

**Dr. Shantayanan Devarajan**

Senior Director  
Development Economics Vice-Presidency  
World Bank Group  
Washington, D.C.

Dear Dr. Devarajan,

I would like to thank you for our productive meeting and discussions on the Doing Business methodology during the last Annual Meetings in Washington, D.C. As I mentioned there, we are very concerned about the paying taxes indicator, which measures payments, timing, and the total tax rate of medium-size companies complying with all tax regulations, and post-filing processes.

In the Colombian case, the following is the composition of the total tax rate for the case study company, featured in the 2017 Doing Business Report:

<b>Tax or Mandatory Contribution</b>	<b>Statutory Tax Rate</b>	<b>Total Tax Rate (% of Profit)</b>
Turnover Tax (ICA)	1.104%	19.52
Corporate Income Tax	25%	16.33
Social Security Contributions	12%	14.12
Financial Transactions Tax	0.4%	6.51
Income Tax for Equity CREE	9%	5.88
Payroll Tax	4%	4.51
Real State Tax	1%	1.48
Urban Boundary Tax	2.6%	0.79
Net Wealth tax	0.2%-1.15%	0.38
Vehicle Tax	2.5%	0.26
<b>Total</b>		<b>69.8</b>

Source: <http://www.doingbusiness.org/data/exploreeconomies/colombia/paying-taxes>

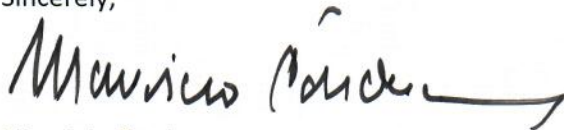
The data provided in the table above does not match the country's revenue collection figures. In Colombia, revenue from the total corporate income tax represents more than 6 times the revenues of the turnover tax. In 2016, such total corporate income tax amounted to COP 48.3 trillion, while the turnover tax yielded COP 7.6 trillion. This means that effectively, the turnover tax is not 19.52% of the profits, but nearly 1/6 of

that, or 3.5% of the profits. Therefore, the total tax rate for a medium-size company in the country is about 54% of profits, instead of the 69.8% indicated by the Report “as a comprehensive measure of the cost of all the taxes a business bears.”<sup>1</sup>

For all above reasons, I would appreciate that the next Doing Business Report press release would publish a clarifying note on the non-representativeness of the indicator for the Colombian case, given that the company used to calculate it does not exist, nor it represents the country’s private sector as a whole.

I thank you in advance for your kind attention to this request, which is very relevant for an accurate assessment of Colombia’s competitiveness.

Sincerely,



**Mauricio Cardenas**  
**Minister of Finance and Public Credit, Colombia**

Copy to: Rita Ramalho  
Acting Director, Global Indicators Group  
Development Economics Vice-Presidency

Santiago Croci Downes  
Acting Manager, Doing Business Unit

Klaus Koch Saldarriaga  
Acting Topic Leader

Otaviano Canuto, Executive Director, World Bank Group

Diana Quintero, Alternate Executive Director, World Bank Group

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<sup>1</sup> Doing Business Report, 2017, page 145.