

The background of the slide is a photograph of three business professionals in an office setting. A woman with blonde hair, wearing a dark blazer, is smiling and looking towards the camera. A man with a beard, wearing a dark suit, is leaning over a wooden desk, looking at a document. Another person, wearing a light blue shirt, is partially visible behind him. On the desk, there are various items: a black stapler, a smartphone, a calculator, a pen, and several sheets of paper with charts and graphs. A red banner with white text is overlaid on the middle of the image.

# ABC COMPENSATION ACCOUNT



## 1. What are the compensation accounts?

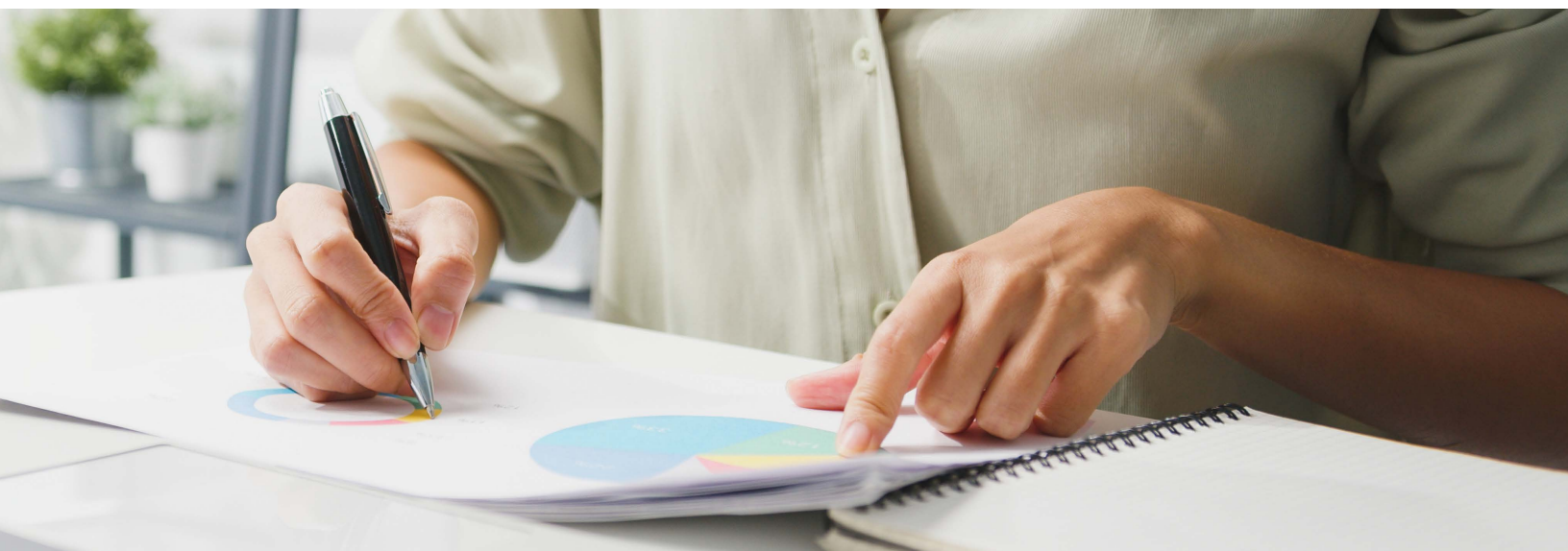
Many companies in Colombia open bank accounts in international financial entities in order to carry out business in other currencies (USD or Euro generally) to make or to receive payments or fulfill other type of obligations in money.

