	**Time** (hours per year)	340		
Cost (% of claim)	24.90	**Total tax rate** (% of profit)	74.32		
Ease of enforcing contracts (rank)	4	**Ease of paying taxes** (rank)	4		

CALI		Department: Valle del Cauca		Ease of doing business (rank)	4
Starting a business		**Registering property**		**Trading across borders**	
Procedures (number)	14	**Procedures** (number)	12	**Documents to export** (number)	6
Time (days)	33	**Time** (days)	23	**Time to export** (days)	25
Cost (% of income per capita)	20.79	**Cost** (% of property value)	2.28	**Cost to export** (USD per container)	815
Ease of starting a business (rank)	7	**Ease of registering property** (rank)	3	**Documents to import** (number)	8
				Time to import (days)	21
Enforcing contracts		**Paying taxes**		**Cost to import** (USD per container)	815
Procedures (number)	34	**Payments** (number per year)	64	**Ease of trading across borders** (rank)	4
Time (days)	1,120	**Time** (hours per year)	268		
Cost (% of claim)	26.31	**Total tax rate** (% of profit)	81.08		
Ease of enforcing contracts (rank)	8	**Ease of paying taxes** (rank)	7		

CARTAGENA		Department: Bolívar		Ease of doing business (rank)	12
Starting a business		**Registering property**		**Trading across borders**	
Procedures (number)	13	**Procedures** (number)	13	**Documents to export** (number)	6
Time (days)	60	**Time** (days)	32	**Time to export** (days)	22
Cost (% of income per capita)	23.49	**Cost** (% of property value)	2.83	**Cost to export** (USD per container)	643
Ease of starting a business (rank)	11	**Ease of registering property** (rank)	13	**Documents to import** (number)	8
				Time to import (days)	17
Enforcing contracts		**Paying taxes**		**Cost to import** (USD per container)	657
Procedures (number)	34	**Payments** (number per year)	69	**Ease of trading across borders** (rank)	1
Time (days)	1,170	**Time** (hours per year)	350		
Cost (% of claim)	28.96	**Total tax rate** (% of profit)	78.81		
Ease of enforcing contracts (rank)	10	**Ease of paying taxes** (rank)	10		

CÚCUTA		Department: Norte de Santander		Ease of doing business (rank)	6
Starting a business		**Registering property**		**Trading across borders**	
Procedures (number)	13	**Procedures** (number)	12	**Documents to export** (number)	6
Time (days)	47	**Time** (days)	26	**Time to export** (days)	24
Cost (% of income per capita)	17.05	**Cost** (% of property value)	2.55	**Cost to export** (USD per container)	1,279
Ease of starting a business (rank)	4	**Ease of registering property** (rank)	9	**Documents to import** (number)	8
				Time to import (days)	19
Enforcing contracts		**Paying taxes**		**Cost to import** (USD per container)	1,914
Procedures (number)	34	**Payments** (number per year)	64	**Ease of trading across borders** (rank)	9
Time (days)	906	**Time** (hours per year)	165		
Cost (% of claim)	26.68	**Total tax rate** (% of profit)	79.47		
Ease of enforcing contracts (rank)	7	**Ease of paying taxes** (rank)	3		

MANIZALES

Department: Caldas

Ease of doing business (rank) 2

Starting a business	
Procedures (number)	13
Time (days)	46
Cost (% of income per capita)	19.42
Ease of starting a business (rank)	5
Enforcing contracts	
Procedures (number)	34
Time (days)	575
Cost (% of claim)	23.90
Ease of enforcing contracts (rank)	2
Registering property	
Procedures (number)	11
Time (days)	20
Cost (% of property value)	2.19
Ease of registering property (rank)	1
Paying taxes	
Payments (number per year)	91
Time (hours per year)	122
Total tax rate (% of profit)	73.91
Ease of paying taxes (rank)	6
Trading across borders	
Documents to export (number)	6
Time to export (days)	26
Cost to export (USD per container)	1,027
Documents to import (number)	8
Time to import (days)	22
Cost to import (USD per container)	1,032
Ease of trading across borders (rank)	10

MEDELLÍN

Department: Antioquia

Ease of doing business (rank) 10

Starting a business	
Procedures (number)	13
Time (days)	48
Cost (% of income per capita)	22.05
Ease of starting a business (rank)	9
Enforcing contracts	
Procedures (number)	34
Time (days)	828
Cost (% of claim)	33.81
Ease of enforcing contracts (rank)	9
Registering property	
Procedures (number)	12
Time (days)	23
Cost (% of property value)	2.54
Ease of registering property (rank)	5
Paying taxes	
Payments (number per year)	78
Time (hours per year)	359
Total tax rate (% of profit)	78.81
Ease of paying taxes (rank)	13
Trading across borders	
Documents to export (number)	6
Time to export (days)	23
Cost to export (USD per container)	1,194
Documents to import (number)	8
Time to import (days)	19
Cost to import (USD per container)	1,448
Ease of trading across borders (rank)	6

NEIVA

Department: Huila

Ease of doing business (rank) 13

Starting a business	
Procedures (number)	19
Time (days)	32
Cost (% of income per capita)	37.62
Ease of starting a business (rank)	12
Enforcing contracts	
Procedures (number)	34
Time (days)	1,145
Cost (% of claim)	28.98
Ease of enforcing contracts (rank)	10
Registering property	
Procedures (number)	13
Time (days)	24
Cost (% of property value)	2.71
Ease of registering property (rank)	11
Paying taxes	
Payments (number per year)	74
Time (hours per year)	312
Total tax rate (% of profit)	77.90
Ease of paying taxes (rank)	10
Trading across borders	
Documents to export (number)	6
Time to export (days)	26
Cost to export (USD per container)	1,239
Documents to import (number)	8
Time to import (days)	22
Cost to import (USD per container)	1,281
Ease of trading across borders (rank)	12

PEREIRA

Department: Risaralda

Ease of doing business (rank) 1

Starting a business	
Procedures (number)	12
Time (days)	33
Cost (% of income per capita)	13.14
Ease of starting a business (rank)	1
Enforcing contracts	
Procedures (number)	34
Time (days)	434
Cost (% of claim)	30.71
Ease of enforcing contracts (rank)	5
Registering property	
Procedures (number)	12
Time (days)	29
Cost (% of property value)	2.09
Ease of registering property (rank)	6
Paying taxes	
Payments (number per year)	69
Time (hours per year)	296
Total tax rate (% of profit)	66.45
Ease of paying taxes (rank)	2
Trading across borders	
Documents to export (number)	6
Time to export (days)	25
Cost to export (USD per container)	984
Documents to import (number)	8
Time to import (days)	21
Cost to import (USD per container)	984
Ease of trading across borders (rank)	5

POPAYÁN	Department: Cauca	Ease of doing business (rank) 7
Starting a business	**Registering property**	**Trading across borders**
Procedures (number) 17	**Procedures** (number) 12	**Documents to export** (number) 6
Time (days) 63	**Time** (days) 30	**Time to export** (days) 25
Cost (% of income per capita) 17.68	**Cost** (% of property value) 2.35	**Cost to export** (USD per container) 1,239
Ease of starting a business (rank) 13	**Ease of registering property** (rank) 8	**Documents to import** (number) 8
		Time to import (days) 21
Enforcing contracts	**Paying taxes**	**Cost to import** (USD per container) 1,239
Procedures (number) 34	**Payments** (number per year) 64	**Ease of trading across borders** (rank) 8
Time (days) 781	**Time** (hours per year) 86	
Cost (% of claim) 27.27	**Total tax rate** (% of profit) 78.79	
Ease of enforcing contracts (rank) 5	**Ease of paying taxes** (rank) 1	

SANTA MARTA	Department: Magdalena	Ease of doing business (rank) 5
Starting a business	**Registering property**	**Trading across borders**
Procedures (number) 16	**Procedures** (number) 11	**Documents to export** (number) 6
Time (days) 40	**Time** (days) 24	**Time to export** (days) 19
Cost (% of income per capita) 13.20	**Cost** (% of property value) 2.61	**Cost to export** (USD per container) 698
Ease of starting a business (rank) 5	**Ease of registering property** (rank) 7	**Documents to import** (number) 8
		Time to import (days) 16
Enforcing contracts	**Paying taxes**	**Cost to import** (USD per container) 677
Procedures (number) 34	**Payments** (number per year) 69	**Ease of trading across borders** (rank) 1
Time (days) 470	**Time** (hours per year) 445	
Cost (% of claim) 26.13	**Total tax rate** (% of profit) 81.93	
Ease of enforcing contracts (rank) 3	**Ease of paying taxes** (rank) 12	

VILLAVICENCIO	Department: Meta	Ease of doing business (rank) 8
Starting a business	**Registering property**	**Trading across borders**
Procedures (number) 11	**Procedures** (number) 11	**Documents to export** (number) 6
Time (days) 22	**Time** (days) 35	**Time to export** (days) 26
Cost (% of income per capita) 22.33	**Cost** (% of property value) 2.59	**Cost to export** (USD per container) 1,323
Ease of starting a business (rank) 3	**Ease of registering property** (rank) 10	**Documents to import** (number) 8
		Time to import (days) 22
Enforcing contracts	**Paying taxes**	**Cost to import** (USD per container) 1,535
Procedures (number) 34	**Payments** (number per year) 71	**Ease of trading across borders** (rank) 13
Time (days) 422	**Time** (hours per year) 309	
Cost (% of claim) 21.88	**Total tax rate** (% of profit) 77.85	
Ease of enforcing contracts (rank) 1	**Ease of paying taxes** (rank) 8	

Doing Business

List of procedures

STARTING A BUSINESS

Barranquilla

Standard company legal form: Limited Liability Company (LTDA)
Minimum capital requirement: none
Date as of: July 2007

Procedure 1. Submit the company statutes to a notary

Time: 3 days

Cost: COP 21,094 (COP 12,710 notary fees + COP 2,033 equivalent to 16% VAT + COP 3,175 for the contribution to the Notary Superintendency + COP 3,175 for the contribution to the Notary Fund)

Comments: According to Law 1014 of 2006, new companies of any type, with less than 10 employees or capital below the equivalent of 500 minimum salaries (COP 216,850,000 as of Jan 2007), can be constituted either by private contract or public deed. Since the company in the case study meets the criteria of law 1014, it can be constituted by private contract.

When choosing a private contract the owners can either use a notary to authenticate the required signatures or have them authenticated by a clerk at the Chamber of Commerce, when registering the company. The common practice is to use a notary.

When a company is constituted by public deed, the most common procedure is as follows: the owner submits the company statutes to the notary public and requests a public deed of incorporation. The statutes must include the following: name and identification card of the shareholders; name and type of company; legal address; corporate purpose; company capital; preemptive rights in capital increases; name of the members of the board of directors, including their duties and obligations (for these types of companies it is not mandatory to have a board of directors); and the name of the statutory auditor, including duties and obligations (for these types of companies it is not mandatory to have a statutory auditor-Law 43/90).

After the notary public transcribes the deed, the owners appear before the notary public to sign and obtain copies of the deed. Notary fees for preparing the public deed are 0.27% of the value of the document. Other fees include: COP 17,100 for authenticated copies (COP 1,710 each page for about 10 copies) + 16% VAT.

The company owners should verify that the proposed name has not been previously assigned. If this is the case, the Chamber of Commerce rejects the application. The uniqueness of the company name can be verified through the registry's website http://www.rue.com.co and is not counted as a separate procedure in this case.

Procedure 2. Purchase the company books

Time: 1 day

Cost: COP 132,000 (6 books at a cost of approximately COP 22,000 each)

Comments: The books can be obtained at a store or at the Chamber of Commerce. The common practice is to purchase them prior to going to the Chamber of Commerce.

Procedure 3. Register the company, obtain the "Certificate of Existence and Legal Representation," legalize company books and register for national taxes—all at the Chamber of Commerce

Time: 5 days

Cost: COP 1,095,867 (COP 452,867 equivalent to 0.7% of capital in registration tax + COP 403,000 for registration fee + COP 73,000 for registration of commercial establishment fee + COP 23,000 to register the statutes + COP 6,000 for registration forms + COP 138,000 for legalizing the 6 company books at COP 23,000 each)

Comments: In 2003 the one stop shops known as Business Assistance Centers *(Centros de Atención Empresarial—CAE)* opened. The reforms creating the CAE also served to merge several forms. Now a single step covers all of the following procedures:

a. Register the company and commercial establishments (if any) with the Registry of Commerce;
b. Obtain a copy of the Certificate of Existence and Legal Representation;
c. Legalize the company books;
d. Register for national taxes (DIAN).

Procedure 4. Obtain the tax identification number (NIT) certificate with the National Tax Office (DIAN)

Time: 1 day

Cost: No cost

Comments: Once the company is registered with the Chamber of Commerce, the DIAN issues the NIT certificate. The tax sticker must be displayed in a visible location.

Procedure 5. Open a bank account

Time: 1 day

Cost: No cost

Comments: To open an account with a commercial bank, the owner submits the public deed, the Certificate of Existence and Legal Representation, NIT, and ID. Opening a savings account takes a few minutes. For checking accounts, the bank could take 3 or more business days to verify information about the company, due to compliance with money laundering prevention laws and regulations. Depending on the bank, a minimum initial deposit of approximately COP 100,000 is required.

Procedure 6. Pay for the certificate of land use

Time: 1 day

Cost: COP 43,400

Comments: To be paid at the District Municipality of Barranquilla.

Procedure 7. Obtain the certificate of land use

Time: 21 days

Cost: No cost (included in the previous procedure)

Comments: The original receipt is submitted to the Territorial Development Office of the Planning Office and the certificate is issued within 3 weeks.

Procedure 8*. Register for the industry and commerce tax

Time: 1 day (simultaneous with procedure 7)

Cost: No cost

Comments: This is the local tax registration procedure. The form can be obtained at the Municipality.

Procedure 9*. Register company with the Family Compensation Fund *(Caja de Compensación Familiar)*, the Governmental Learning Service *(Servicio Nacional de Aprendizaje—SENA)* and the Colombian Family Institute *(Instituto Colombiano de Bienestar Familiar—ICBF)*

Time: 10 days (simultaneous with procedure 7)

Cost: No cost

Comments: Decree 3667 of 2004 created a unified form to self-assess and pay social security and para-fiscal contributions to SENA, ICBF, the Family Compensation Fund and the School of Public Administration *(Escuela Superior de Administración Pública—ESAP)*. This unified form may be submitted electronically or in person. Pursuant to Decree 3667, the Social Protection Ministry must first issue the form. The time to register varies from 2 days to 3 weeks depending on the family compensation fund chosen.

Once registered, the company pays contributions to the Family Compensation Fund in the first 8 days of every month. The contribution is distributed internally by the Family Compensation Fund to SENA and the ICBF.

Procedure 10*. Register company with the Administrator of Professional Risks (ARP)

Time: 1 day (simultaneous with procedure 7)

Cost: No cost

Comments: It is required to affiliate the company and its employees with an Administrator of Professional Risks (ARP), private or public *(Instituto de Seguros Sociales—ISS)*. The employer decides to which ARP to affiliate all employees and pays the monthly contributions. The ARP covers job related accidents and professional illness.

Procedure 11*. Register employees for pension with the Social Security System—ISS

Time: 30 days (simultaneous with procedure 7)

Cost: No cost

Comments: The company must affiliate employees with the pension system, either through the public Social Security System (ISS) or through a private pension and compensation fund. Each employee may choose between the public or private pension funds. The company must complete the respective submissions to the pension funds. The employer cannot choose the pension fund on behalf of the employee.

Procedure 12*. Register employees with a private pension fund

Time: 1 day (simultaneous with procedure 7)

Cost: No cost

Comments: The process is the same as with the ISS, but a representative from the private fund visits the company and registration is fast.

Procedure 13*. Enroll employees with a private health insurance plan

Time: 1 day (simultaneous with procedure 7)

Cost: No cost

Comments: The process varies depending on the plan and on the pre-existing risks of the insured. The private health insurance plan representative visits the firm and enrollment is usually fast.

Procedure 14*. Register employees with a severance fund

Time: 1 day (simultaneous with procedure 7)

Cost: No cost

Comments: The company must affiliate its employees with a severance fund. Each employee may choose the severance fund. The company must complete the submissions on behalf of its employees. One day is required for each severance fund, but the time may vary depending on the number of entities chosen by the employees. The employer has to deposit the severance payment annually before February 14th.

* This procedure is simultaneous with a previous procedure.

STARTING A BUSINESS

Bucaramanga

Standard company legal form: Limited Liability Company (LTDA)
Minimum capital requirement: none
Date as of: July 2007

Procedure 1. Submit the company statutes to a notary

Time: 3 days

Cost: COP 21,094 (COP 12,710 notary fees + COP 2,033 equivalent to 16% VAT + COP 3,175 for the contribution to the Notary Superintendency + COP 3,175 for the contribution to the Notary Fund)

Comments: According to Law 1014 of 2006, new companies of any type, with less than 10 employees or capital below the equivalent of 500 minimum salaries (COP 216,850,000 as of Jan 2007), can be constituted either by private contract or public deed. Since the company in the case study meets the criteria of law 1014, it can be constituted by private contract.

When choosing a private contract the owners can either use a notary to authenticate the required signatures or have them authenticated by a clerk at the Chamber of Commerce, when registering the company. The common practice is to use a notary.

When a company is constituted by public deed, the most common procedure is as follows: the owner submits the company statutes to the notary public and requests a public deed of incorporation. The statutes must include the following: name and identification card of the shareholders; name and type of company; legal address; corporate purpose; company capital; preemptive rights in capital increases; name of the members of the board of directors, including their duties and obligations (for these types of companies it is not mandatory to have a board of directors); and the name of the statutory auditor, including duties and obligations (for these types of companies it is not mandatory to have a statutory auditor-Law 43/90).

After the notary public transcribes the deed, the owners appear before the notary public to sign and obtain copies of the deed. Notary fees for preparing the public deed are 0.27% of the value of the document. Other fees include: COP 17,100 for authenticated copies (COP 1,710 each page for about 10 copies) + 16% VAT.

