Working papers economics - Tax Structure and Performance of Colombian Firms

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The implicit equity tax is progressive for smaller firms but regressive for larger ones.

Publication Date: Thursday, 20 of November 2025 **Approach**
This paper analyzes the tax structure faced by Colombian firms, characterized by high heterogeneity in effective income tax rates. In particular, it identifies the existence of an implicit tax on firm size, especially when measured through equity. This tax is defined as the change in the effective tax burden associated with changes in various measures of firm size.
The analysis uses accounting data from all Colombian firms reported between 2017 and 2023, and compares the impact of the tax reforms implemented during the periods 2017–2018 and 2022–2023. The document applies econometric methods to estimate the tax structure faced by firms and to compute the effect of equity on the effective tax rate. It then evaluates the impact of changes in the tax structure on equity accumulation, investment, and indebtedness.

Contribution
The article uses microeconometric techniques to identify, at the level of individual firms, the tax structure they face. Based on this estimation, it identifies a distortion to equity accumulation, defined as the change in the tax burden induced by changes in equity, which has real effects on capital investment.
The paper contributes to the discussion on the design of the tax structure and the optimal response of firms. More specifically, the results draw attention to the effects of implicit and explicit levies on equity accumulation.

Findings
The study’s findings indicate that the implicit equity tax is progressive for smaller firms but regressive for larger ones. In addition to reducing equity size, this tax generates adverse effects on real investment and distorts financing decisions.

Fuente: https://www.banrep.gov.co/en/publications-research/working-papers-economics/tax-structure-performance-colombian