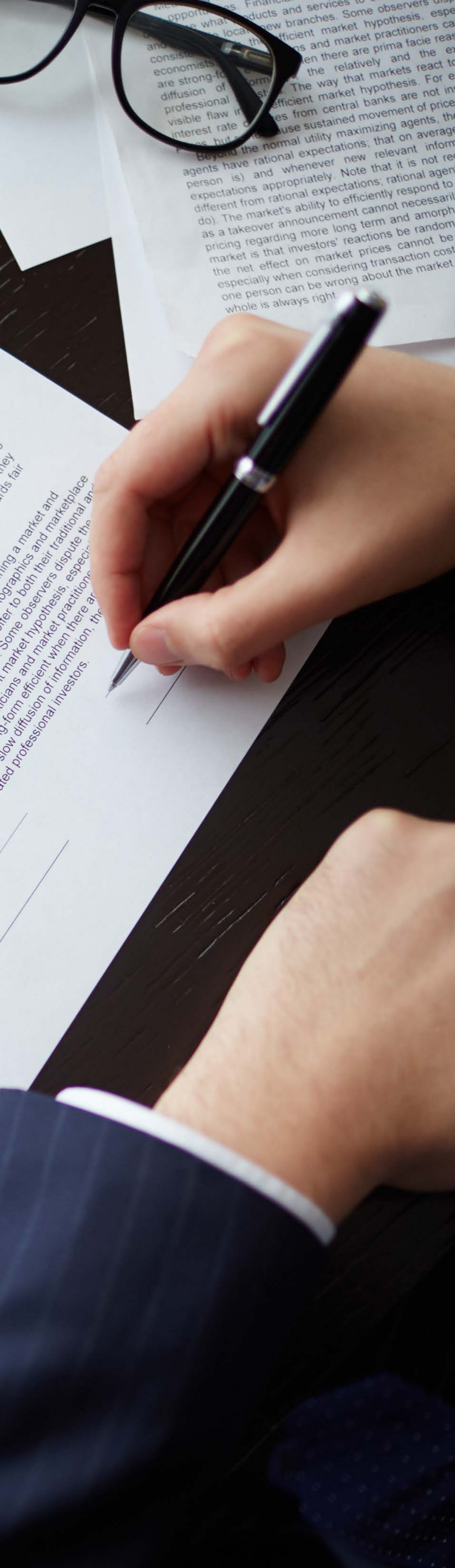
The foreign bank accounts are considered free market accounts; however, it is mandatory to register them under the compensation mechanism before the Central Bank when they are used to carry out the mandatory canalization operations as:

- ▶ Import of goods
- ▶ Export of goods
- ▶ External indebtedness by residents
- ▶ International capital investment in Colombia or Colombian capital in other countries and its profits
- ▶ Financial investment in securities and foreign assets and its profits
- ▶ Guarantees and collateral in foreign currencies.
- ▶ Derivate transactions

## 2. Which are the financial and administrative advantages of these accounts?

- ▶ It is not necessary the constant negotiation with the commercial bank, avoiding exchange rate differences between the Colombian pesos and the other currencies.
- ▶ It is not necessary the presentation of exchange declaration for each movement to be made.
- ▶ It is not necessary to pay the Tax on financial Movements - 4x1000 in each operation.
- ▶ The compensation account allows for greater internal control of the operations since each movement must be analyzed before to accomplish the exchange obligations.





As you can see, the correct use of the compensation accounts offers significant financial and administrative advantages for the companies, however, their use and the exchange regime compliance are fundamental to avoid the imposition of penalties by the Tax Authority (DIAN).

### 3. If I have a compensation account, what are my obligations?

1. Submit the movement information of the compensation account each month, reflecting each income and expense of the account, using the exchange numerals defined by the Central Bank.
2. Submit the quarterly exogenous Exchange information before the Tax Authority (DIAN), which must match with the movement information submitted before the Central Bank.
3. When the compensation account is canceled, it must be reported to the Central Bank in the following month and reported to the Tax Authority (DIAN) through the form "Exogenous Exchange information" within the quarterly after the cancellation occurs.

BDO has a specialized team in exchange regime to support the companies with regulatory compliance, minimizing risks associated to currencies transfer through international bank accounts open by Colombian residents. If you have any question, please don't hesitate to contact us.

[lreyes@bdo.com.co](mailto:lreyes@bdo.com.co)

Luis Fernando Reyes

Head Legal Partner

[arozo@bdo.com.co](mailto:arozo@bdo.com.co)

Anyi Milady Rozo

Customs & Foreign-Exchange  
Supervisor



## FOR MORE INFORMATION:

Carrera 16 # 97 – 46 piso 8 , Bogotá D.C. Colombia

T (57 – 1 ) 6230199

comercial@bdo.com.co

www.bdo.com.co



BDOenColombia



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