It is now possible for notaries to issue electronic copies of public deeds. These are sent electronically to the Registry of Commerce operated by the Chamber of Commerce. The electronic file must specify the documents attached to the deed.

The Chamber of Commerce recently created standard statutes *(módulo de minutas por Internet)* which can be accessed on the website http://www.sintramites.com. The document is sent to the notary electronically, and the owners only need to visit the notary to sign the final document.

The company owners should verify that the proposed name has not been previously assigned. If this is the case, the Chamber of Commerce rejects the application. The uniqueness of the company name can be verified through the registry's website http://www.rue.com.co and is not counted as a separate procedure in this case.

Procedure 2. Purchase the company books

Time: 1 day

Cost: COP 132,000 (6 books at a cost of approximately COP 22,000 each)

Comments: The books can be obtained at a store, at the Chamber of Commerce or ordered on-line from the Chamber of Commerce.

Procedure 3. Obtain the temporary single tax registration (Registro Único Tributario—RUT) form from the National Tax Office (DIAN)

Time: 1 day

Cost: No cost

Comments: Once the notary has issued copies of the public deed, the owner has to request a form to register at the RUT from the National Tax Office (DIAN). The proof of registration to the RUT is needed in order to submit the documentation to the Chamber of Commerce and to obtain the tax identification number (NIT).

Procedure 4. Register the company, obtain the "Certificate of Existence and Legal Representation," legalize company books and register for national taxes—all at the Chamber of Commerce

Time: 4 days

Cost: COP 832,042 (COP 691,042 for registration fee + COP 3,000 for the form + COP 138,000 for legalizing the 6 company books at COP 23,000 each)

Comments: In 2003 the one stop shops known as Business Assistance Centers *(Centros de Atención Empresarial—CAE)* opened. The reforms creating the CAE also served to merge several forms. Now a single step covers all of the following procedures:

a. Register the company and commercial establishments (if any) with the Registry of Commerce;
b. Obtain a copy of the Certificate of Existence and Legal Representation;
c. Legalize the company books;
d. Register for national taxes (DIAN).

At the CAE, the entrepreneur can also notify the District Planning Office of the establishment of the company.

Once the public deed or the private contract is registered with the Chamber of Commerce, a Tax Identification Number (NIT) is granted within 3 days. This NIT allows the company to file all tax obligations (income, VAT, and withholdings) and pay customs duties. The NIT request form can be downloaded from the CAE's http://www.sintramites.com or the DIAN's website http://www.dian.gov.co.

Procedure 5*. Pay the registration tax to the Government of Santander

Time: 1 day (simultaneous with procedure 4)

Cost: COP 517,562 (0.8% of capital)

Comments: This tax is collected by the Government of Santander. It can be paid at a counter of the Government of Santander at the Chamber of Commerce.

Procedure 6. Open a bank account

Time: 1 day

Cost: No cost

Comments: To open an account with a commercial bank, the owner submits the public deed, the Certificate of Existence and Legal Representation, NIT, and ID. Opening a savings account takes a few minutes. For checking accounts, the bank could take 3 or more business days to verify information about the company, due to compliance with money laundering prevention laws and regulations. Depending on the bank, a minimum initial deposit of approximately COP 100,000 is required.

Procedure 7. Obtain a land use certificate

Time: 15 days

Cost: COP 128,000

Comments: A land use certificate from District authorities is required for operating a commercial establishment or business.

Procedure 8*. Register company with the Family Compensation Fund *(Caja de Compensación Familiar)*, the Governmental Learning Service *(Servicio Nacional de Aprendizaje—SENA)* and the Colombian Family Institu te *(Instituto Colombiano de Bienestar Familiar—ICBF)*

Time: 10 days (simultaneous with procedure 7)

Cost: No cost

Comments: Decree 3667 of 2004 created a unified form to self-assess and pay social security and para-fiscal contributions to SENA, ICBF, the Family Compensation Fund and the School of Public Administration *(Escuela Superior de Administración Pública—ESAP)*. This unified form may be submitted electronically or in person. Pursuant to Decree 3667, the Social Protection Ministry must first issue the form. The time to register varies from 2 days to 3 weeks depending on the family compensation fund chosen.

Once registered, the company pays contributions to the Family Compensation Fund in the first 8 days of every month. The contribution is distributed internally by the Family Compensation Fund to SENA and the ICBF.

Procedure 9*. Register company with an Administrator of Professional Risks (ARP)

Time: 1 day (simultaneous procedure 7)

Cost: No cost

Comments: It is required to affiliate the company and its employees with an Administrator of Professional Risks (ARP), private or public *(Instituto de Seguros Sociales—ISS)*. The employer decides to which ARP to affiliate all employees and pays the monthly contributions. The ARP covers job related accidents and professional illness.

Procedure 10*. Register employees for pension with the Social Security System—ISS

Time: 30 day (simultaneous with procedure 7)

Cost: No cost

Comments: The company must affiliate employees with the pension system, either through the public Social Security System (ISS) or through a private pension and compensation fund. Each employee may choose between the public or private pension funds. The company must complete the respective submissions to the pension funds. The employer cannot choose the pension fund on behalf of the employee.

Procedure 11*. Register employees with a private pension fund

Time: 1 day (simultaneous with procedure 7)

Cost: No cost

Comments: The process is the same as with the ISS, but a representative from the private fund visits the company and registration is fast.

Procedure 12*. Enroll employees with a private health insurance plan

Time: 1 day (simultaneous with procedure 7)

Cost: No cost

Comments: The process varies depending on the plan and on the pre-existing risks of the insured. The private health insurance plan representative visits the firm and enrollment is usually fast.

Procedure 13*. Register employees with a severance fund

Time: 1 day (simultaneous with procedure 7)

Cost: No cost

Comments: The company must affiliate its employees with a severance fund. Each employee may choose the severance fund. The company must complete the submissions on behalf of its employees. One day is required for each severance fund, but the time may vary depending on the number of entities chosen by the employees. The employer has to deposit the severance payment annually before February 14th.

* This procedure is simultaneous with a previous procedure.

STARTING A BUSINESS

Cali

Standard company legal form: Limited Liability Company (LTDA)
Minimum capital requirement: none
Date as of: July 2007

Procedure 1. Visit a business assistance center *(Centro de Atención Empresarial—CAE)* of the Chamber of Commerce to obtain the necessary forms

Time: 1 day

Cost: COP 20,000

Comments: It is necessary to go to the CAE to obtain the forms to register the company and the commercial establishment. The cost is COP 10,000 each. At the CAE, the entrepreneur can receive information about the process to start a business.

Procedure 2. Submit the company statutes to a notary

Time: 3 days

Cost: COP 21,094 (COP 12,710 notary fees + COP 2,033 equivalent to 16% VAT + COP 3,175 for the contribution to the Notary Superintendency + COP 3,175 for the contribution to the Notary Fund)

Comments: According to Law 1014 of 2006, new companies of any type, with less than 10 employees or capital below the equivalent of 500 minimum salaries (COP 216,850,000 as of Jan 2007), can be constituted either by private contract or public deed. Since the company in the case study meets the criteria of law 1014, it can be constituted by private contract.

When choosing a private contract the owners can either use a notary to authenticate the required signatures or have them authenticated by a clerk at the Chamber of Commerce, when registering the company. The common practice is to use a notary.

When a company is constituted by public deed, the most common procedure is as follows: the owner submits the company statutes to the notary public and requests a public deed of incorporation. The statutes must include the following: name and identification card of the shareholders; name and type of company; legal address; corporate purpose; company capital; preemptive rights in capital increases; name of the members of the board of directors, including their duties and obligations (for these types of companies it is not mandatory to have a board of directors); and the name of the statutory auditor, including duties and obligations (for these types of companies it is not mandatory to have a statutory auditor-Law 43/90).

After the notary public transcribes the deed, the owners appear before the notary public to sign and obtain copies of the deed. Notary fees for preparing the public deed are 0.27% of the value of the document. Other fees include: COP 17,100 for authenticated copies (COP 1,710 each page for about 10 copies) + 16% VAT.

The company owners should verify that the proposed name has not been previously assigned. If this is the case, the Chamber of Commerce rejects the application. The uniqueness of the company name can be verified through the registry's website http://www.rue.com.co and is not counted as a separate procedure in this case.

Procedure 3. Purchase the company books

Time: 1 day

Cost: COP 132, 000 (6 books at a cost of approximately COP 22,000 each)

Comments: The books can be obtained at a store or at the Chamber of Commerce. The common practice is to purchase them prior to going to the Chamber of Commerce.

Procedure 4. Register the company, obtain the "Certificate of Existence and Legal Representation," legalize company books and register for national taxes—all at the Chamber of Commerce

Time: 5 days

Cost: COP 1,164,290 (COP 452,867 equivalent to 0.7% of the capital as registration tax + COP 542,200 for registration fee + COP 3,000 for the certificate of existence + COP 23,000 fixed fee + COP 5,223 stamp duties + COP 138,000 for legalizing the 6 company books at COP 23,000 each)

Comments: In 2003 the one stop shops known as Business Assistance Centers *(Centros de Atención Empresarial*—CAE) opened. The reforms creating the CAE also served to merge several forms. Now a single step covers all of the following procedures:

a. Register the company and commercial establishments (if any) with the Registry of Commerce;
b. Obtain a copy of the Certificate of Existence and Legal Representation;
c. Legalize the company books;
d. Register for national taxes (DIAN).

At the CAE, the entrepreneur can also notify the District Planning Office of the establishment of the company.

Procedure 5. Obtain tax identification number (NIT) with the National Tax Office (DIAN)

Time: 1 day

Cost: No cost

Comments: Once the company is registered with the Chamber of Commerce, the Tax Office issues the tax identification number certificate (NIT). The tax sticker has to be displayed in a visible place of the establishment.

Procedure 6. Open a bank account

Time: 1 day

Cost: No cost

Comments: To open an account with a commercial bank, the owner submits the public deed, the Certificate of Existence and Legal Representation, NIT, and ID. Opening a savings account takes a few minutes. For checking accounts, the bank could take 3 or more business days to verify information about the company, due to compliance with money laundering prevention laws and regulations. Depending on the bank, a minimum initial deposit of approximately COP 100,000 is required.

Procedure 7. Obtain a land use certificate

Time: 21 days

Cost: No cost

Comments: The land use certificate carries a stamp duty in support of public hospitals in the amount of COP 7,700 (see following procedure) to be paid at a commercial bank. Then, the owner submits a form to the Municipal Planning Office in the Municipal Administrative Center.

Procedure 8*. Pay for stamp duty in support of public hospitals

Time: 1 day (simultaneous with procedure 7)

Cost: COP 7,700

Procedure 9*. Register company with the Family Compensation Fund *(Caja de Compensación Familiar)*, the Governmental Learning Service *(Servicio Nacional de Aprendizaje—SENA)* and the Colombian Family Institute *(Instituto Colombiano de Bienestar Familiar—ICBF)*

Time: 8 days (simultaneous with procedure 7)

Cost: No cost

Comments: Decree 3667 of 2004 created a unified form to self-assess and pay social security and para-fiscal contributions to SENA, ICBF, the Family Compensation Fund and the School of Public Administration *(Escuela Superior de Administración Pública—ESAP)*. This unified form may be submitted electronically or in person. Pursuant to Decree 3667, the Social Protection Ministry must first issue the form. The time to register varies from 2 days to 3 weeks depending on the family compensation fund chosen.

Once registered, the company pays contributions to the Family Compensation Fund in the first 8 days of every month. The contribution is distributed internally by the Family Compensation Fund to SENA and the ICBF.

Procedure 10*. Register company with an Administrator of Professional Risks (ARP)

Time: 1 day (simultaneous with procedure 7)

Cost: No cost

Comments: It is required to affiliate the company and its employees with an Administrator of Professional Risks (ARP), private or public *(Instituto de Seguros Sociales—ISS)*. The employer decides to which ARP to affiliate all employees and pays the monthly contributions. The ARP covers job related accidents and professional illness.

Procedure 11*. Register employees for pension with the Social Security System—ISS

Time: 14 days (simultaneous with procedure 7)

Cost: No cost

Comments: The company must affiliate its employees with the pension system, either through the public Social Security System (ISS) or through a private pension and compensation fund. Each employee may choose between the public or private pension funds. The company must complete the respective submissions to the pension funds. The employer cannot choose the pension fund on behalf of the employee.

Procedure 12*. Register employees with a private pension fund

Time: 1 day (simultaneous with procedure 7)

Cost: No cost

Comments: The process is the same as with the ISS, but a representative from the private fund visits the company and registration is fast.

Procedure 13*. Enroll employees for public health coverage

Time: 1 day (simultaneous with procedure 7)

Cost: No cost

Comments: The company must affiliate its employees to the national health system *(Plan Obligatorio de Salud—POS)*, be it through the public entity (EPS—ISS) or through a private health care provider (EPS). Each employee may choose an EPS. The company must complete the respective submissions to the different EPSs on behalf of its employees. Each company must make a submission to at least one EPS. The time varies depending on the EPS and the health history of the employee.

Procedure 14*. Register employees with a severance fund

Time: 1 day (simultaneous with procedure 7)

Cost: No cost

Comments: The company must affiliate its employees with a severance fund. Each employee may choose the severance fund. The company must complete the submissions on behalf of its employees. One day is required for each severance fund, but the time may vary depending on the number of entities chosen by the employees. The employer has to deposit the severance payment annually before February 14th.

* This procedure is simultaneous with a previous procedure.

STARTING A BUSINESS

Cartagena

Standard company legal form: Limited Liability Company (LTDA)
Minimum capital requirement: none
Date as of: July 2007

Procedure 1. Submit the company statutes to a notary

Time: 3 days

Cost: COP 21,094 (COP 12,710 notary fees + COP 2,033 equivalent to 16% VAT + COP 3,175 for the contribution to the Notary Superintendency + COP 3,175 for the contribution to the Notary Fund)

Comments: According to Law 1014 of 2006, new companies of any type, with less than 10 employees or capital below the equivalent of 500 minimum salaries (COP 216,850,000 as of Jan 2007), can be constituted either by private contract or public deed. Since the company in the case study meets the criteria of law 1014, it can be constituted by private contract.

When choosing a private contract the owners can either use a notary to authenticate the required signatures or have them authenticated by a clerk at the Chamber of Commerce, when registering the company. The common practice is to use a notary.

When a company is constituted by public deed, the most common procedure is as follows: the owner submits the company statutes to the notary public and requests a public deed of incorporation. The statutes must include the following: name and identification card of the shareholders; name and type of company; legal address; corporate purpose; company capital; preemptive rights in capital increases; name of the members of the board of directors, including their duties and obligations (for these types of companies it is not mandatory to have a board of directors); and the name of the statutory auditor, including duties and obligations (for these types of companies it is not mandatory to have a statutory auditor-Law 43/90).

After the notary public transcribes the deed, the owners appear before the notary public to sign and obtain copies of the deed. Notary fees for preparing the public deed are 0.27% of the value of the document. Other fees include: COP 17,100 for authenticated copies (COP 1,710 each page for about 10 copies) + 16% VAT.

The company owners should verify that the proposed name has not been previously assigned. If this is the case, the Chamber of Commerce rejects the application. The uniqueness of the company name can be verified through the registry's website http://www.rue.com.co and is not counted as a separate procedure in this case.

Procedure 2. Purchase the company books

Time: 1 day

Cost: COP 132,000 (6 books at a cost of approximately COP 22,000 each)

Comments: The books can be obtained at a store, at the Chamber of Commerce or ordered on-line from the Chamber of Commerce.

Procedure 3. Obtain the temporary single tax registration (Registro Único Tributario—RUT) form from the National Tax Office (DIAN)

Time: 1 day

Cost: No cost

Comments: Once the notary has issued copies of the public deed, the owner has to request a form to register at the RUT from the National Tax Office (DIAN). The proof of registration to the RUT is needed in order to submit the documentation to the Chamber of Commerce and to obtain the tax identification number (NIT).

Procedure 4. Register the company, obtain the "Certificate of Existence and Legal Representation," legalize company books and register for national taxes—all at the Chamber of Commerce

Time: 8 days

Cost: COP 1,352,343 (COP 452,867 equivalent to 0.7% of capital registration tax + COP 323,476 equivalent to 0.5% of capital for stamp duty supporting culture *(estampilla pro-cultura)* + COP 362,000 for the permit to undertake commercial activities + COP 73,000 for registration fee + COP 3,000 for the registration form + COP 138,000 for legalizing the 6 company books at COP 23,000 each)

Comments: In 2003 the one-stop shops known as Business Assistance Centers *(Centros de Atención Empresarial—CAE)* opened. The reforms creating the CAE also served to merge several forms. Now a single step covers all of the following procedures:

a. Register the company and commercial establishments (if any) with the Registry of Commerce;
b. Obtain a copy of the Certificate of Existence and Legal Representation;
c. Legalize the company books;
d. Register for national taxes (DIAN).

CAE also notifies the District Planning Office of the establishment of the company.

Procedure 5. Obtain the tax identification number (NIT) certificate with the National Tax Office (DIAN)

Time: 1 day

Cost: No cost

Comments: Once the company is registered with the Chamber of Commerce, the DIAN issues the NIT certificate.

Procedure 6. Open a bank account

Time: 1 day

Cost: No cost

Comments: To open an account with a commercial bank, the owner submits the public deed, the Certificate of Existence and Legal Representation, NIT, and ID. Opening a savings account takes a few minutes. For checking accounts, the bank could take 3 or more business days to verify information about the company, due to compliance with money laundering prevention laws and regulations. Depending on the bank, a minimum initial deposit of approximately COP 100,000 is required.

Procedure 7. Obtain a land use certificate

Time: 45 days

Cost: COP 14,000

Comments: The Planning Office of the district issues a separate certificate, which takes approximately six weeks.

