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Colombia Proposes Raising Liquor VAT to 19% From 5%

The fiscal reform would also impose a new consumption tax on domestic and imported spirits, pending congressional approval

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Colombia’s government is proposing to raise the value-added tax on liquor to 19% from 5% as part of a broader fiscal reform that still needs approval from Congress, according to reports published on October 31 by the Colombian business newspaper La República and the tax publication Actualícese.

The measure would apply to affected distilled alcoholic beverages sold in Colombia and would represent a 14-percentage-point increase in the VAT rate. That does not mean retail prices would automatically rise by 14%, because the final effect would depend on the tax base, how producers and distributors pass the higher levy through the supply chain, and market pricing decisions.

According to the reports, the proposal goes beyond the VAT change. Article 28 of the bill would also impose a consumption tax made up of two parts: a specific charge of 750 Colombian pesos for each degree of alcohol content per 750-milliliter bottle, and an additional ad valorem component of 35%. La República and Actualícese said the measure would affect both domestic and imported liquors.

The proposal is part of a tax package promoted by President Gustavo Petro’s government as it seeks new revenue and changes to Colombia’s tax structure. Congress would have to debate and approve the reform before any of the liquor provisions could take effect. No final implementation date could be confirmed, and the parliamentary document itself was not available for independent review because of access errors cited in the source material.

The plan has drawn attention because liquor is a large formal market in Colombia and a major source of revenue for producers, importers, distributors and regional governments. A higher VAT rate, combined with a heavier consumption tax burden, could increase the tax cost of selling spirits and put pressure on consumer demand, company margins and distribution strategies. Imported brands could face additional pricing pressure in a segment where exchange rates and logistics costs already influence shelf prices.

For consumers, the practical effect would depend on the category and alcohol content of each product. A bottle with a higher alcohol degree would face a larger specific tax charge under the formula described by Actualícese, while the 35% ad valorem component would add a second layer linked to value. That structure means premium products and stronger spirits could see a different tax impact than lower-priced or lower-strength options.

The proposed change also stands out because Colombia’s current 5% VAT rate on the affected liquors is well below the standard 19% VAT applied to many other goods and services in the country. Raising the rate to 19% would align those beverages more closely with the broader system, but it would also sharply increase the tax load on a category that already carries special treatment under Colombia’s excise framework.

Industry participants are likely to focus on how the new VAT and the proposed consumption tax would interact in practice. Companies would need to assess whether to absorb part of the higher tax burden, pass it on to retailers and consumers, or change product mixes and promotional strategies. Distributors and stores could also face slower volume growth if higher prices reduce purchases, especially in lower-income segments.

The government has not yet secured congressional approval for the reform, so the proposal remains subject to debate and amendment. The reports cited by La República and Actualícese describe the bill’s language and expected effects, but the final structure could still change during the legislative process.