
[Download](#)

Keep in mind

The series Working Papers on Economics is published by the Office for Economic Studies at the *Banco de la República* (Central Bank of *Colombia*). It contributes to the dissemination and promotion of the work by researchers from the institution. This series is indexed at Research Papers in Economics (RePEc).

On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. The works published are provisional, and their authors are fully responsible for the opinions expressed in them, as well as for possible mistakes. The opinions expressed herein are those of the authors and do not necessarily reflect the views of Banco de la República or its Board of Directors.

AUTHOR OR EDITOR

Rincón-Castro, Hernán Ángel-Mojica, Juan Pablo

The series [Borradores de Economía](#) (Working Papers on Economics) contributes to the dissemination and promotion of the work by researchers from the institution. On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. This series is indexed at Research Papers in Economics (RePEc). The opinions contained in this document are the sole responsibility of the author and do not commit Banco de la República or its Board of Directors.

Publication Date:
Tuesday, 26 December 2023

Abstract

The objective of the study is to model and determine the tax incidence of a reduction in the corporate income tax in Colombia. To meet this objective, a dynamic and stochastic general equilibrium model DSGE of a closed economy with heterogeneous households and two types of capital is used. These make it possible to easily include the skill-premium and the complementarity of capital with labor skills (capital-skill complementarity), variables that are determinants of changes in the distribution of income and the welfare of the different types of households. The results indicate that a reduction in the corporate income tax increases economic growth but generates unwanted redistributive effects and is not optimal in the Pareto sense, since, depending on the type of fiscal consolidation instrument used, it can enlarge the distribution income gap and negatively affect the welfare of those households with financial constraints and less qualified. To achieve at the same time a lower tax burden on companies and greater economic growth, but with more equity and welfare for all households, alternative instruments are required.