Procedure 8*. Register company with the Family Compensation Fund *(Caja de Compensación Familiar)*, the Governmental Learning Service *(Servicio Nacional de Aprendizaje—SENA)* and the Colombian Family Institute *(Instituto Colombiano de Bienestar Familiar—ICBF)*

Time: 10 days (simultaneous with procedure 7)

Cost: No cost

Comments: Decree 3667 of 2004 created a unified form to self-assess and pay social security and para-fiscal contributions to SENA, ICBF, the Family Compensation Fund and the School of Public Administration *(Escuela Superior de Administración Pública—ESAP)*. This unified form may be submitted electronically or in person. Pursuant to Decree 3667, the Social Protection Ministry must first issue the form. The time to register varies from 2 days to 3 weeks depending on the family compensation fund chosen.

Once registered, the company pays contributions to the Family Compensation Fund in the first 8 days of every month. The contribution is distributed internally by the Family Compensation Fund to SENA and the ICBF.

Procedure 9*. Register company with an Administrator of Professional Risks (ARP)

Time: 1 day (simultaneous with procedure 7)

Cost: No cost

Comments: It is required to affiliate the company and its employees with an Administrator of Professional Risks (ARP), private or public *(Instituto de Seguros Sociales—ISS)*. The employer decides to which ARP to affiliate all employees and pays the monthly contributions. The ARP covers job related accidents and professional illness.

Procedure 10*. Register employees for pension with the Social Security System—ISS

Time: 14 days (simultaneous with procedure 7)

Cost: No cost

Comments: The company must affiliate its employees with the pension system, either through the public Social Security System (ISS) or through a private pension and compensation fund. Each employee may choose between the public or private pension funds. The company must complete the respective submissions to the pension funds. The employer cannot choose the pension fund on behalf of the employee.

Procedure 11*. Register employees with a private pension fund

Time: 1 day (simultaneous with procedure 7)

Cost: No cost

Comments: The process is the same as with the ISS, but a representative from the private fund visits the company and registration is fast.

Procedure 12*. Enroll employees with private health insurance plan

Time: 1 day (simultaneous with procedure 7)

Cost: No cost

Comments: Submit employee enrollment form to the national health system *(Plan Obligatorio de Salud—POS)* with a private health insurance plan *(Entidad Promotora de Salud—EPS)*. Each employee has the right to choose a health plan and the company has the obligation to enroll the employee according to his choice. Generally, an EPS representative will visit the company and registration is fast.

Procedure 13*. Register employees with a severance fund

Time: 1 day (simultaneous with procedure 7)

Cost: No cost

Comments: The company must affiliate its employees with a severance fund. Each employee may choose the severance fund. The company must complete the submissions on behalf of its employees. One day is required for each severance fund, but the time may vary depending on the number of entities chosen by the employees. The employer has to deposit the severance payment annually before February 14th.

* This procedure is simultaneous with a previous procedure.

STARTING A BUSINESS

Cúcuta

Standard company legal form: Limited Liability Company (LTDA)
Minimum capital requirement: none
Date as of: July 2007

Procedure 1. Submit the company statutes to a notary

Time: 3 days

Cost: COP 21,094 (COP 12,710 notary fees + COP 2,033 equivalent to 16% VAT + COP 3,175 for the contribution to the Notary Superintendency + COP 3,175 for the contribution to the Notary Fund)

Comments: According to Law 1014 of 2006, new companies of any type, with less than 10 employees or capital below the equivalent of 500 minimum salaries (COP 216,850,000 as of Jan 2007), can be constituted either by private contract or public deed. Since the company in the case study meets the criteria of law 1014, it can be constituted by private contract.

When choosing a private contract the owners can either use a notary to authenticate the required signatures or have them authenticated by a clerk at the Chamber of Commerce, when registering the company. The common practice is to use a notary.

When a company is constituted by public deed, the most common procedure is as follows: the owner submits the company statutes to the notary public and requests a public deed of incorporation. The statutes must include the following: name and identification card of the shareholders; name and type of company; legal address; corporate purpose; company capital; preemptive rights in capital increases; name of the members of the board of directors, including their duties and obligations (for these types of companies it is not mandatory to have a board of directors); and the name of the statutory auditor, including duties and obligations (for these types of companies it is not mandatory to have a statutory auditor-Law 43/90).

After the notary public transcribes the deed, the owners appear before the notary public to sign and obtain copies of the deed. Notary fees for preparing the public deed are 0.27% of the value of the document. Other fees include: COP 17,100 for authenticated copies (COP 1,710 each page for about 10 copies) + 16% VAT.

The company owners should verify that the proposed name has not been previously assigned. If this is the case, the Chamber of Commerce rejects the application. The uniqueness of the company name can be verified through the registry's website http://www.rue.com.co and is not counted as a separate procedure in this case.

Procedure 2. Purchase the company books

Time: 1 day

Cost: COP 132,000 (6 books at a cost of approximately COP 22,000 each)

Comments: The books can be obtained at a store or at the Chamber of Commerce. The common practice is to purchase them prior to going to the Chamber of Commerce.

Procedure 3. Register the company, obtain the "Certificate of Existence and Legal Representation," legalize company books and register for national taxes—all at the Chamber of Commerce

Time: 5 days

Cost: COP 927,214 (COP 485,214 equivalent to 0.75% of capital in registration tax + COP 278,000 for registration fee + COP 3,000 for registration form + COP 23,000 fixed fee + COP 138,000 for legalizing the 6 company books at COP 23,000 each)

Comments: At the Chamber of Commerce, the following procedures are completed:

a. Register the company and commercial establishments (if any) with the Registry of Commerce;
b. Obtain a copy of the Certificate of Existence and Legal Representation;
c. Legalize the company books;
d. Register for national taxes (DIAN), to obtain the Tax Identification Number (NIT).

The entrepreneur can also notify the District Planning Office of the existence of the company through the Chamber of Commerce.

Procedure 4. Obtain tax identification number (NIT) certificate with the National Tax Office (DIAN)

Time: 3 days

Cost: No cost

Comments: The DIAN issues the tax identification number certificate (NIT). The tax sticker has to be displaced in a visible place.

Procedure 5. Open a bank account

Time: 1 day

Cost: No cost

Comments: To open an account with a commercial bank, the owner submits the public deed, the Certificate of Existence and Legal Representation, NIT, and ID. Opening a savings account takes a few minutes. For checking accounts, the bank could take 3 or more business days to verify information about the company, due to compliance with money laundering prevention laws and regulations. Depending on the bank, a minimum initial deposit of approximately COP 100,000 is required.

Procedure 6. Obtain a land use certificate

Time: 10 days

Cost: COP 21,000

Comments: The certificate is obtained at the District Planning office.

Procedure 7*. Pay stamp duty in support of public hospitals

Time: 1 day (simultaneous with procedure 6)

Cost: COP 1,800

Comments: The payment of the stamp duty in support of public hospital *Erasmo Meoz* is made at INFINORTE, the department's Secretary of Finance. The funds are used to support the department's hospital.

Procedure 8*. Register company with the Family Compensation Fund *(Caja de Compensación Familiar)*, the Governmental Learning Service *(Servicio Nacional de Aprendizaje—SENA)* and the Colombian Family Institute *(Instituto Colombiano de Bienestar Familiar—ICBF)*

Time: 10 days (simultaneous with procedure 6)

Cost: No cost

Comments: Decree 3667 of 2004 created a unified form to self-assess and pay social security and para-fiscal contributions to SENA, ICBF, the Family Compensation Fund and the School of Public Administration *(Escuela Superior de Administración Pública—ESAP)*. This unified form may be submitted electronically or in person. Pursuant to Decree 3667, the Social Protection Ministry must first issue the form. The time to register varies from 2 days to 3 weeks depending on the family compensation fund chosen.

Once registered, the company pays contributions to the Family Compensation Fund in the first 8 days of every month. The contribution is distributed internally by the Family Compensation Fund to SENA and the ICBF.

Procedure 9*. Register company with an Administrator of Professional Risks (ARP)

Time: 1 day (simultaneous with procedure 6)

Cost: No cost

Comments: It is required to affiliate the company and its employees with an Administrator of Professional Risks (ARP), private or public *(Instituto de Seguros Sociales—ISS)*. The employer decides to which ARP to affiliate all employees and pays the monthly contributions. The ARP covers job related accidents and professional illness.

Procedure 10*. Register employees for pension with the Social Security System—ISS

Time: 30 days (simultaneous with procedure 6)

Cost: No cost

Comments: The company must affiliate its employees with the pension system, either through the public Social Security System (ISS) or through a private pension and compensation fund. Each employee may choose between the public or private pension funds. The company must complete the respective submissions to the pension funds. The employer cannot choose the pension fund on behalf of the employee.

Procedure 11*. Register employees with a private pension fund

Time: 1 day (simultaneous with procedure 6)

Cost: No cost

Comments: The process is the same as with the ISS, but a representative from the private fund visits the company and registration is fast.

Procedure 12*. Enroll employees for public health coverage

Time: 15 days (simultaneous with procedure 6)

Cost: No cost

Comments: The company must affiliate its employees to the national health system *(Plan Obligatorio de Salud—POS)*, be it through the public entity (EPS—ISS) or through a private health care provider (EPS). Each employee has the right to choose an EPS. The company must complete the respective submissions to the different EPSs on behalf of its employees. Each company must make a submission to at least one EPS. The time to process acceptance varies depending on the EPS and the health history of the employee.

Procedure 13*. Register employees with a severance fund

Time: 1 day (simultaneous with procedure 6)

Cost: No cost

Comments: The company must affiliate its employees with a severance fund. Each employee may choose the severance fund. The company must complete the submissions on behalf of its employees. One day is required for each severance fund, but the time may vary depending on the number of entities chosen by the employees. The employer has to deposit the severance payment annually before February 14th.

* This procedure is simultaneous with a previous procedure.

STARTING A BUSINESS

Manizales

Standard company legal form: Limited Liability Company (LTDA)
Minimum capital requirement: none
Date as of: July 2007

Procedure 1. Submit the company statutes to a notary

Time: 3 days

Cost: COP 21,094 (COP 12,710 notary fees + COP 2,033 equivalent to 16% VAT + COP 3,175 for the contribution to the Notary Superintendency + COP 3,175 for the contribution to the Notary Fund)

Comments: According to Law 1014 of 2006, new companies of any type, with less than 10 employees or capital below the equivalent of 500 minimum salaries (COP 216,850,000 as of Jan 2007), can be constituted either by private contract or public deed. Since the company in the case study meets the criteria of law 1014, it can be constituted by private contract.

When choosing a private contract the owners can either use a notary to authenticate the required signatures or have them authenticated by a clerk at the Chamber of Commerce, when registering the company. The common practice is to use a notary.

When a company is constituted by public deed, the most common procedure is as follows: the owner submits the company statutes to the notary public and requests a public deed of incorporation. The statutes must include the following: name and identification card of the shareholders; name and type of company; legal address; corporate purpose; company capital; preemptive rights in capital increases; name of the members of the board of directors, including their duties and obligations (for these types of companies it is not mandatory to have a board of directors); and the name of the statutory auditor, including duties and obligations (for these types of companies it is not mandatory to have a statutory auditor-Law 43/90).

After the notary public transcribes the deed, the owners appear before the notary public to sign and obtain copies of the deed. Notary fees for preparing the public deed are 0.27% of the value of the document. Other fees include: COP 17,100 for authenticated copies (COP 1,710 each page for about 10 copies) + 16% VAT.

The company owners should verify that the proposed name has not been previously assigned. If this is the case, the Chamber of Commerce rejects the application. The uniqueness of the company name can be verified through the registry's website http://www.rue.com.co and is not counted as a separate procedure in this case.

Procedure 2. Purchase the company books

Time: 1 day

Cost: COP 132,000 (6 books at a cost of approximately COP 22,000 each)

Comments: The books can be obtained at a store or at the Chamber of Commerce. The common practice is to purchase them prior to going to the Chamber of Commerce.

Procedure 3. Obtain the temporary single tax registration form (Registro Único Tributario—RUT) from the National Tax Office (DIAN)

Time: 1 day

Cost: No cost

Comments: Once the notary has issued copies of the public deed, the owner can request the form to register at the RUT from the National Tax Office (DIAN). This copy is needed in order to submit the documentation to the Chamber of Commerce and to obtain the tax identification number (NIT).

Procedure 4. Register the company, obtain the "Certificate of Existence and Legal Representation," legalize company books and register for national taxes—all at the Chamber of Commerce

Time: 7 days

Cost: COP 1,069,867 (COP 452,867 equivalent to 0.7% of capital for registration tax + COP 403,000 for company registration fee + COP 73,000 for registration of commercial establishment fee + COP 3,000 for registration form + COP 138,000 for legalizing the 6 company books at COP 23,000 each)

Comments: At the Single Window of the Chamber of Commerce, the following procedures are taken care of:

a. Register the company and commercial establishments (if any) with the Registry of Commerce;
b. Obtain a copy of the Certificate of Existence and Legal Representation;
c. Legalize the company books;
d. Register for national taxes (DIAN) to obtain the Tax Identification Number (NIT).

Procedure 5. Open a bank account

Time: 1 day

Cost: No cost

Comments: To open an account with a commercial bank, the owner submits the public deed, the Certificate of Existence and Legal Representation, NIT, and ID. Opening a savings account takes a few minutes. For checking accounts, the bank could take 3 or more business days to verify information about the company, due to compliance with money laundering prevention laws and regulations. Depending on the bank, a minimum initial deposit of approximately COP 100,000 is required.

Procedure 6. Obtain a land use certificate

Time: 17 days

Cost: COP 33,340

Comments: The application for an land use certificate is filed with the municipal Planning Secretary where the inspection is arranged at the same time. The owner receives a form called "notification of opening for land use" *(comunicación de apertura para uso del suelo)*.

Procedure 7*. Receive municipal inspection

Time: 1 day (simultaneous with procedure 6)

Cost: No cost

Comments: The municipal Planning Office visits the building where the business will be located and issues an inspection report.

Procedure 8. Register for the industry and commerce tax

Time: 1 day

Cost: No cost

Comments: This is the local tax registration procedure. The form can be obtained at the Municipality.

Procedure 9*. Register company with the Family Compensation Fund *(Caja de Compensación Familiar)*, the Governmental Learning Service *(Servicio Nacional de Aprendizaje—SENA)* and the Colombian Family Institute *(Instituto Colombiano de Bienestar Familiar—ICBF)*

Time: 3 days (simultaneous with procedure 6)

Cost: No cost

Comments: Decree 3667 of 2004 created a unified form to self-assess and pay social security and para-fiscal contributions to SENA, ICBF, the Family Compensation Fund and the School of Public Administration *(Escuela Superior de Administración Pública—ESAP)*. This unified form may be submitted electronically or in person. Pursuant to Decree 3667, the Social Protection Ministry must first issue the form. The time to register varies from 2 days to 3 weeks depending on the family compensation fund chosen.

Procedure 10*. Enroll employees for public health coverage

Time: 30 days (simultaneous with procedure 6)

Cost: No cost

Comments: The company must affiliate its employees to the national health system *(Plan Obligatorio de Salud—POS)*, be it through the public entity (EPS—ISS) or through a private health care provider (EPS). Each employee has the right to choose an EPS. The company must complete the respective submissions to the different EPSs on behalf of its employees. Each company must make a submission to at least one EPS. The time to process acceptance varies depending on the EPS and the health history of the employee.

Procedure 11*. Register employees with a private pension fund

Time: 1 day (simultaneous with procedure 6)

Cost: No cost

Comments: The process is the same as with the ISS, but a representative from the private fund visits the company and registration is fast.

Procedure 12*. Register company with an Administrator of Professional Risks (ARP)

Time: 1 day (simultaneous with procedure 6)

Cost: No cost

Comments: It is required to affiliate the company and its employees with an Administrator of Professional Risks (ARP), private or public *(Instituto de Seguros Sociales—ISS)*. The employer decides to which ARP to affiliate all employees and pays the monthly contributions. The ARP covers job related accidents and professional illness.

Procedure 13*. Register employees with a severance fund

Time: 1 day (simultaneous to procedure 6)

Cost: No cost

Comments: The company must affiliate its employees with a severance fund. Each employee may choose the severance fund. The company must complete the submissions on behalf of its employees. One day is required for each severance fund, but the time may vary depending on the number of entities chosen by the employees. The employer has to deposit the severance payment annually before February 14th.

* This procedure is simultaneous with a previous procedure.

STARTING A BUSINESS

Medellín

Standard company legal form: Limited Liability Company (LTDA)
Minimum capital requirement: none
Date as of: July 2007

Procedure 1. Go to the Business Assistance Center *(Centro de Atención Empresarial—CAE)*

Time: 1 day

Cost: No cost

Comments: It is necessary to visit the CAE to obtain the application forms.

Procedure 2. Submit the company statutes to a notary

Time: 7 days

Cost: COP 21,094 (COP 12,710 notary fees + COP 2,033 equivalent to 16% VAT + COP 3,175 for the contribution to the Notary Superintendency + COP 3,175 for the contribution to the Notary Fund)

Comments: According to Law 1014 of 2006, new companies of any type, with less than 10 employees or capital below the equivalent of 500 minimum salaries (COP 216,850,000 as of Jan 2007), can be constituted either by private contract or public deed. Since the company in the case study meets the criteria of law 1014, it can be constituted by private contract.

When choosing a private contract the owners can either use a notary to authenticate the required signatures or have them authenticated by a clerk at the Chamber of Commerce, when registering the company. The common practice is to use a notary.

When a company is constituted by public deed, the most common procedure is as follows: the owner submits the company statutes to the notary public and requests a public deed of incorporation. The statutes must include the following: name and identification card of the shareholders; name and type of company; legal address; corporate purpose; company capital; preemptive rights in capital increases; name of the members of the board of directors, including their duties and obligations (for these types of companies it is not mandatory to have a board of directors); and the name of the statutory auditor, including duties and obligations (for these types of companies it is not mandatory to have a statutory auditor-Law 43/90).

