

Colombia is known for the Sierra Nevada de Santa Marta as well as the Andes range and the capital, Bogota. Although it is a growing area to do business, Colombia employment laws strongly favor employees. When you set up Colombia payroll, you'll need to have a strong understanding of these laws before you hire workers, add them to the payroll, and start operating your subsidiary.

Taxation Rules for Colombia Payroll

Colombia has a variety of taxation rules you need to follow when setting up payroll. For example, employers are required to make social security payments that include:

- Health: Employers pay 8.5% of this portion of social security while employees pay 4%.
- Occupational risk: The employer must fully pay this risk, which is between 0.348% and 8.7% of the salary.
- Family welfare fund: Employers must contribute 9% of their monthly payroll to the family welfare fund.

You'll also need to contribute 12% of an employee's salary to a pension program. On top of that, Colombia uses a progressive income tax system expressed in Tax Value Units (UVT). Employees with a taxable income over 4,100 UVT will hit the maximum tax rate of 33%.

Colombia Payroll Options

Four main options are available to set up Colombia payroll. Not every Colombia payroll option is right for your subsidiary, so it's essential to weigh the pros and cons of each:

- Remote: When you opt for remote payroll, you'll add your Colombian employees to the parent company payroll and pay them from your office in your home country.
- Local Colombia payroll outsourcing: You can also work with a Colombia payroll outsourcing team located in Colombia. This option takes the burden of payroll off your shoulders, but you are still liable for mistakes.
- Internal: Running a sizeable internal payroll is easier for large companies with a commitment to Colombia. It requires setting up an entire HR team and others in your Colombia business.

- Fully outsourced: Finally, you can choose Colombia payroll outsourcing with a global PEO such as Globalization Partners. We take care of your payroll and assume all risk so that you are not held accountable for any mistakes.

What Is Required to Set up Payroll?

Before you can set up your Colombia payroll, you'll need some personal information from your employees such as their passport, proof of health insurance coverage, and bank statements. Each employee also has tax registration requirements before you can add them to your payroll. Every worker needs an employment contract, social security registration, public health coverage registration, severance fund registration, and workers insurance.

What Entitlement and Termination Terms Do You Need?

Before your employee starts, it's best practice to draft a strong employment contract with all entitlement and termination terms. An employment contract can be terminated by either the employee or the employer even without proven just cause. Severance pay is compulsory in Colombia, and employees get one month's salary for every year they worked.

Colombia Payroll Processing Company

You don't have to learn how to set up your Colombia payroll alone. Globalization Partners is a trusted Colombia payroll outsourcing option. We will help you pay your employees and will act as the Employer of Record to take the liability off your plate. Contact us today to learn more.