Globalization Partners provides employer of record services for clients that want to hire employees and run payroll without first establishing a branch office or subsidiary in Colombia. Your candidate is hired via Globalization Partners’ Colombia Professional Employer Organization (PEO) in accordance with local labor laws and can be onboarded in days instead of the months it typically takes. The individual is assigned to work on your team, working on your company’s behalf exactly as if he or she were your employee to fulfill your in-country requirements.

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Our Global Employer of Record Platform™ and Global PEO service enables clients to run payroll in Colombia while HR services, tax, and compliance management matters are lifted from their shoulders onto ours. As a Global PEO expert, we manage employment contract best practices, statutory and market norm benefits, and employee expenses, as well as severance and termination if required. We also keep you apprised of changes to local employment laws in Colombia.

Your new employee is productive sooner, has a better hiring experience and is 100% dedicated to your team. You’ll have peace of mind knowing you have a team of dedicated employment experts assisting with every hire. Globalization Partners allows you to harness the talent of the brightest people in 170 countries around the world, quickly and painlessly.

Colombia, in South America, is bisected by the Andes range, and Bogotá, its capital, is the
highest city of its size (10 million people in the metro area) in the world. Colombia also boasts the Sierra Nevada de Santa Marta, the world’s highest coastal mountain range, with peaks soaring to 18,500 feet. Colombians are often late to meetings, but they expect foreigners to arrive on time. In Bogotá, leave extra time for traffic. Businesses tend to be hierarchical, and Colombians are usually fairly flexible in negotiations. Special tip: if invited to a bullfight, go. This is a special treat for Colombians and you could offend your host by refusing to attend.

**Basic Facts About Hiring in Colombia**

In Colombia, employment laws tend to favor employees, so it is best practice to not only have written employment contracts, but also to have them reviewed by experts. There are no government sponsored unemployment benefits in Colombia, and employees, if they feel they were wrongfully terminated, can file a complaint and the company can be liable for covering the costs of benefits to the employee. It is advisable to use a professional service in Colombia to help with compliance with the law.

When negotiating terms of an employment contract and offer letter with an employee in Colombia, it may be useful to keep the following standard benefits in Colombia in mind:

**Colombia Holidays**

There are 18 public holidays in Colombia including:

- New Year’s Day
- Saint Peter and Saint Paul
- Epiphany (Three Kings Day)
- Independence Day
- Battle of Boyacá
- Saint Joseph’s Day
- Maundy Thursday
- Assumption of Mary
- Good Friday
- The Day of the Race
- Labor Day
- All Saints’ Day
- Ascension
- Independence of Cartagena
- Corpus Christi
- Immaculate Conception
- Sacred Heart
Christmas Day

**Bonus**

Employees are entitled to a Semestral Bonus (prima de servicios). This benefit is equivalent to 15 days of salary payable to the employee on the last day of June, and 15 days of salary payable within the first 20 days of December, each year. This benefit is due upon termination of employment in proportion to the time worked during the calendar semester in which the termination takes place.

**Working Hours**

In general, Colombia has a 48 hour working week. Depending on the business, people work five days for about 9.6 hours per day, typically Monday to Friday, or six days for eight hours a day, Monday to Saturday.

Overtime is paid with a surcharge of 25% and an additional night surcharge of 75% over the value of ordinary time. Overtime on Sundays and holidays is paid with a surcharge of 75% in proportion to the hours worked.

**Vacation**

Employers are required to provide 15 paid working days of annual leave for each year of service.

**Sick Leave**

Employees are entitled to 2/3 their salary for the first two days they miss due to illness. From the third day and up to 180 days they get the same amount but from the social security system.

If an employee is injured on the job, s/he is eligible for 100% of salary for the duration of his/her absence.

**Maternity/Paternity**

Mothers are entitled to 14 weeks of paid maternity leave, two weeks before the birth and twelve after.
Fathers are entitled eight working days of paid paternity leave.

**Termination/Severance**

Probationary periods must be in writing.

- For undefined term contracts and fixed term contracts between 1 and 3 years, the maximum probationary period is two months.
- In fixed-term contracts for less than 1 year, the probationary period may not exceed one-fifth of the agreed term not exceeding two months.

An employment contract may be terminated by unilateral decision of any of the parties, whether or not there is proven just cause. The labor contract may also terminate upon mutual consent of the parties.