After the notary public transcribes the deed, the owners appear before the notary public to sign and obtain copies of the deed. Notary fees for preparing the public deed are 0.27% of the value of the document. Other fees include: COP 17,100 for authenticated copies (COP 1,710 each page for about 10 copies) + 16% VAT.

The company owners should verify that the proposed name has not been previously assigned. If this is the case, the Chamber of Commerce rejects the application. The uniqueness of the company name can be verified through the registry's website http://www.rue.com.co and is not counted as a separate procedure in this case.

Procedure 3. Purchase the company books

Time: 1 day

Cost: COP 132,000 (6 books at a cost of approximately COP 22,000 each)

Comments: The books can be obtained at a store or at the Chamber of Commerce.

Procedure 4. Register the company, obtain the "Certificate of Existence and Legal Representation," legalize company books and register for national taxes—all at the Chamber of Commerce

Time: 4 days

Cost: COP 1,240,014 (COP 485,214 equivalent to 0.75% of capital in registration tax + COP 57,800 for registration fee + COP 602,200 for the company registration fee + COP 3,000 for the registration form + COP 92,000 for legalizing 4 company books at COP 23,000 each)

Comments: In 2003 the one-stop shops known as Business Assistance Centers *(Centros de Atención Empresarial—CAE)* opened. The reforms creating the CAE also merged several forms. Now a single step covers all of the following procedures:

a. Register the company and commercial establishments (if any) with the Registry of Commerce;
b. Obtain a copy of the Certificate of Existence and Legal Representation;
c. Legalize the company books;
d. Register for national taxes (DIAN).

At the CAE, the entrepreneur can also notify the District Planning Office of the establishment of the company.

Procedure 5. Obtain tax identification number (NIT) certificate with the National Tax Office (DIAN)

Time: 1 day

Cost: No cost

Comments: The DIAN issues the tax identification number certificate (NIT). The tax sticker has to be displayed in a visible place of the establishment.

Procedure 6. Open a bank account

Time: 1 day

Cost: No cost

Comments: To open an account with a commercial bank, the owner submits the public deed, the Certificate of Existence and Legal Representation, NIT, and ID. Opening a savings account takes a few minutes. For checking accounts, the bank could take 3 or more business days to verify information about the company, due to compliance with money laundering prevention laws and regulations. Depending on the bank, a minimum initial deposit of approximately COP 100,000 is required.

Procedure 7. Obtain a land use certificate

Time: 7 days

Cost: COP 33,340

Comments: The Planning Office delegated this procedure to the offices that regulate construction permits and licenses *(curadurías urbanas)*. The requirements include a certificate that the property is free of encumbrances, copy of the property tax receipt, utility bill, and a letter requesting a land use certificate. The amount is paid directly at the Curaduría.

Procedure 8*. Register company with the Family Compensation Fund *(Caja de Compensación Familiar)*, the Governmental Learning Service *(Servicio Nacional de Aprendizaje—SENA)* and the Colombian Family Institute *(Instituto Colombiano de Bienestar Familiar—ICBF)*

Time: 10 days (simultaneous with procedure 7)

Cost: No cost

Comments: Decree 3667 of 2004 created a unified form to self-assess and pay social security and para-fiscal contributions to SENA, ICBF, the Family Compensation Fund and the School of Public Administration *(Escuela Superior de Administración Pública—ESAP)*. This unified form may be submitted electronically or in person. Pursuant to Decree 3667, the Social Protection Ministry must first issue the form. The time to register varies from 2 days to 3 weeks depending on the family compensation fund chosen.

Once registered, the company pays contributions to the Family Compensation Fund in the first 8 days of every month. The contribution is distributed internally by the Family Compensation Fund to SENA and the ICBF.

Procedure 9*. Register company with an Administrator of Professional Risks (ARP)

Time: 1 day (simultaneous with procedure 7)

Cost: No cost

Comments: It is required to affiliate the company and its employees with an Administrator of Professional Risks (ARP), private or public *(Instituto de Seguros Sociales—ISS)*. The employer decides to which ARP to affiliate all employees and pays the monthly contributions. The ARP covers job related accidents and professional illness.

Procedure 10*. Register employees for pension with the Social Security System—ISS

Time: 30 days (simultaneous with procedure 7)

Cost: No cost

Comments: The company must affiliate its employees with the pension system, either through the public Social Security System (ISS) or through a private pension and compensation fund. Each employee may choose between the public or private pension funds. The company must complete the respective submissions to the pension funds. The employer cannot choose the pension fund on behalf of the employee.

Procedure 11*. Register employees with a private pension fund

Time: 1 day (simultaneous with procedure 7)

Cost: No cost

Comments: The process is the same as with the ISS, but a representative from the private fund visits the company and registration is fast.

Procedure 12*. Enroll employees for public health coverage

Time: 15 days (simultaneous with procedure 7)

Cost: No cost

Comments: The company must affiliate its employees to the national health system *(Plan Obligatorio de Salud—POS)*, be it through the public entity (EPS -ISS) or through a private health care provider (EPS). Each employee has the right to choose an EPS. The company must complete the respective submissions to the different EPSs on behalf of its employees. Each company must make a submission to at least one EPS. The time to process acceptance varies depending on the EPS and the health history of the employee.

Procedure 13*. Register employees with a severance fund

Time: 1 day (simultaneous with procedure 7)

Cost: No cost

Comments: The company must affiliate its employees with a severance fund. Each employee may choose the severance fund. The company must complete the submissions on behalf of its employees. One day is required for each severance fund, but the time may vary depending on the number of entities chosen by the employees. The employer has to deposit the severance payment annually before February 14th.

* This procedure is simultaneous with a previous procedure.

STARTING A BUSINESS

Neiva

Standard company legal form: Limited Liability Company (LTDA)
Minimum capital requirement: none
Date as of: July 2007

Procedure 1. Visit the Business Advice Center at the Chamber of Commerce

Time: 1 day

Cost: No cost

Comments: This procedure is done to check the documents that will be subsequently submitted to the Chamber of Commerce. The purpose of the preliminary revision is to reduce the possiblity of rejection later in the process. The search for identical name is usually conducted also during this visit.

Procedure 2. Submit the company statutes to a notary

Time: 3 days

Cost: COP 21,094 (COP 12,710 notary fees + COP 2,033 equivalent to 16% VAT + COP 3,175 for the contribution to the Notary Superintendency + COP 3,175 for the contribution to the Notary Fund)

Comments: According to Law 1014 of 2006, new companies of any type, with less than 10 employees or capital below the equivalent of 500 minimum salaries (COP 216,850,000 as of Jan 2007), can be constituted either by private contract or public deed. Since the company in the case study meets the criteria of law 1014, it can be constituted by private contract.

When choosing a private contract the owners can either use a notary to authenticate the required signatures or have them authenticated by a clerk at the Chamber of Commerce, when registering the company. The common practice is to use a notary.

When a company is constituted by public deed, the most common procedure is as follows: the owner submits the company statutes to the notary public and requests a public deed of incorporation. The statutes must include the following: name and identification card of the shareholders; name and type of company; legal address; corporate purpose; company capital; preemptive rights in capital increases; name of the members of the board of directors, including their duties and obligations (for these types of companies it is not mandatory to have a board of directors); and the name of the statutory auditor, including duties and obligations (for these types of companies it is not mandatory to have a statutory auditor-Law 43/90).

After the notary public transcribes the deed, the owners appear before the notary public to sign and obtain copies of the deed. Notary fees for preparing the public deed are 0.27% of the value of the document. Other fees include: COP 17,100 for authenticated copies (COP 1,710 each page for about 10 copies) + 16% VAT.

The company owners should verify that the proposed name has not been previously assigned. If this is the case, the Chamber of Commerce rejects the application. The uniqueness of the company name can be verified through the registry's website http://www.rue.com.co and is not counted as a separate procedure in this case.

Procedure 3. Purchase the company books

Time: 1 day

Cost: COP 132,000 (6 books at a cost of approximately COP 22,000 each)

Comments: The books can be obtained at the Chamber of Commerce.

Procedure 4. Pay registry tax and stamp duty at the Government of Huila's Treasury

Time: 1 day

Cost: COP 1,746,771 (equivalent to 2.7% of capital)

Comments: Before presenting the company's statutes for registration, the entrepreneur must pay the registration tax, equivalent to 0.7% of the capital. The rate is set in Law 223 of 1995. At the same time, the entrepreneur must pay stamp duties that addd to 2% of the capital (pro- electrification 1%, pro- development 0.25%, pro- university of the South of Colombia 0.25% and pro- culture 0.5%). Payment takes place at the office of the Treasure of the Department of Huila.

Procedure 5. Register the company, obtain the "Certificate of Existence and Legal Representation," legalize company books and register for national taxes—all at the Chamber of Commerce

Time: 4 days

Cost: COP 529,000 (COP 362,000 for registration fee + COP 23,000 fixed fee + COP 3,000 for the registration form + COP 3,000 por the Certificate of Existence and Legal Representation + COP 138,000 for legalizing the 6 company books at COP 23,000 each)

Comments: The following procedures are taken care of in a single step at the Chamber of Commerce:

a. Register the company and commercial establishments (if any) with the Registry of Commerce;
b. Obtain a copy of the Certificate of Existence and Legal Representation;
c. Legalize the company books;
d. Register for national taxes (DIAN).

Procedure 6. Open a bank account

Time: 1 day

Cost: No cost

Comments: To open an account with a commercial bank, the owner submits the public deed, the Certificate of Existence and Legal Representation, NIT, and ID. Opening a savings account takes a few minutes. For checking accounts, the bank could take 3 or more business days to verify information about the company, due to compliance with money laundering prevention laws and regulations. Depending on the bank, a minimum initial deposit of approximately COP 100,000 is required.

Procedure 7. Pay stamp duty for land use certificate

Time: 1 day

Cost: COP 2,500

Comments: To obtain the land use certificate from the Municipal Planning Office, it is necessary to go to the Municipal Treasury office and purchase the stamp which has a cost of COP 1,000 and the form which has a cost of COP 1,500.

Procedure 8. Obtain a land use certificate

Time: 7 days

Cost: No cost

Comments: Once the stamp duty is paid, the entrepreneur must go to the Municipal Planning Office with the receipt. The response with the land use comes in one week.

Procedure 9*. Request verification of sanitary conditions

Time: 15 days (simultaneous with procedure 8)

Cost: No cost

Comments: The entrepreneur must present an application to the Municipal Health Office *(Centro de Zoonosis y Saneamiento Ambiental en la Secretaria de Salud Municipal)*. This request is transcribed to the registration book, including the request no., date, type of request, district, name of official responsible for that district and the corresponding inspector. The inspector from the Health Office visits the premises and requests the registration certificate from the Chamber of Commerce and proceeds to verify the sanitary conditions of the establishment.

The inspector then completes an inspection report, which must be signed by the inspector and the owner. The report is archived at the Municipal Health Office.

Procedure 10*. Receive inspection of sanitary conditions

Time: 1 day (simultaneous with procedure 8)

Cost: No cost

Comments: See comments on procedure 9.

Procedure 11*. Pay fee to obtain the Fire Department certificate

Time: 1 day (simultaneous with procedure 8)

Cost: COP 2,500

Comments: It should be paid at the Municipal Treasury.

Procedure 12*. Obtain the Fire Department certificate

Time: 15 days (simultaneous with procedure 8)

Cost: No cost

Comments: The entrepreneur visits the Municipal Treasury Office and pays the for the form to request the Fire Department certificate. The completed form is submitted to the Fire Department. The forms received each day are organized by district to arrange inspections. The public officials inspect the premises and complete an inspection report with the following information: name, activity, address, telephone, legal representative, number of employers, neighborhood, district and name of the head of the safety department (if any). The inspector verifies the safety conditions such as existence of occupational health programs, safety brigade, fire protection systems, alarms, inflamable liquids, evacuation strategy, electrical installations, chemicals, fire exhaustion devices and other safety- related issues. In case there is any problem the certificate will not be expired. The inspection report is signed by the fire department official and the legal representative of the firm. If the establishment meets with the safety norms, the certificate can be picked up two days later at the Fire Department office.

Procedure 13*. Inspection from the Fire Department.

Time: 1 day (simultaneous with procedure 8)

Cost: No cost

Comments: See comments on procedure 12.

Procedure 14*. Register company with an Administrator of Professional Risks (ARP)

Time: 1 day (simultaneous with procedure 8)

Cost: No cost

Comments: It is required to affiliate the company and its employees with an Administrator of Professional Risks (ARP), private or public *(Instituto de Seguros Sociales— ISS)*. The employer decides to which ARP to affiliate all employees and pays the monthly contributions. The ARP covers job related accidents and professional illness.

Procedure 15. Register company with the Family Compensation Fund *(Caja de Compensación Familiar)*, the Governmental Learning Service (Servicio Nacional de Aprendizaje— SENA) and the Colombian Family Institute (Instituto Colombiano de Bienestar Familiar— ICBF)

Time: 3 days

Cost: No cost

Comments: Decree 3667 of 2004 created a unified form to self- assess and pay social security and para-fiscal contributions to SENA, ICBF, the Family Compensation Fund and the School of Public Administration *(Escuela Superior de Administración Pública— ESAP)*. This unified form may be submitted electronically or in person. Pursuant to Decree 3667, the Social Protection Ministry must first issue the form. The time varies from 2 days to 3 weeks depending on the family compensation fund chosen.

Once registered, the company pays contributions to the Family Compensation Fund in the first 8 days of every month. The contribution is distributed internally by the Family Compensation Fund to SENA and the ICBF.

Procedure 16*. Register employees for pension with the Social Security System—ISS

Time: 10 days (simultaneous with procedure 15)

Cost: No cost

Comments: The company must affiliate employees with the pension system, either through the public Social Security System (ISS) or through a private pension and compensation fund. Each employee may choose between the public or private pension funds. The company must complete the respective submissions to the pension funds. The employer cannot choose the pension fund on behalf of the employee.

Procedure 17*. Register employees with a private pension fund

Time: 10 days (simultaneous with procedure 15)

Cost: No cost

Comments: It takes approximately 10 days because there are private funds which have their headquarters in other departments and the documents must be submitted to there for approval.

Procedure 18*. Enroll employees for public health coverage

Time: 10 days (simultaneous with procedure 15)

Cost: No cost

Comments: The company must affiliate its employees to the national health system *(Plan Obligatorio de Salud— POS)*, be it through the public entity (EPS—ISS) or through a private health care provider (EPS). Each employee has the right to choose an EPS. The company must complete the respective submissions to the different EPSs on behalf of its employees. Each company must make a submission to at least one EPS. The time to process acceptance varies depending on the EPS and the health history of the employee.

Procedure 19*. Register employees with a severance fund

Time: 1 day (simultaneous with procedure 15)

Cost: No cost

Comments: The company must affiliate its employees with a severance fund. Each employee may choose the severance fund. The company must complete the submissions on behalf of its employees. One day is required for each severance fund, but the time may vary depending on the number of entities chosen by the employees. The employer has to deposit the severance payment annually before February 14th.

* This procedure is simultaneous with a previous procedure.

STARTING A BUSINESS

Pereira

Standard company legal form: Limited Liability Company (LTDA)
Minimum capital requirement: none
Date as of: July 2007

Procedure 1. Submit the company statutes to a notary

Time: 3 days

Cost: COP 21,094 (COP 12,710 notary fees + COP 2,033 equivalent to 16% VAT + COP 3,175 for the contribution to the Notary Superintendency + COP 3,175 for the contribution to the Notary Fund)

Comments: According to Law 1014 of 2006, new companies of any type, with less than 10 employees or capital below the equivalent of 500 minimum salaries (COP 216,850,000 as of Jan 2007), can be constituted either by private contract or public deed. Since the company in the case study meets the criteria of law 1014, it can be constituted by private contract.

When choosing a private contract the owners can either use a notary to authenticate the required signatures or have them authenticated by a clerk at the Chamber of Commerce, when registering the company. The common practice is to use a notary.

When a company is constituted by public deed, the most common procedure is as follows: the owner submits the company statutes to the notary public and requests a public deed of incorporation. The statutes must include the following: name and identification card of the shareholders; name and type of company; legal address; corporate purpose; company capital; preemptive rights in capital increases; name of the members of the board of directors, including their duties and obligations (for these types of companies it is not mandatory to have a board of directors); and the name of the statutory auditor, including duties and obligations (for these types of companies it is not mandatory to have a statutory auditor-Law 43/90).

After the notary public transcribes the deed, the owners appear before the notary public to sign and obtain copies of the deed. Notary fees for preparing the public deed are 0.27% of the value of the document. Other fees include: COP 17,100 for authenticated copies (COP 1,710 each page for about 10 copies) + 16% VAT.

The company owners should verify that the proposed name has not been previously assigned. If this is the case, the Chamber of Commerce rejects the application. The uniqueness of the company name can be verified through the registry's website http://www.rue.com.co and is not counted as a separate procedure in this case.

Procedure 2. Purchase the company books

Time: 1 day

Cost: COP 132,000 (6 books at a cost of approximately COP 22,000 each)

Comments: The books can be obtained at a store or at the Chamber of Commerce. The common practice is to purchase them prior to going to the Chamber of Commerce.

Procedure 3. Obtain the temporary single tax registration (Registro Único Tributario—RUT) form from the National Tax Office (DIAN)

Time: 1 day

Cost: No cost

Comments: Once the notary has issued copies of the public deed, the owner has to request a form to register at the RUT from the National Tax Office (DIAN). The proof of registration to the RUT is needed in order to submit the documentation to the Chamber of Commerce and to obtain the tax identification number (NIT).

Procedure 4. Register the company, obtain the "Certificate of Existence and Legal Representation," legalize company books and register for national taxes (DIAN)—all at the Chamber of Commerce

Time: 7 days

Cost: COP 697,086 (COP 194,086 equivalent to 0.3% of capital in registration tax + COP 362,000 for registration fee + COP 3,000 for the registration form + COP 138,000 for legalizing the 6 company books at COP 23,000 each)

Comments: The following procedures are taken care at the Chamber of Commerce:

a. Register the company and commercial establishments (if any) with the Registry of Commerce;
b. Obtain a copy of the Certificate of Existence and Legal Representation;
c. Legalize the company books;
d. Register for national taxes (DIAN).

Procedure 5. Open a bank account

Time: 1 day

Cost: No cost

Comments: To open an account with a commercial bank, the owner submits the public deed, the Certificate of Existence and Legal Representation, NIT, and ID. Opening a savings account takes a few minutes. For checking accounts, the bank could take 3 or more business days to verify information about the company, due to compliance with money laundering prevention laws and regulations. Depending on the bank, a minimum initial deposit of approximately COP 100,000 is required.

Procedure 6. Register for the industry and commerce tax

Time: 1 day

Cost: No cost

Comments: The company must register for municipal tax.

Procedure 7*. Register company with the Family Compensation Fund *(Caja de Compensación Familiar)*, the Governmental Learning Service (*Servicio Nacional de Aprendizaje*—SENA) and the Colombian Family Institute (*Instituto Colombiano de Bienestar Familiar*—ICBF)

Time: 10 days (simultaneous with procedure 6)

Cost: No cost

Comments: Decree 3667 of 2004 created a unified form to self- assess and pay social security and para-fiscal contributions to SENA, ICBF, the Family Compensation Fund and the School of Public Administration *(Escuela Superior de Administración Pública— ESAP*). This unified form may be submitted electronically or in person. Pursuant to Decree 3667, the Social Protection Ministry must first issue the form. The time to register varies from 2 days to 3 weeks depending on the family compensation fund chosen.

Once registered, the company pays contributions to the Family Compensation Fund in the first 8 days of every month. The contribution is distributed internally by the Family Compensation Fund to SENA and the ICBF.

Procedure 8*. Register company with an Administrator of Professional Risks (ARP)

Time: 1 day (simultaneous with procedure 6)

Cost: No cost

Comments: It is required to affiliate the company and its employees with an Administrator of Professional Risks (ARP), private or public *(Instituto de Seguros Sociales*— ISS*)*. The employer decides to which ARP to affiliate all employees and pays the monthly contributions. The ARP covers job related accidents and professional illness.

Procedure 9*. Register employees for pension with the Social Security System—ISS

Time: 15 days (simultaneous with procedure 6)

Cost: No cost

Comments: The company must affiliate employees with the pension system, either through the public Social Security System (ISS) or through a private pension and compensation fund. Each employee may choose between the public or private pension funds. The company must complete the respective submissions to the pension funds. The employer cannot choose the pension fund on behalf of the employee.

Procedure 10*. Register employees with a private pension fund

Time: 1 day (simultaneous with procedure 6)

Cost: No cost

Comments: The process is the same as with the ISS, but a representative from the private fund visits the company and registration is fast.

Procedure 11*. Enroll employees for public health coverage

Time: 15 days (simultaneous with procedure 6)

Cost: No cost

Comments: The company must affiliate its employees to the national health system *(Plan Obligatorio de Salud*— POS), be it through the public entity (EPS—ISS) or through a private health care provider (EPS). Each employee has the right to choose an EPS. The company must complete the respective submissions to the different EPSs on behalf of its employees. Each company must make a submission to at least one EPS. The time to process acceptance varies depending on the EPS and the health history of the employee.

Procedure 12*. Register employees with a severance fund

Time: 1 day (simultaneous with procedure 6)

Cost: No cost

Comments: The company must affiliate its employees with a severance fund. Each employee may choose the severance fund. The company must complete the submissions on behalf of its employees. One day is required for each severance fund, but the time may vary depending on the number of entities chosen by the employees. The employer has to deposit the severance payment annually before February 14th.

* This procedure is simultaneous with a previous procedure.

STARTING A BUSINESS

Popayán

Standard company legal form: Limited Liability Company (LTDA)
Minimum capital requirement: none
Date as of: July 2007

Procedure 1. Submit the company statutes to a notary

Time: 4 days

Cost: COP 21,094 (COP 12,710 notary fees + COP 2,033 equivalent to 16% VAT + COP 3,175 for the contribution to the Notary Superintendency + COP 3,175 for the contribution to the Notary Fund)

Comments: According to Law 1014 of 2006, new companies of any type, with less than 10 employees or capital below the equivalent of 500 minimum salaries (COP 216,850,000 as of Jan 2007), can be constituted either by private contract or public deed. Since the company in the case study meets the criteria of law 1014, it can be constituted by private contract.

When choosing a private contract the owners can either use a notary to authenticate the required signatures or have them authenticated by a clerk at the Chamber of Commerce, when registering the company. The common practice is to use a notary.

When a company is constituted by public deed, the most common procedure is as follows: the owner submits the company statutes to the notary public and requests a public deed of incorporation. The statutes must include the following: name and identification card of the shareholders; name and type of company; legal address; corporate purpose; company capital; preemptive rights in capital increases; name of the members of the board of directors, including their duties and obligations (for these types of companies it is not mandatory to have a board of directors); and the name of the statutory auditor, including duties and obligations (for these types of companies it is not mandatory to have a statutory auditor-Law 43/90).

After the notary public transcribes the deed, the owners appear before the notary public to sign and obtain copies of the deed. Notary fees for preparing the public deed are 0.27% of the value of the document. Other fees include: COP 17,100 for authenticated copies (COP 1,710 each page for about 10 copies) + 16% VAT.

The company owners should verify that the proposed name has not been previously assigned. If this is the case, the Chamber of Commerce rejects the application. The uniqueness of the company name can be verified through the registry's website http://www.rue.com.co and is not counted as a separate procedure in this case.

Procedure 2. Purchase the company books

Time: 1 day

Cost: COP 132,000 (6 books at a cost of approximately COP 22,000 each)

Comments: The books can be obtained at a store, or at the Chamber of Commerce.

Procedure 3. Obtain the temporary single tax registration form *(Registro Único Tributario—RUT)* from the National Tax Office (DIAN)

Time: 1 day

Cost: No cost

Comments: Once the notary has issued copies of the public deed, the owner has to request a form to register at the RUT from the National Tax Office (DIAN). The proof of registration to the RUT is needed in order to submit the documentation to the Chamber of Commerce and to obtain the tax identification number (NIT).

Procedure 4. Pay registration tax and stamp duty

Time: 1 day

Cost: COP 452,867 (0.7% of capital)

Comments: This is paid at the office of the Government of Cauca.

Procedure 5. Register the company, obtain the "Certificate of Existence and Legal Representation," legalize company books and register for national taxes—all at the Chamber of Commerce

Time: 10 days

Cost: COP 482,000 (COP 341,000 registration fee + COP 3,000 registration form + COP 138,000 for legalizing the 6 company books at COP 23,000 each)

Comments: The following procedures are taken care of at the Chamber of Commerce:

a. Register the company and commercial establishments (if any) with the Registry of Commerce;
b. Obtain a copy of the Certificate of Existence and Legal Representation;
c. Legalize the company books;
d. Register for national taxes (DIAN).

Procedure 6. Open a bank account

Time: 1 day

Cost: No cost

Comments: To open an account with a commercial bank, the owner submits the public deed, the Certificate of Existence and Legal Representation, NIT, and ID. Opening a savings account takes a few minutes. For checking accounts, the bank could take 3 or more business days to verify information about the company, due to compliance with money laundering prevention laws and regulations. Depending on the bank, a minimum initial deposit of approximately COP 100,000 is required.

Procedure 7. Obtain a land use certificate

Time: 6 weeks approximately (45 days)

Cost: COP 35,900

Comments: The Municipal Planning Office issues the land use certificate according to Municipal Agreement No. 006 of 2002. This certificate is required to register at the Office of Industry and Commerce and Office of Public Health. A public official inspects the premises and prepares a report which is later revised by an engineer and a lawyer before issuing the certificate.

Procedure 8*. Receive inspection from the Municipal Planning Office

Time: 1 day (simultaneous with procedure 7)

Cost: No cost

Procedure 9*. Obtain certificate from the Fire Department

Time: 15 days (simultaneous with procedure 7)

Cost: COP 19,750

Comments: The entrepreneur must request the inspection at the Fire Department of Popayán. The legal basis for this procedure is Law 232 of 1995, Decree 2150 of 1995 and Municipal Agreement No. 017 of 1997.

Procedure 10*. Receive inspection from the Fire Department

Time: 1 day (simultaneous with procedure 7)

Cost: No cost

Procedure 11*. Register for the industry and commerce tax

Time: 1 day (simultaneous with procedure 7)

Cost: No cost

Comments: The company must register for municipal tax.

Procedure 12*. Register company with the Family Compensation Fund *(Caja de Compensación Familiar)*, the Governmental Learning Service *(Servicio Nacional de Aprendizaje—SENA)* and the Colombian Family Institute *(Instituto Colombiano de Bienestar Familiar—ICBF)*

Time: 5 days (simultaneous with procedure 7)

Cost: No cost

Comments: Decree 3667 of 2004 created a unified form to self- assess and pay social security and para-fiscal contributions to SENA, ICBF, the Family Compensation Fund and the School of Public Administration *(Escuela Superior de Administración Pública*—ESAP*)*. This unified form may be submitted electronically or in person. Pursuant to Decree 3667, the Social Protection Ministry must first issue the form. The time to register varies from 2 days to 3 weeks depending on the family compensation fund chosen.

Once registered, the company pays contributions to the Family Compensation Fund in the first 8 days of every month. The contribution is distributed internally by the Family Compensation Fund to SENA and the ICBF.

Procedure 13*. Register company with an Administrator of Professional Risks (ARP)

Time: 7 days (simultaneous with procedure 7)

Cost: No cost

Comments: It is required to affiliate the company and its employees with an Administrator of Professional Risks (ARP), private or public *(Instituto de Seguros Sociales—ISS)*. The employer decides to which ARP to affiliate all employees and pays the monthly contributions. The ARP covers job related accidents and professional illness.

Procedure 14*. Register employees for pension with the Social Security System—ISS

Time: 7 days (simultaneous with procedure 7)

Cost: No cost

Comments: The company must affiliate employees with the pension system, either through the public Social Security System (ISS) or through a private pension and compensation fund. Each employee may choose between the public or private pension funds. The company must complete the respective submissions to the pension funds. The employer cannot choose the pension fund on behalf of the employee.

Procedure 15*. Register employees with a private pension fund

Time: 1 day (simultaneous with procedure 7)

Cost: No cost

Comments: The process is the same as with the ISS, but a representative from the private fund visits the company and registration is fast.

Procedure 16*. Enroll employees for public health coverage

Time: 1 day (simultaneous with procedure 7)

Cost: No cost

Comments: The company must affiliate the employees to the national health system *(Plan Obligatorio de Salud—POS)*, be it through the public entity (EPS—ISS) or through a private health care provider (EPS). Each employee has the right to choose an EPS. The company must complete the respective submissions to the different EPSs on behalf of its employees. Each company must make a submission to at least one EPS. The time to process acceptance varies depending on the EPS and the health history of the employee.

Procedure 17*. Register employees with a severance fund

Time: 1 day (simultaneous with procedure 7)

Cost: No cost

Comments: The company must affiliate its employees with a severance fund. Each employee may choose the severance fund. The company must complete the submissions on behalf of its employees. One day is required for each severance fund, but the time may vary depending on the number of entities chosen by the employees. The employer has to deposit the severance payment annually before February 14th.

* This procedure is simultaneous with a previous procedure.

STARTING A BUSINESS

Santa Marta

Standard company legal form: Limited Liability Company (LTDA)
Minimum capital requirement: none
Date as of: July 2007

Procedure 1. Visit the office of the Requests, Complaints and Claims System *(Sistema de Peticiones Quejas y Reclamos—PQR)* at the Chamber of Commerce

Time: 1 day

Cost: No cost

Comments: The entrepreneur visits the office of PQR where she can obtain information about the requirements to start a business. At the PQR, the entrepreneur can receive advice about all aspects of operating a firm. She can also verify that there is not already a registered company with the same name proposed for the new firm. Otherwise, the Chamber of Commerce will reject the application. It is also possible to search relevant laws and regulations and file a complaint there.

Procedure 2. Submit the company statutes to a notary

Time: 3 days

Cost: COP 21,094 (COP 12,710 notary fees + COP 2,033 equivalent to 16% VAT + COP 3,175 for the contribution to the Notary Superintendency + COP 3,175 for the contribution to the Notary Fund)

Comments: According to Law 1014 of 2006, new companies of any type, with less than 10 employees or capital below the equivalent of 500 minimum salaries (COP 216,850,000 as of Jan 2007), can be constituted either by private contract or public deed. Since the company in the case study meets the criteria of law 1014, it can be constituted by private contract.

When choosing a private contract the owners can either use a notary to authenticate the required signatures or have them authenticated by a clerk at the Chamber of Commerce, when registering the company. The common practice is to use a notary.

When a company is constituted by public deed, the most common procedure is as follows: the owner submits the company statutes to the notary public and requests a public deed of incorporation. The statutes must include the following: name and identification card of the shareholders; name and type of company; legal address; corporate purpose; company capital; preemptive rights in capital increases; name of the members of the board of directors, including their duties and obligations (for these types of companies it is not mandatory to have a board of directors); and the name of the statutory auditor, including duties and obligations (for these types of companies it is not mandatory to have a statutory auditor-Law 43/90).

After the notary public transcribes the deed, the owners appear before the notary public to sign and obtain copies of the deed. Notary fees for preparing the public deed are 0.27% of the value of the document. Other fees include: COP 17,100 for authenticated copies (COP 1,710 each page for about 10 copies) + 16% VAT.

The company owners should verify that the proposed name has not been previously assigned. If this is the case, the Chamber of Commerce rejects the application. The uniqueness of the company name can be verified through the registry's website http://www.rue.com.co and is not counted as a separate procedure in this case.

Procedure 3. Purchase the company books

Time: 1 day

Cost: COP 132,000 (6 books at a cost of approximately COP 22,000 each)

Comments: The books can be obtained at a store or at the Chamber of Commerce. The common practice is to purchase them prior to going to the Chamber of Commerce.

Procedure 4. Register the company, obtain the "Certificate of Existence and Legal Representation," legalize company books and register for national taxes—all at the Chamber of Commerce

Time: 10 days

Cost: COP 685,930 (COP 23,000 fixed fee + COP 211,930 registration tax + COP 237,000 registration fee + COP 73,000 commercial establishment registration fee + COP 3,000 registration form + COP 138,000 for legalizing the 6 company books at COP 23,000 each)

Comments: The following procedures are taken care of in a single step:

a. Register the company and commercial establishments (if any) with the Registry of Commerce;
b. Obtain a copy of the Certificate of Existence and Legal Representation;
c. Legalize the company books;
d. Register for national taxes (DIAN).

Procedure 5. Obtain the tax identification number (NIT) certificate at the National Tax Office (DIAN)

Time: 1 day

Cost: No cost

Comments: After the company has been registered, the entrepreneur must go to DIAN to obtain the NIT certificate, which must be displayed in a visible location.

Procedure 6. Present NIT at the Chamber of Commerce for verification

Time: 1 day

Cost: No cost

Comments: The entrepreneur must return to the Chamber of Commerce to present the certificate issued by DIAN with the NIT for verification.

Procedure 7. Open a bank account and deposit the nominal capital

Time: 1 day

Cost: No cost

Comments: To open an account with a commercial bank, the owner submits the public deed, the Certificate of Existence and Legal Representation, NIT, and ID. Opening a savings account takes a few minutes. For checking accounts, the bank could take 3 or more business days to verify information about the company, due to compliance with money laundering prevention laws and regulations. Depending on the bank, a minimum initial deposit of approximately COP 100,000 is required.

Procedure 8. Obtain a land use certificate

Time: 21 days

Cost: COP 15,000

Comments: The entrepreneur goes to the Planning Office of the District of Santa Marta and obtains the form to request the land use certificate. The form costs COP 1,000. The following information must be provided: date, whether it is the first time the certificate is issued or a renewal, applicant's personal information, commercial establishment's information, address, NIT, commercial activity and cadastral number. After the form is completed, the entrepreneur must go to the Treasury's Office to obtain a receipt for COP 14,000 which must be paid at a bank. The entrepreneur then goes back to the Planning Office and submits the form, a copy of her identification card, receipt of payment at the bank, and copy of registration at the Chamber of Commerce. The Planning Office issues the certificate within 15 working days.

Procedure 9*. Obtain receipt for payment of land use certificate

Time: 1 day (simultaneous with procedure 8)

Cost: No cost

Procedure 10*. Payment of land use certificate at the bank

Time: 1 day (simultaneous with procedure 8)

Cost: No cost

Procedure 11*. Register company with the Family Compensation Fund *(Caja de Compensación Familiar)*, the Governmental Learning Service *(Servicio Nacional de Aprendizaje—SENA)* and the Colombian Family Institute *(Instituto Colombiano de Bienestar Familiar—ICBF)*

Time: 10 days (simultaneous with procedure 8)

Cost: No cost

Comments: Decree 3667 of 2004 created a unified form to self- assess and pay social security and para-fiscal contributions to SENA, ICBF, the Family Compensation Fund and the School of Public Administration *(Escuela Superior de Administración Pública—ESAP)*. This unified form may be submitted electronically or in person. Pursuant to Decree 3667, the Social Protection Ministry must first issue the form. The time to register varies from 2 days to 3 weeks depending on the family compensation fund chosen.

Once registered, the company pays contributions to the Family Compensation Fund in the first 8 days of every month. The contribution is distributed internally by the Family Compensation Fund to SENA and the ICBF.

Procedure 12*. Register company with an Administrator of Professional Risks (ARP)

Time: 1 day (simultaneous with procedure 8)

Cost: No cost

Comments: It is required to affiliate the company and its employees with an Administrator of Professional Risks (ARP), either private or public *(Instituto de Seguros Sociales—ISS)*. The employer decides to which ARP to affiliate all employees and pays the monthly contributions. The ARP covers job related accidents and professional illness.