- When the labor contract terminates with just cause, the party that takes the decision is not legally obliged to pay an indemnity for dismissal as long as the facts and reasons that motivated the decision are real and can be further evidenced.
  - Termination of employment with just cause must be handled with care and may require a further consideration with labor attorneys.
  - In any case, the employer must have serious evidence to demonstrate the just cause and all the documents necessary to support its fair decision in the event of a judicial claim.
  - The employer must prove the reasons for termination, while the employee would simply inform the judge that the just cause did not exist.
  - For every dismissal, there is a high risk of facing a labor lawsuit, with all its representation and administrative costs.
  - It is highly recommended to consider the termination of labor contracts by mutual consent of the parties, formalizing it through a settlement agreement executed before labor authorities.
  - The employer will most likely need to pay a settlement bonus in exchange for the employee’s signature on the settlement document, giving the employer full release and waiving the possibility of filing a future claim.

- Severance pay is compulsory and equivalent to one month’s salary for every year of service and proportionally for fractions of a year.
  - Employers must deposit the severance pay into an account chosen by the employee by no later than February 14th of the subsequent year.
  - This deposit constitutes the final payment of the severance pay through December 31 of each year and upon termination of employment, the severance pay accrued to the employee beginning from January 1st through the date of the
termination that has not yet been deposited into the employee’s account, must be paid by the employer directly to the employee.

- Severance interest is generated at 1% per month; per year this corresponds to 12% on the amount of severance.
- Liquidation of the interest must be paid to the employee no later than January 31st of the following year. Upon termination of employment, accrued interests on severance must be paid directly to the employee.

Colombia Tax

- Social Security: Employers are obliged to pay Social Security in Colombia. The Social Security payments are made up of the following:
  - Health: 12.5% of which 8.5% is paid by the employer and the remaining 4% is payable by the employee.
  - Occupational risk: this contribution is fully borne by the employer and depends on the kind of risk in which the economic activity of the company is classified - ranging between 0.348% and 8.7% of salary.
  - Family Welfare Fund: All employers must contribute 9% of the monthly payroll

- Pension: 16% of the employee’s salary from which 12% is paid by the employer and the remaining 4% is payable by the employee.

- Income tax: For Colombian residents, income tax rates are progressive. The tax system is expressed on Tax Value Units, UVT. The maximum tax rate is 33% and is applicable to taxable income in excess of 4,100 UVT. Net income up to 1,090 UVT would be subject to an effective rate of 19%. Net income between 1,091 and 1,700 UVT would be subject to an effective rate of 28%.

It is the responsibility of the employer to deduct and pay the taxes and contributions to the Social Security System.

Colombia has a Reciprocal Agreement with the USA and many other countries whereby when an overseas national of those countries is seconded to Colombia for a defined period of time and continues to pay social security in their home country, then the employer and employee are exempt from paying Colombia social security.

Health Insurance

Colombia provides a universal health insurance scheme in which all citizens, irrespective of their ability to pay, are entitled to a comprehensive health benefit package.
People participate in one of two regimes depending on income: the Contributory Regime (CR) which covers workers and their families with monthly incomes above a minimum monthly amount, and the Subsidized Regime (SR), which covers those identified as being poor through a proxy means test.

- The CR is financed by mandatory payroll tax contributions (11%).
- The government uses national and local tax revenues and a payroll tax (1.5%) as a solidarity contribution.

It is very common for employers to provide additional health insurance in Colombia. Globalization Partners offer two prepaid medical plans in Colombia.

**Bottom Line on Benefits**

Generally, we recommend budgeting 45% as benefits cost on top of the gross salary to allocate the total employer’s cost including benefits in Colombia.

**Employment Contracts**

Although not required, best practice is to put a strong written labor contract in place in Colombia as this document provides evidence of the labor relationship and the terms and conditions agreed upon by the parties. Additionally, there are certain provisions that are valid only if set forth in writing, such as provisions on the probationary period and the duration of the contract for a fixed rather than an indefinite term. An offer letter and employment contract in Colombia should always state the salary and any compensation amounts in Colombian pesos rather than a foreign currency.

This information is provided as generally accepted information and is not intended as advisory services.

**Why Globalization Partners**

Establishing a branch office or subsidiary in Colombia to engage a small team is time-consuming, expensive and complex. Colombian labor law has strong worker protections, requiring great attention to detail and an understanding of local best practices. Globalization Partners makes it painless and easy to expand into Colombia. We can help you hire your candidate of choice, handle HR matters and payroll, and ensure that you’re in compliance with local laws, without the burden of setting up a foreign branch office or subsidiary. Our Colombia PEO and Global Employer of Record Platform provides you peace of mind so that you can focus on running your business.
If you would like to discuss how Globalization Partners can provide a seamless employee leasing or PEO solution for hiring an employee in Colombia, please contact us at sales@globalization-partners.com.

Request a Proposal