Procedure 13*. Register employees for pension with the Social Security System—ISS

Time: 1 day (simultaneous with procedure 8)

Cost: No cost

Comments: The company must affiliate employees with the pension system, either through the public Social Security System (ISS) or through a private pension and compensation fund. Each employee may choose between the public or private pension funds. The company must complete the respective submissions to the pension funds. The employer cannot choose the pension fund on behalf of the employee.

Procedure 14*. Register employees with a private pension fund

Time: 1 day (simultaneous with procedure 8)

Cost: No cost

Comments: The process is the same as with the ISS, but a representative from the private fund visits the company and registration is fast.

Procedure 15*. Enroll employees for public health coverage

Time: 15 days (simultaneous with procedure 8)

Cost: No cost

Comments: The company must affiliate its employees to the National Health System *(Plan Obligatorio de Salud—POS)*, be it through the public entity (EPS—ISS) or through a private health care provider (EPS). Each employee has the right to choose an EPS. The company must complete the respective submissions to the different EPSs on behalf of its employees. Each company must make a submission to at least one EPS. The time to process acceptance varies depending on the EPS and the health history of the employee.

Procedure 16*. Register employees with a severance fund

Time: 1 day (simultaneous with procedure 8)

Cost: No cost

Comments: The company must affiliate its employees with a severance fund. Each employee may choose the severance fund. The company must complete the submissions on behalf of its employees. One day is required for each severance fund, but the time may vary depending on the number of entities chosen by the employees. The employer has to deposit the severance payment annually before February 14th.

* This procedure is simultaneous with a previous procedure.

STARTING A BUSINESS

Villavicencio

Standard company legal form: Limited Liability Company (LTDA)
Minimum capital requirement: none
Date as of: July 2007

Procedure 1. Visit the information office at the Chamber of Commerce

Time: 1 day

Cost: No cost

Comments: It is necessary to go to the Chamber of Commerce to obtain the application forms.

Procedure 2. Submit the company statutes to a notary

Time: 3 days

Cost: COP: 21,094 (COP 12,710 notary fees + COP 2,033, equivalent to 16% VAT + COP 3,175 contribution to the Superintendency + COP 3,175 contribution to the Notary Fund)

Comments: According to Law 1014 of 2006, new companies of any type, with less than 10 employees or capital below the equivalent of 500 minimum salaries (COP 216,850,000 as of Jan 2007), can be constituted either by private contract or public deed. Since the company in the case study meets the criteria of law 1014, it can be constituted by private contract.

When choosing a private contract the owners can either use a notary to authenticate the required signatures or have them authenticated by a clerk at the Chamber of Commerce, when registering the company. The common practice is to use a notary.

When a company is constituted by public deed, the most common procedure is as follows: the owner submits the company statutes to the notary public and requests a public deed of incorporation. The statutes must include the following: name and identification card of the shareholders; name and type of company; legal address; corporate purpose; company capital; preemptive rights in capital increases; name of the members of the board of directors, including their duties and obligations (for these types of companies it is not mandatory to have a board of directors); and the name of the statutory auditor, including duties and obligations (for these types of companies it is not mandatory to have a statutory auditor-Law 43/90).

After the notary public transcribes the deed, the owners appear before the notary public to sign and obtain copies of the deed. Notary fees for preparing the public deed are 0.27% of the value of the document. Other fees include: COP 17,100 for authenticated copies (COP 1,710 each page for about 10 copies) + 16% VAT.

The company owners should verify that the proposed name has not been previously assigned. If this is the case, the Chamber of Commerce rejects the application. The uniqueness of the company name can be verified through the registry's website http://www.rue.com.co and is not counted as a separate procedure in this case.

Procedure 3. Purchase the company books

Time: 1 day

Cost: COP 132,000 (6 books at a cost of approximately COP 22,000 each)

Comments: The books can be obtained at a store or at the Chamber of Commerce.

Procedure 4. Register the company, obtain the "Certificate of Existence and Legal Representation," legalize company books and register for national taxes—all at the Chamber of Commerce

Time: 5 days

Cost: COP 1,257,952 (COP 646,952 equivalent to 1% of the capital as registration tax + COP 447,000 as Registry of Commerce fee + COP 23,000 fixed fee + COP 3,000 for the registration form + COP 138,000 for legalizing the 6 company books at COP 23,000 each)

Comments: The following procedures are taken care of at the Chamber of Commerce:

a. Register the company and commercial establishments (if any) with the Registry of Commerce;
b. Obtain a copy of the Certificate of Existence and Legal Representation;
c. Legalize the company books;
d. Register for national taxes (DIAN).

The entrepreneur can also notify the Municipality of the establishment of the company at the Chamber of Commerce.

Procedure 5. Open a bank account

Time: 1 day

Cost: No cost

Comments: To open an account with a commercial bank, the owner submits the public deed, the Certificate of Existence and Legal Representation, NIT, and ID. Opening a savings account takes a few minutes, but if it is a checking account, the bank could take 3 or more business days to verify information about the company, due to compliance with money laundering prevention laws and regulations. Depending on the bank, a minimum initial deposit of approximately COP 100,000 is required.

Procedure 6. Obtain a land use certificate

Time: 7 days

Cost: COP 33,540

Comments: A land use certificate from district authorities is required for operating a business. There are two alternatives ways to obtain the certificate. The first is free of charge and consists in submitting a request directly to the District Planning Office; this request is granted in about 1 month. The second, faster, alternative is requesting the certificate from the Urban Planning Office *(Curaduría Urbana)*, which charge COP 33,540 and take approximately 5 business days.

Procedure 7*. Register company with the Family Compensation Fund *(Caja de Compensación Familiar)*, the Governmental Learning Service (*Servicio Nacional de Aprendizaje*—SENA) and the Colombian Family Institute *(Instituto Colombiano de Bienestar Familiar* —ICBF*)*

Time: 10 days (simultaneous with procedure 6)

Cost: No cost

Comments: Decree 3667 of 2004 created a unified form to self- assess and pay social security and para-fiscal contributions to SENA, ICBF, the Family Compensation Fund and the School of Public Administration *(Escuela Superior de Administración Pública—ESAP)*. This unified form may be submitted electronically or in person. Pursuant to Decree 3667, the Social Protection Ministry must first issue the form. The time to register varies from 2 days to 3 weeks depending on the family compensation fund chosen.

Once registered, the company pays contributions to the Family Compensation Fund in the first 8 days of every month. The contribution is distributed internally by the Family Compensation Fund to SENA and the ICBF.

Procedure 8*. Register company with an Administrator of Professional Risks (ARP)

Time: 1 day (simultaneous with procedure 6)

Cost: No cost

Comments: It is required to affiliate the company and its employees with an Administrator of Professional Risks (ARP), private or public *(Instituto de Seguros Sociales—ISS)*. The employer decides to which ARP to affiliate all employees and pays the monthly contributions. The ARP covers job related accidents and professional illness.

Procedure 9*. Register employees with a private pension fund

Time: 1 day (simultaneous with procedure 6)

Cost: No cost

Comments: Each employee has the right to choose a private pension fund. The company must complete the respective submissions to the pension funds. The employer cannot choose the pension fund on behalf of the employee. Generally, a representative of one of the private pension fund plans visits the company to register the employee and registration is fast.

Procedure 10*. Enroll employees with private health insurance plan

Time: 1 day (simultaneous with procedure 6)

Cost: No cost

Comments: It is required to affiliate employees to the national health system *(Plan Obligatorio de Salud—POS)*. Each employee has the right to choose a health care provider *(Entidad Promotora de Salud—EPS)*. The company must complete the respective submissions to the different EPSs on behalf of its employees. Each company must make a submission to at least one EPS. The time to process acceptance varies depending on the EPS and the health history of the employee. Generally, an EPS representative will visit the company and registration is fast.

Procedure 11*. Register employees with a severance fund

Time: 1 day (simultaneous with procedure 6)

Cost: No cost

Comments: The company must affiliate its employees with a severance fund. Each employee may choose the severance fund. The company must complete the submissions on behalf of its employees. One day is required for each severance fund, but the time may vary depending on the number of entities chosen by the employees. The employer has to deposit the severance payment annually before February 14th.

* This procedure is simultaneous with a previous procedure.

Doing Business

Registering property

Barranquilla

Property value: USD 137,000 = COP 323,476,166
Date as of: July 2007

Procedure 1. Obtain certificate on the history of the property

Time: 1 day

Cost: COP 7,000

Comments: The certificate on the history (at least 20 years) of the property *(Certificado de Tradición y Libertad)* is obtained at the Registry office *(Oficina de Registro de Instrumentos Públicos)*.

Procedure 2. Obtain certificate confirming the legal existence and representation of the buyer and seller at the Chamber of Commerce.

Time: 1 day

Cost: COP 3,000

Comments: Given that the buyer and seller are companies, they must request a certificate of existence and representation *(Certificado de Existencia y Representación Legal)* at the Chamber of Commerce.

Procedure 3. Title study undertaken by lawyer

Time: 5 days

Cost: COP 870,000

Comments: A lawyer conducts a study of past property titles and past owners. The title study is not mandatory, but in practice almost always takes place for the transaction under consideration. The lawyer needs the certificates obtained in procedures 1-2 and a copy of the shareholder resolution authorizing a representative to act on behalf of the company.

Procedure 4*. Pay for certificate of no outstanding contribution obligation on property value increases due to public works.

Time: 1 day (simultaneous with procedure 3)

Cost: COP 10,000

Comments: The certificate that there is no outstanding contribution on property value due to public works *(Paz y Salvo de Valorización)* is paid at a commercial bank.

Procedure 5*. Obtain certificate of no outstanding contribution obligation on property value increases due to public works and a "zero balance account statement" stating that the property is current with regards to municipal taxes.

Time: 1 day (simultaneous with procedure 3)

Cost: No cost

Comments: The certificate proves that the property is current regarding contribution obligations on property increases due to public works *(Paz y Salvo de Valorización)*. The "zero balance account statement" will be used by the notary to obtain online the certificate that there are no outstanding payments of municipal taxes *(Paz y Salvo Predial)*.

This procedure takes place in an office called "Systems and Methods" *(Métodos y Sistemas)*.

Procedure 6. Preparation of preliminary deed by a lawyer

Time: 2 days

Cost: COP 870,000

Comments: The same lawyer that did the title study (procedure 3) will prepare the preliminary deed *(minuta)* to be presented to the notary. This step is common practice for the type of transaction under consideration. The lawyer needs the certificate regarding the history of the property (procedure 1), the "*Paz y Salvo*" certificate and the "zero balance account statement" from procedure 5.

Procedure 7. Obtain invoice and certificate of payment of stamp duty to finance public hospitals

Time: 3 days

Cost: No cost

Comments: This procedure takes place at the Municipal Secretary of Finance. The first day of this procedure, the party obtains an invoice to pay the stamp duty at a commercial bank (procedure 8) and obtain the certificate of payment on the third day.

Procedure 8*. Payment of stamp duty to finance public hospitals

Time: 1 day (simultaneous with procedure 7)

Cost: COP 4,852,142 (1.5% of property value)

Comments: The stamp duty *(estampilla pro-hospitales)* is paid through a commercial bank.

Procedure 9. Preparation of public deed by notary

Time: 6 days

Cost: COP 1,073,112 (0.27% of property value + COP 7,120 for pages of the deed + COP 26,700 for copies of the deed + COP 3,175 to the Superintendency of Notaries + COP 3,175 for the National Notary Fund + 16% VAT)

Comments: The notary prepares the public deed based on the documents submitted by the parties. The involvement of a notary in the preparation of the public deed is mandatory by law.

Procedure 10. Obtain invoice for pro-development tax

Time: 1 day

Cost: No cost

Comments: The invoice of the pro-development tax *(Impuesto de Beneficencia Pro-Desarrollo)* is issued by the Department Secretary of Finance.

Procedure 11. Payment of pro-development tax

Time: 1 day

Cost: COP 1,617,381 (0.5% of property value)

Comments: To be paid through a commercial bank.

Procedure 12. Payment of registration fee

Time: 1 day

Cost: COP 4,852,143 (1.5% of property value)

Comments: To be paid through a commercial bank.

Procedure 13. Registration of public deed with the Registry office

Time: 4 days

Cost: No cost

Comments: Once the pro-development tax and registration fee are paid, the public deed is registered with the Registry office *(Oficina de Registro de Instrumentos Públicos)*.

Procedure 14. Inform the cadastre about the change of ownership

Time: 1 day

Cost: No cost

Comments: The interested party goes to the cadastre office *(Instituto Geográfico Agustín Codazzi*—IGAC) to notify about the property transfer and update records.

* This procedure is simultaneous with a previous procedure.

REGISTERING PROPERTY

Bucaramanga

Property value: USD 137,000 = COP 323,476,166
Date as of: July 2007

Procedure 1. Obtain certificate on the history of the property

Time: 1 day

Cost: COP 7,000

Comments: The certificate on the history (at least 20 years) of the property *(Certificado de Tradición y Libertad)* is obtained at the Registry office *(Oficina de Registro de Instrumentos Públicos)*.

Procedure 2. Obtain certificate confirming the legal existence and representation of the buyer and seller at the Chamber of Commerce

Time: 1 day

Cost: COP 3,000

Comments: Given that the buyer and seller are companies, they must request a certificate of existence and representation *(Certificado de Existencia y Representación Legal)* at the Chamber of Commerce.

Procedure 3. Title study undertaken by lawyer

Time: 5 days

Cost: COP 250,000

Comments: A lawyer conducts a study of past property titles and past owners. The title study is not mandatory, but in practice almost always takes place for the transaction under consideration. The lawyer needs the certificates obtained in procedures 1-2 and a copy of the shareholder resolution authorizing a representative to act on behalf of the company.

Procedure 4*. Pay for certificate of no outstanding municipal tax payments and that there is no outstanding contribution obligation on property value increases due to public works

Time: 1 day (simultaneous with procedure 3)

Cost: COP 28,000

Comments: To be paid in a commercial bank. In Bucaramanga, the proof that the property is up to date on tax payments *(Paz y Salvo Predial)* and the proof that there is no outstanding contribution obligation on property value increases due to public works *(Paz y Salvo de Valorización)* are issued in a single document *(Paz y Salvo Predial y de la Valorización)*.

Procedure 5*. Obtain certificate of no outstanding municipal tax payments and no outstanding contribution obligation on property value increases due to public works

Time: 1 day (simultaneous with procedure 3)

Cost: No cost

Comments: These documents prove that the property is up to date on these payments. The certificate is issued at the municipal treasury.

Procedure 6. Preparation of preliminary deed by a lawyer

Time: 2 days

Cost: COP 300,000

Comments: The same lawyer that did the title study (procedure 3) will prepare the preliminary deed *(minuta)* to be presented to the notary. This step is common practice for the type of transaction under consideration. The lawyer needs the *Paz y Salvo* certificates from procedures 4-5 and the certificate regarding the history of the property (procedure 1).

Procedure 7. Preparation of public deed by notary

Time: 3 days

Cost: COP 1,073,112 (0.27% of property value + COP 7,120 for pages of the deed + COP 26,700 for copies of the deed + COP 3,175 to the Superintendency of Notaries + COP 3,175 for the National Notary Fund + 16% VAT)

Comments: The notary prepares the public deed based on the documents submitted by the parties. The involvement of a notary in the preparation of the public deed is mandatory by law.

Procedure 8. Obtain registration tax invoice

Time: 1 day

Cost: No cost

Comments: This document is obtained at the department government office *(Gobernación)*. In Bucaramanga, this tax is known as *boleta fiscal*.

Procedure 9. Payment of registration tax

Time: 1 day

Cost: COP 4,666,509 (1.43% of property value + COP 40,800)

Comments: To be paid in a commercial bank.

Procedure 10. Payment of registration fee

Time: 1 day

Cost: COP 1,617,381 (0.5% of property value)

Comments: To be paid in a commercial bank.

Procedure 11. Registration of public deed with the Registry office

Time: 5 days

Cost: No cost

Comments: Once the registration tax is paid, the public deed is registered with the Registry office *(Oficina de Registro de Instrumentos Públicos)*.

Procedure 12. Inform the cadastre about the change of ownership

Time: 1 day

Cost: No cost

Comments: The interested party goes to the cadastre office *(Instituto Geográfico Agustín Codazzi*—IGAC) to notify about the property transfer and update records.

* This procedure is simultaneous with a previous procedure.

REGISTERING PROPERTY

Cali

Property value: USD 137,000 = COP 323,476,166
Date as of: July 2007

Procedure 1. Obtain certificate on the history of the property

Time: 1 day

Cost: COP 7,000

Comments: The certificate on the history (at least 20 years) of the property *(Certificado de Tradición y Libertad)* is obtained at the Registry office *(Oficina de Registro de Instrumentos Públicos)*.

Procedure 2. Obtain certificate confirming the legal existence and representation of the buyer and seller at the Chamber of Commerce

Time: 1 day

Cost: COP 3,000

Comments: Given that the buyer and seller are companies, they must request a certificate of existence and representation *(Certificado de Existencia y Representación Legal)* at the Chamber of Commerce.

Procedure 3. Title study undertaken by lawyer

Time: 3 days

Cost: COP 867,400

Comments: A lawyer conducts a study of past property titles and past owners. The title study is not mandatory, but in practice almost always takes place for the transaction under consideration. The lawyer needs the certificates obtained in procedures 1-2 and a copy of the shareholder resolution authorizing a representative to act on behalf of the company.

Procedure 4*. Pay for municipal certificate of no outstanding tax payments and no outstanding contribution obligation on property value increases due to public works

Time: 1 day (simultaneous with procedure 3)

Cost: COP 4,800

Comments: Buy from the municipality the stamps necessary for the certificate that the property is up to date on tax payments *(Certificado de Pago de Impuesto Predial)* and that there is no outstanding contribution obligation on property value increases due to public works *(Paz y Salvo de Valorización)*.

Procedure 5*. Obtain certificate of no outstanding municipal tax payments

Time: 1 day (simultaneous with procedure 3)

Cost: No cost

Comments: The certificate proves that the property is up to date on municipal property taxes. After having purchased the stamps (procedure 4), the certificate *(Paz y Salvo Predial)* is issued. The procedure takes place in the municipality at the counter for *impuesto predial.*

Procedure 6. Obtain municipal certificate of no outstanding contribution obligation on property value increases due to public works

Time: 1 day

Cost: No cost

Comments: This certificate proves that the property does not have an outstanding contribution obligation on property value increases due to public works *(Paz y Salvo de Valorización)*. After having bought the stamps (procedure 4), the certificate is issued. The procedure takes place in the municipal at the counter for *Contribución de Valorización*.

Procedure 7. Preparation of preliminary deed by a lawyer

Time: 2 days

Cost: COP 500,000

Comments: The same lawyer that did the title study (procedure 3) will prepare the preliminary deed *(minuta)* to be presented to the notary. This step is common practice for the type of transaction under consideration. The lawyer needs the *Paz y Salvo* certificates from procedures 5-6 and the certificate regarding the history of the property (procedure 1).

Procedure 8. Preparation of public deed by notary

Time: 4 days

Cost: COP 1,073,112 (0.27% of property value + COP 7,120 for pages of the deed + COP 26,700 for copies of the deed + COP 3,175 to the Superintendency of Notaries + COP 3,175 for the National Notary Fund + 16% VAT)

Comments: The notary prepares the public deed based on the documents submitted by the parties. The involvement of a notary in the preparation of the public deed is mandated by law.

Procedure 9. Obtain registration tax invoice

Time: 1 day

Cost: No cost

Comments: This document is obtained at the department government office *(Gobernación)*. In Cali, this tax is known as *boleta fiscal*.

Procedure 10. Payment of registration tax

Time: 1 day

Cost: COP 3,290,818 (1.016% of property value + COP 4,300 per stamp)

Comments: The payment is done through a commercial bank.

Procedure 11. Payment of registration fee

Time: 1 day

Cost: COP 1,617,381 (0.5% of property value)

Comments: This payment is done through a commercial bank.

Procedure 12. Registration of public deed with the Registry office

Time: 8 days

Cost: No cost

Comments: Once the registration tax and registration fee are paid, the public deed is registered with the Registry *(Oficina de Registro de Instrumentos Públicos)*.

* This procedure is simultaneous with a previous procedure.

REGISTERING PROPERTY

Cartagena

Property value: USD 137,000 = COP 323,476,166
Date as of: July 2007

Procedure 1. Obtain certificate on the history of the property

Time: 1 day

Cost: COP 7,000

Comments: The certificate on the history (at least 20 years) of the property *(Certificado de Tradición y Libertad)* is obtained at the Registry office *(Oficina de Registro de Instrumentos Públicos)*.

Procedure 2. Obtain certificate confirming the legal existence and representation of the buyer and seller at the Chamber of Commerce

Time: 1 day

Cost: COP 3,000

Comments: Given that the buyer and seller are companies, they must request a certificate of existence and representation *(Certificado de Existencia y Representación Legal)* at the Chamber of Commerce.

Procedure 3. Title study undertaken by lawyer

Time: 4 days

Cost: COP 500,000

Comments: A lawyer conducts a study of past property titles and past owners. The title study is not mandatory, but in practice almost always takes place for the transaction under consideration. The lawyer needs the certificates obtained in procedures 1-2 and a copy of the shareholder resolution authorizing a representative to act on behalf of the company.

Procedure 4*. Obtain certificate of no outstanding municipal tax payments

Time: 3 days (simultaneous with procedure 3)

Cost: COP 20,000

Comments: This document *(Paz y Salvo Predial)* proves that the property is up to date on municipal property taxes. It is issued by the Tax Division of the municipality.

Procedure 5*. Pay certificate of no outstanding contribution obligation on property value increases due to public works

Time: 1 day (simultaneous with procedure 3)

Cost: COP 20,000

Comments: To be paid in a commercial bank.

Procedure 6*. Obtain certificate of no outstanding contribution obligation on property value increases due to public works

Time: 1 day (simultaneous with procedure 3)

Cost: No cost

Comments: This is issued by the Appraisal Office of the District *(Oficina de Valorización Distrital)*. The certificate *Paz y Salvo de Valorización* proves that there is no outstanding contribution obligation on property value increase due to public works.

Procedure 7. Preparation of preliminary deed by a lawyer

Time: 2 days

Cost: COP 1,060,000

Comments: The same lawyer that did the title study (procedure 3) will prepare the preliminary deed *(minuta)* to be presented to the notary. This step is common practice for the type of transaction under consideration. The lawyer needs the *Paz y Salvo* certificates from procedures 4 and 6 and the certificate regarding the history of the property (procedure 1).

Procedure 8. Preparation of public deed by notary

Time: 5 days

Cost: COP 1,073,112 (0.27% of property value + COP 7,120 for pages of the deed + COP 26,700 for copies of the deed + COP 3,175 to the Superintendency of Notaries + COP 3,175 for the National Notary Fund + 16% VAT)

Comments: The notary prepares the public deed based on the documents submitted by the parties. The involvement of a notary is mandatory by law.

Procedure 9. Obtain registration tax invoice

Time: 1 day

Cost: No cost

Comments: Issued by the departmental treasury *(Tesorería Departamental de la Gobernación)*.

Procedure 10. Payment of registration tax

Time: 1 day

Cost: COP 4,852,142 (1.5% of property value)

Comments: To be paid in a commercial bank.

Procedure 11. Payment of registration fee

Time: 1 day

Cost: COP 1,617,381 (0.5% of property value)

Comments: To be paid in a commercial bank.

Procedure 12. Registration of public deed with the Registry office

Time: 15 days

Cost: No cost

Comments: Once the registration tax and registration fee are paid, the public deed is registered with the Registry office *(Oficina de Registro de Instrumentos Públicos)*.

Procedure 13. Inform the cadastre about the change of ownership

Time: 1 day

Cost: No cost

Comments: The interested party goes to the cadastre office *(Instituto Geográfico Agustín Codazzi*—IGAC) to notify about the property transfer and update records.

* This procedure is simultaneous with a previous procedure.

REGISTERING PROPERTY

Cúcuta

Property value: USD 137,000 = COP 323,476,166
Date as of: July 2007

Procedure 1. Obtain certificate on the history of the property

Time: 1 day

Cost: COP 7,000

Comments: The certificate on the history (at least 20 years) of the property *(Certificado de Tradición y Libertad)* is obtained at the Registry office *(Oficina de Registro de Instrumentos Públicos)*.

Procedure 2. Obtain certificate confirming the legal existence and representation of the buyer and seller at the Chamber of Commerce

Time: 1 day

Cost: COP 6,600

Comments: Given that the buyer and seller are companies, they must request a certificate of existence and representation *(Certificado de Existencia y Representación Legal)* at the Chamber of Commerce.

Procedure 3. Title study undertaken by lawyer

Time: 5 days

Cost: COP 1,060,000

Comments: A lawyer conducts a study of past property titles and past owners. The title study is not mandatory, but in practice almost always takes place for the transaction under consideration. The lawyer needs the certificates obtained in procedures 1-2 and a copy of the shareholder resolution authorizing a representative to act on behalf of the company.

Procedure 4*. Pay and obtain certificate of no outstanding municipal tax payments

Time: 2 days (simultaneous with procedure 3)

Cost: COP 18,100 (COP 14,500 for the form + COP 1,800 stamp duty in favor of public hospital *Erasmo Meoz* + COP 1,800 stamp duty for the elderly)

Comments: This document *(Paz y Salvo Predial)* proves that the property is up to date on municipal property taxes. It is issued by the municipal tax secretary (*Secretaría del Tesoro Municipal*).

Procedure 5*. Pay and obtain certificate that there is not outstanding contribution obligation on property value increases due to public works

Time: 1 day (simultaneous with procedure 3)

Cost: COP 7,200

Comments: This certificate *(Paz y Salvo de Valorización)* is valid for one month. It is issued on the spot by the office *Metrovivienda*.

Procedure 6. Preparation of preliminary deed by a lawyer

Time: 2 days

Cost: COP 1,060,000

Comments: The same lawyer that did the title study (procedure 3) will prepare the preliminary deed *(minuta)* to be presented to the notary. This step is common practice for the type of transaction under consideration. The lawyer needs the *Paz y Salvo* certificates from procedures 4-5 and the certificate regarding the history of the property (procedure 1).

Procedure 7. Preparation of public deed by notary

Time: 8 days

Cost: COP 1,073,112 (0.27% of property value + COP 7,120 for pages of the deed + COP 26,700 for copies of the deed + COP 3,175 to the Superintendency of Notaries + COP 3,175 for the National Notary Fund + 16% VAT)

Comments: The notary prepares the public deed based on the documents submitted by the parties. The involvement of a notary in the preparation of the public deed is mandatory by law.

Procedure 8. Obtain registration tax invoice

Time: 1 day

Cost: No cost

Comments: This document is obtained at the department government office *(Gobernación)*. In Cúcuta, this tax is known as *boleta fiscal*.

Procedure 9. Payment of registration tax

Time: 1 day

Cost: COP 3,401,000 (1.05% of property value + COP 4,500)

Comments: To be paid in a commercial bank.

Procedure 10. Payment of registration fee and registration taxes

Time: 1 day

Cost: COP 1,617,381 (0.5% of property value)

Comments: To be paid in a commercial bank.

Procedure 11. Registration of public deed with the Registry office

Time: 5 days

Cost: No cost

Comments: Once the stamp duty and registration fee are paid, the public deed is registered with the Registry office *(Oficina de Registro de Instrumentos Públicos)*.

Procedure 12. Inform the cadastre about the change of ownership

Time: 1 day

Cost: No cost

Comments: The interested party goes to the cadastre office *(Instituto Geográfico Agustín Codazzi*—IGAC) to notify about the property transfer and update records.

* This procedure is simultaneous with a previous procedure.

REGISTERING PROPERTY

Manizales

Property value: USD 137,000 = COP 323,476,166
Date as of: July 2007

Procedure 1. Obtain certificate on the history of the property

Time: 1 day

Cost: COP 7,000

Comments: The certificate on the history (at least 20 years) of the property *(Certificado de Tradición y Libertad)* is obtained at the Registry office *(Oficina de Registro de Instrumentos Públicos)*.

Procedure 2. Obtain certificate confirming the legal existance and representation of the buyer and seller at the Chamber of Commerce

Time: 1 day

Cost: COP 3,000

Comments: Given that the buyer and seller are companies, they must request a certificate of existence and representation *(Certificado de Existencia y Representación Legal)* at the Chamber of Commerce.

Procedure 3. Title study undertaken by lawyer

Time: 2 days

Cost: COP 300,000

Comments: A lawyer conducts a study of past property titles and past owners. The title study is not mandatory, but in practice almost always takes place for the transaction under consideration. The lawyer needs the certificates obtained in procedures 1-2 and a copy of the shareholder resolution authorizing a representative to act on behalf of the company.

Procedure 4*. Pay and obtain certificate of no outstanding contribution obligation on property value increases due to public works

Time: 1 day (simultaneous with procedure 3)

Cost: No cost

Comments: This certificate *(Paz y Salvo de Valorización)* proves that there is no outstanding contribution obligation on property value increases due to public works and is issued at the appraisal office of Manizales *(Instituto de Valorización de Manizales*—INVAMA). In Manizales, the receipt of the last payment of *Impuesto Predial* can be used as certificate that the property is up to date on municipal tax payments *(Paz y Salvo Predial)*.

Procedure 5. Preparation of preliminary deed by a lawyer

Time: 2 days

Cost: COP 850,000

Comments: The same lawyer that did the title study (procedure 3) will prepare the preliminary deed *(minuta)* to be presented to the notary. This step is common practice for the type of transaction under consideration. The lawyer needs the *Paz y Salvo* certificate from procedure 4 and the certificate regarding the history of the property (procedure 1).

Procedure 6. Preparation of public deed by notary

Time: 2 days

Cost: COP 1,073,112 (0.27% of property value + COP 7,120 for pages of the deed + COP 26,700 for copies of the deed + COP 3,175 to the Superintendency of Notaries + COP 3,175 for the National Notary Fund + 16% VAT)

Comments: The notary prepares the public deed based on the documents submitted by the parties. The involvement of a notary is mandatory by law.

Procedure 7. Obtain registration tax invoice

Time: 1 day

Cost: No cost

Comments: This procedure is done in the revenues office of the department government office *(Unidad de Rentas Departamentales de la Gobernación)*.

Procedure 8. Payment of registration tax

Time: 1 day

Cost: COP 3,234,762 (1% of property value)

Comments: To be paid at a commercial bank.

Procedure 9. Payment of registration fee

Time: 1 day

Cost: COP 1,617,381 (0.5% of property value)

Comments: To be paid in the Registry office in the cashier of the Registry office (*Oficina de Registro de Instrumentos Públicos*).

Procedure 10. Registration of public deed with the Registry office

Time: 8 days

Cost: No cost

Comments: Once the registration tax and registration fee are paid, the public deed is registered with the Registry office *(Oficina de Registro de Instrumentos Públicos)*.

Procedure 11. Inform the cadastre about the change of ownership

Time: 1 day

Cost: No cost

Comments: The interested party goes to the cadastre office *(Instituto Geográfico Agustín Codazzi*—IGAC) to notify about the property transfer and update records.

* This procedure is simultaneous with a previous procedure.

REGISTERING PROPERTY

Medellín

Property value: USD 137,000 = COP 323,476,166
Date as of: July 2007

Procedure 1. Obtain certificate on the history of the property

Time: 1 day

Cost: COP 7,000

Comments: The certificate on the history (at least 20 years) of the property *(Certificado de Tradición y Libertad)* is obtained at the Registry office *(Oficina de Registro de Instrumentos Públicos)*.

Procedure 2. Obtain certificate confirming the legal existence and representation of the buyer and seller at the Chamber of Commerce

Time: 1 day

Cost: COP 3,000

Comments: Given that the buyer and seller are companies, they must request a certificate of existence and representation *(Certificado de Existencia y Representación Legal)* at the Chamber of Commerce.

Procedure 3. Title study undertaken by lawyer

Time: 5 days

Cost: COP 1,060,000

Comments: A lawyer conducts a study of past property titles and past owners. The title study is not mandatory, but in practice almost always takes place for the transaction under consideration. The lawyer needs the certificates obtained in procedures 1-2 and a copy of the shareholder resolution authorizing a representative to act on behalf of the company.

Procedure 4*. Pay and obtain certificate of no outstanding municipal tax payments

Time: 1 day (simultaneous with procedure 3)

Cost: COP 8,000

Comments: This document *(Paz y Salvo Predial)* proves that the property is up to date on municipal property taxes and is issued in the municipality *(Alcaldía)*. It takes between 2 or 3 hours to be obtained.

Procedure 5*. Pay and obtain certificate of no outstanding contribution obligation on property value increases due to public works

Time: 1 day (simultaneous procedure 3)

Cost: COP 7,000

Comments: This document *(Paz y Salvo de Valorización)* proves that there is no outstanding contribution obligation on property value increases due to public works and is issued at the municipality *(Alcaldía)* in a different counter that the one in procedure 4. It takes between 2 or 3 hours to be obtained.

Procedure 6. Preparation of preliminary deed by a lawyer

Time: 2 days

Cost: COP 1,060,000

Comments: The same lawyer that did the title study (procedure 3) will prepare the preliminary deed *(minuta)* to be presented to the notary. This step is common practice for the type of transaction under consideration. The lawyer needs the *Paz y Salvo* certificates from procedures 4-5 and the certificate regarding the history of the property (procedure 1).

Procedure 7. Preparation of public deed by notary

Time: 2 days

Cost: COP 1,073,112 (0.27% of property value + COP 7,120 for pages of the deed + COP 26,700 for copies of the deed + COP 3,175 to the Superintendency of Notaries + COP 3,175 for the National Notary Fund + 16% VAT)

Comments: The notary prepares the public deed based on the documents submitted by the parties. The involvement of a notary in the preparation of the public deed is mandatory by law.

Procedure 8. Obtain registration tax invoice

Time: 1 day

Cost: No cost

Comments: This document is obtained at the department government office *(Gobernación)*. In Medellín, this tax is known as *boleta de rentas*.

Procedure 9. Payment of registration tax

Time: 1 day

Cost: COP 3,396,500 (1.05% of property value)

Comments: To be paid in a commercial bank.

Procedure 10. Obtain stamp from department revenue office

Time: 1 day

Cost: No cost

Comments: After paying the registration tax, the party needs to get a stamp *(visto bueno)* from the department revenue counter at the department government office. This stamp proves that the payment of the registration tax to the department government has been done correctly.

Procedure 11. Payment of registration fee

Time: 1 day

Cost: COP 1,617,381 (0.5% of property value)

Comments: To be paid in a commercial bank.

Procedure 12. Registration of public deed with the Registry office

Time: 8 days

Cost: No cost

Comments: The public deed is registered with the Registry office *(Oficina de Registro de Instrumentos Públicos)*. This procedure takes 8 days in the south office *(Registro zona sur)* and 20 days in the north registry *(Registro zona norte)*.

* This procedure is simultaneous with a previous procedure.

REGISTERING PROPERTY

Neiva

Property value: USD 137,000 = COP 323,476,166
Date as of: July 2007

Procedure 1. Obtain certificate on the history of the property

Time: 1 day

Cost: COP 7,000

Comments: The certificate on the history (at least 20 years) of the property *(Certificado de Tradición y Libertad)* is obtained at the Registry office *(Oficina de Registro de Instrumentos Públicos)*.

Procedure 2. Obtain certificate confirming the legal existence and representation of the buyer and seller at the Chamber of Commerce

Time: 1 day

Cost: COP 3,000

Comments: Given that the buyer and seller are companies, they must request a certificate of existence and representation *(Certificado de Existencia y Representación Legal)* at the Chamber of Commerce.

Procedure 3. Title study undertaken by lawyer

Time: 5 days

Cost: COP 600,000

Comments: A lawyer conducts a study of past property titles and past owners. The title study is not mandatory, but in practice almost always takes place for the transaction under consideration. The lawyer needs the certificates obtained in procedures 1-2 and a copy of the shareholder resolution authorizing a representative to act on behalf of the company.

Procedure 4*. Pay certificate of no outstanding municipal tax payments and certificate of no outstanding contribution obligation on property value increases due to public works

Time: 1 day (simultaneous with procedure 3)

Cost: COP 10,000

Comments: Both to be paid in a commercial bank.

Procedure 5*. Obtain certificate of no outstanding municipal tax payments

Time: 1 day (simultaneous with procedure 3)

Cost: No cost

Comments: This document *(Paz y Salvo Predial)* proves that the property is up to date on municipal property taxes and is issued in the Municipal treasury *(Tesorería Municipal de la Alcaldía)*.

Procedure 6*. Obtain certificate that there is no outstanding contribution obligation on property value increases due to public works

Time: 1 day (simultaneous with procedure 3)

Cost: No cost

Comments: This document *(Paz y Salvo de Valorización)* proves that the property is no outstanding contribution obligation on property value increases due to public works and is issued in the municipality in a different counter than the one used in procedure 5.

Procedure 7. Preparation of preliminary deed by a lawyer

Time: 2 days

Cost: COP 600,000

Comments: The same lawyer that did the title study (procedure 3) will prepare the preliminary deed *(minuta)* to be presented to the notary. This step is common practice for the type of transaction under consideration. The lawyer needs the *Paz y Salvo* certificates from procedures 5-6 and the certificate regarding the history of the property (procedure 1).

Procedure 8. Preparation of public deed by notary

Time: 3 days

Cost: COP 1,073,112 (0.27% of property value + COP 7,120 for pages of the deed + COP 26,700 for copies of the deed + COP 3,175 to the Superintendency of Notaries + COP 3,175 for the National Notary Fund + 16% VAT)

Comments: The notary prepares the public deed based on the documents submitted by the parties. The involvement of a notary in the preparation of the public deed is mandatory by law.

Procedure 9. Obtain registration tax invoice

Time: 1 day

Cost: No cost

Comments: This document is obtained at the department government office *(Gobernación)*.

Procedure 10. Payment of registration tax

Time: 1 day

Cost: COP 4,852,142 (1.5% of property value)

Comments: To be paid in a commercial bank. In Neiva, the registration tax is known as *Impuesto de Timbre*. This tax is distributed as follows: 0.5% for stamp *Pro USCO* + 0.5% for stamp *Procultura* + 0.5% for stamp *Prodesarrollo Departamental*.

Procedure 11. Payment of registration fee

Time: 1 day

Cost: COP 1,617,381 (0.5% of property value)

Comments: To be paid in a commercial bank.

Procedure 12. Registration of public deed with the Registry office

Time: 8 days

Cost: No cost

Comments: Once the registration tax and registration fee are paid, the public deed is registered with the Registry office *(Oficina de Registro de Instrumentos Públicos)*.

Procedure 13. Inform the cadastre about the change of ownership

Time: 1 day

Cost: No cost

Comments: The interested party goes to the cadastre office *(Instituto Geográfico Agustín Codazzi*—IGAC) to notify about the property transfer and update records.

* This procedure is simultaneous with a previous procedure.

REGISTERING PROPERTY

Pereira

Property value: USD 137,000 = COP 323,476,166
Date as of: July 2007

Procedure 1. Obtain certificate on the history of the property

Time: 1 day

Cost: COP 7,000

Comments: The certificate on the history (at least 20 years) of the property *(Certificado de Tradición y Libertad)* is obtained at the Registry office *(Oficina de Registro de Instrumentos Públicos)*.

Procedure 2. Obtain certificate confirming the legal existence and representation of the buyer and seller at the Chamber of Commerce

Time: 1 day

Cost: COP 3,000

Comments: Given that the buyer and seller are companies, they must request a certificate of existence and representation *(Certificado de Existencia y Representación Legal)* at the Chamber of Commerce.

Procedure 3. Title study undertaken by lawyer

Time: 3 days

Cost: COP 200,000

Comments: A lawyer conducts a study of past property titles and past owners. The title study is not mandatory, but in practice almost always takes place for the transaction under consideration. The lawyer needs the certificates obtained in procedures 1-2 and a copy of the shareholder resolution authorizing a representative to act on behalf of the company.

Procedure 4*. Pay for certificate of no outstanding municipal tax payments and no outstanding contribution obligation on property value increases due to public works

Time: 1 day (simultaneous with procedure 3)

Cost: COP 14,400 (COP 7,200 each)

Comments: To be paid in a commercial bank

Procedure 5*. Obtain certificate of no outstanding municipal tax payments and no outstanding contribution obligation on property value increases due to public works

Time: 2 days (simultaneous with procedure 3)

Cost: No cost

Comments: This certificate proves that the property is up to date regarding municipal property taxes *(Paz y Salvo Predial)* and contribution obligations on property value increases due to public works *(Paz y Salvo de Valorización)*. The certificate is issued by the Secretary of Finance of Pereira.

Procedure 6. Preparation of preliminary deed by a lawyer

Time: 2 days

Cost: COP 600,000

Comments: The same lawyer that did the title study (procedure 3) will prepare the preliminary deed *(minuta)* to be presented to the notary. This step is common practice for the type of transaction under consideration. The lawyer needs the *Paz y Salvo* certificates from procedures 4-5 and the certificate regarding the history of the property (procedure 1).

Procedure 7. Preparation of public deed by notary

Time: 2 days

Cost: COP 1,073,112 (0.27% of property value + COP 7,120 for pages of the deed + COP 26,700 for copies of the deed + COP 3,175 to the Superintendency of Notaries + COP 3,175 for the National Notary Fund + 16% VAT)

Comments: The notary prepares the public deed based on the documents submitted by the parties. The involvement of a notary in the preparation of the public deed is mandated by law.

Procedure 8. Obtain receipt for payment of registration tax

Time: 1 day

Cost: No cost

Comments: This document is obtained at the department government office *(Gobernación)*.

Procedure 9. Pay registration tax

Time: 1 day

Cost: COP 3,234,761 (1% of property value)

Comments: To be paid in a commercial bank.

Procedure 10. Payment of registration fee

Time: 1 day

Cost: COP 1,617,380 (0.5% of property value)

Comments: To be paid in a commercial bank.

Procedure 11. Registration of public deed with the Registry office

Time: 15 days

Cost: No cost

Comments: Once the registration tax and registration fee are paid, the public deed is registered with the Registry office *(Oficina de Registro de Instrumentos Públicos)*.

Procedure 12. Inform the cadastre about the change of ownership

Time: 1 day

Cost: No cost

Comments: The interested party goes to the cadastre office *(Instituto Geográfico Agustín Codazzi*—IGAC) to notify about the property transfer and update records.

* This procedure is simultaneous with a previous procedure.

REGISTERING PROPERTY

Popayán

Property value: USD 137,000 = COP 323,476,166
Date as of: July 2007

Procedure 1. Obtain certificate on the history of the property

Time: 1 day

Cost: COP 7,000

Comments: The certificate on the history (at least 20 years) of the property *(Certificado de Tradición y Libertad)* is obtained at the Registry office *(Oficina de Registro de Instrumentos Públicos)*.

Procedure 2. Obtain certificate confirming the legal existence and representation of the buyer and seller at the Chamber of Commerce

Time: 1 day

Cost: COP 3,000

Comments: Given that the buyer and seller are companies, they must request a certificate of existence and representation *(Certificado de Existencia y Representación Legal)* at the Chamber of Commerce. The certificate is valid for 1 month and used as ID in the transaction.

Procedure 3. Title study undertaken by lawyer

Time: 3 days

Cost: COP 600,000

Comments: A lawyer conducts a study of past property titles and past owners. The title study is not mandatory, but in practice almost always takes place for the transaction under consideration. The lawyer needs the certificates obtained in procedures 1-2 and a copy of the shareholder resolution authorizing a representative to act on behalf of the company.

Procedure 4*. Pay for certificate of no outstanding municipal tax payments and contribution obligations on property value increases due to public works

Time: 1 day (simultaneous with procedure 3)

Cost: COP 12,600

Comments: Payment is made at the municipal Treasury office.

Procedure 5*. Obtain certificate of no outstanding municipal tax payments and contribution obligations on property value increases due to public works

Time: 2 days (simultaneous with procedure 3)

Cost: No cost

Comments: The certificate is issued by the municipal treasury office in a counter other than the used for payment (procedure 4). The *Paz y Salvo* certificate proves that the property is up to date on municipal tax payments and contribution obligations on property value increases due to public works. It can be picked up the day after being requested.

Procedure 6. Preparation of preliminary deed by a lawyer

Time: 2 days

Cost: COP 1,060,000

Comments: The same lawyer that did the title study (procedure 3) will prepare the preliminary deed *(minuta)* to be presented to the notary. This step is common practice for the type of transaction under consideration. The lawyer needs the *Paz y Salvo* certificates from procedure 5 and the certificate regarding the history of the property (procedure 1).

Procedure 7. Preparation of public deed by notary

Time: 3 days

Cost: COP 1,073,112 (0.27% of property value + COP 7,120 for pages of the deed + COP 26,700 for copies of the deed + COP 3,175 to the Superintendency of Notaries + COP 3,175 for the National Notary Fund + 16% VAT)

Comments: The notary prepares the public deed based on the documents submitted by the parties. The involvement of a notary in the preparation of the public deed is mandatory by law.

Procedure 8. Obtain registration tax invoice

Time: 1 day

Cost: No cost

Comments: This document is obtained at the department government office *(Gobernación)*.

Procedure 9. Payment of registration tax

Time: 1 day

Cost: COP 3,234,762 (1% of property value)

Comments: To be paid in a commercial bank.

Procedure 10. Payment of registration fee

Time: 1 day

Cost: COP 1,617,381 (0.5% of property value)

Comments: To be paid in a commercial bank.

Procedure 11. Registration of public deed with the Registry office

Time: 15 days

Cost: No cost

Comments: Once the registration taxes and registration fee are paid, the public deed is registered with the Registry *(Oficina de Registro de Instrumentos Públicos)*.

Procedure 12. Inform the cadastre about the change of ownership

Time: 1 day

Cost: No cost

Comments: The interested party goes to the cadastre office *(Instituto Geográfico Agustín Codazzi*—IGAC) to notify about the property transfer and update records.

* This procedure is simultaneous with a previous procedure.

REGISTERING PROPERTY

Santa Marta

Property value: USD 137,000 = COP 323,476,166
Date as of: July 2007

Procedure 1. Obtain certificate on the history of the property

Time: 1 day

Cost: COP 7,000

Comments: The certificate on the history (at least 20 years) of the property *(Certificado de Tradición y Libertad)* is obtained at the Registry office *(Oficina de Registro de Instrumentos Públicos)*.

Procedure 2. Obtain certificate confirming the legal existence and representation of the buyer and seller at the Chamber of Commerce

Time: 1 day

Cost: COP 3,000

Comments: Given that the buyer and seller are companies, they must request a certificate of existence and representation *(Certificado de Existencia y Representación Legal)* at the Chamber of Commerce. The certificate is valid for 1 month and used as ID in the transaction.

Procedure 3. Title study undertaken by lawyer

Time: 5 days

Cost: COP 887,400

Comments: A lawyer conducts a study of past property titles and past owners. The title study is not mandatory, but in practice almost always takes place for the transaction under consideration. The lawyer needs the certificates obtained in procedures 1-2 and a copy of the shareholder resolution authorizing a representative to act on behalf of the company.

Procedure 4*. Pay and obtain certificate of no outstanding municipal tax payments and no outstanding contribution obligation on property value increases due to public works

Time: 1 day (simultaneous with procedure 3)

Cost: COP 28,000

Comments: These documents *(Paz y Salvo Predial* and *Paz y Salvo de Valorización)* prove that the property is up to date on municipal property taxes and property value increases contributions. It is issued by the tax office *(Recaudos y Tributos)*.

Procedure 5. Preparation of preliminary deed by a lawyer

Time: 1 day

Cost: COP 443,700

Comments: The same lawyer that did the title study (procedure 3) will prepare the preliminary deed *(minuta)* to be presented to the notary. This step is common practice for the type of transaction under consideration. The lawyer needs the *Paz y Salvo* certificates from procedure 4 and the certificate regarding the history of the property (procedure 1).

Procedure 6. Preparation of public deed by notary

Time: 8 days

Cost: COP 1,073,112 (0.27% of property value + COP 7,120 for pages of the deed + COP 26,700 for copies of the deed + COP 3,175 to the Superintendency of Notaries + COP 3,175 for the National Notary Fund + 16% VAT)

Comments: The notary prepares the public deed based on the documents submitted by the parties. The involvement of a notary in the preparation of the public deed is mandatory by law.

Procedure 7. Obtain stamp duty invoice

Time: 1 day

Cost: No cost

Comments: This document is obtained at the department government office *(Gobernación)*.

Procedure 8. Payment of stamp duty

Time: 1 day

Cost: COP 1,135,427 (0.35% of property value + COP 3,260 for stamp duty supporting public hospitals)

Comments: The stamp duty *(estampilla)* is paid in a commercial bank.

Procedure 9. Payment of registration fee and registration taxes

Time: 1 day

Cost: COP 4,852,142 (1% of property value for registration tax + 0.5% of property value for registration fee)

Comments: This is paid to the Registry office *(Oficina de Registro de Instrumentos Públicos)*.

Procedure 10. Registration of public deed with the Registry office

Time: 4 days

Cost: No cost

Comments: Once the stamp duty and registration fee are paid, the public deed is registered with the Registry office *(Oficina de Registro de Instrumentos Públicos)*.

Procedure 11. Inform the cadastre about the change of ownership

Time: 1 day

Cost: No cost

Comments: The interested party goes to the cadastre office *(Instituto Geográfico Agustín Codazzi*—IGAC) to notify about the property transfer and update records.

* This procedure is simultaneous with a previous procedure.

REGISTERING PROPERTY

Villavicencio

Property value: USD 137,000 = COP 323,476,166
Date as of: July 2007

Procedure 1. Obtain certificate on the history of the property

Time: 1 day

Cost: COP 7,000

Comments: The certificate on the history (at least 20 years) of the property *(Certificado de Tradición y Libertad)* is obtained at the Registry office *(Oficina de Registro de Instrumentos Públicos)*.

Procedure 2. Obtain certificate confirming the legal existence and representation of the buyer and seller at the Chamber of Commerce

Time: 1 day

Cost: COP 3,000

Comments: Given that the buyer and seller are companies, they must request a certificate of existence and representation *(Certificado de Existencia y Representación Legal)* at the Chamber of Commerce.

Procedure 3. Title study undertaken by lawyer

Time: 3 days

Cost: COP 730,000

Comments: A lawyer conducts a study of past property titles and past owners. The title study is not mandatory, but in practice almost always takes place for the transaction under consideration. The lawyer needs the certificates obtained in procedures 1-2 and a copy of the shareholder resolution authorizing a representative to act on behalf of the company.

Procedure 4*. Pay and obtain municipal certificate of no outstanding tax payments

Time: 2 days (simultaneous with procedure 3)

Cost: COP 7,000

Comments: The certificate *(Paz y Salvo Predial)* is paid and obtained at the counter for property taxes *(Ventanilla Impuesto Predial)* of the municipality. It can be picked up the day after being requested.

Procedure 5*. Pay and obtain municipal certificate that there is no outstanding contribution obligation on property value increases due to public works

Time: 2 days (simultaneous with procedure 3)

Cost: 12,000

Comments: The certificate *(Paz y Salvo de Valorización Municipal)* is paid and obtained at the municipal appraisal counter *(Valorización Municipal)* of the municipality. It can be picked up the day after being requested.

Procedure 6*. Pay and obtain departmental certificate that there is no outstanding contribution obligation on property value increases due to public works

Time: 2 days (simultaneous with procedure 3)

Cost: COP 10,000

Comments: The certificate *(Paz y Salvo de Valorización Departamental)* is paid and obtained at the department government tax office *(Oficina de impuestos de la Gobernación)*. It can be picked up the day after being requested.

Procedure 7. Preparation of preliminary deed by a lawyer

Time: 2 days

Cost: COP 730,000

Comments: The same lawyer that did the title study (procedure 3) will prepare the preliminary deed *(minuta)* to be presented to the notary. This step is common practice for the type of transaction under consideration. The lawyer needs the *Paz y Salvo* certificates from procedures 4-6 and the certificate regarding the history of the property (procedure 1).

Procedure 8. Preparation of public deed by notary

Time: 3 days

Cost: COP 1,073,112 (0.27% of property value + COP 7,120 for pages of the deed + COP 26,700 for copies of the deed + COP 3,175 to the Superintendency of Notaries + COP 3,175 for the National Notary Fund + 16% VAT)

Comments: The notary prepares the public deed based on the documents submitted by the parties. The involvement of a notary in the preparation of the public deed is mandatory by law.

Procedure 9. Payment of registration fee and registration taxes

Time: 1 day

Cost: COP 5,822,571 (1.3% of property value for registration tax + 0.5 % of property value for registration fee).

Comments: The registration tax *(Impuesto de Registro)* is not a fee for a service, but a tax that goes to finance department-level programs. Payments are made in a commercial bank.

Procedure 10. Registration of public deed with the Registry office

Time: 21 days

Cost: No cost

Comments: Upon payment of the registration tax and the registration fee, the public deed must be registered with the Registry office *(Oficina de Registro de Instrumentos Públicos)*.

Procedure 11. Inform the cadastre about the change of ownership

Time: 1 day

Cost: No cost

Comments: The interested party goes to the cadastre office *(Instituto Geográfico Agustín Codazzi*—IGAC) to notify about the property transfer and update records.

* This procedure is simultaneous with a previous procedure.

Doing Business

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