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Main Differences Tax under IFRS Framework in Colombia

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Title

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Abstract

With the implementation of the International Financial Reporting Standards (IFRS), the product of the convergence process towards international standards in Colombia, differences between the accounting and financial information and the tax base or fiscal information, as it is known, must be presented. The consequences of said differences will be reflected in the deferred tax and in a new approach to the presentation of financial and accounting information for decision-making within companies in the country, which reasonably reflects the economic situation to the Federal Government. Through this bibliographic-type research, it can be concluded that, during the period of transition in the process of implementing the IFRS in Colombia, several systems of information must be managed at the same time, one under the Generally Accepted Accounting Principles in Colombia (COLGAAP, according to its initials in Spanish), another under the IFRS, and a final system according to the legal parameters of the Tax Statute. Once the implementation of the IFRS begins, at least the latter two will be required to be kept, which will result in an increase in the differences between them. It will thus be necessary to explain the evolution of the business and the changes in figures, as well as their effects on the applicable measurements and policies.

Key words

IFRS, COLGAAP, deferred tax, differences.

1. Introduction

This study refers to the differences that will increase with the implementation of the International Financial Reporting Standards (IFRS) as compared to the Colombian tax regulations, characterizing the most important aspects throughout the history of the tax regulations in Colombia to foster interest in the study of the IFRS and the changes that they will bring about for Colombian accounting. A brief explanation is given of the regulatory basis for the international and tax standards, in order to serve as a basic guide indicating to public accountants the work that must be done after the implementation of these international standards.

Due to the fact that international accounting standards are a new topic in Colombia, the need has arisen to begin to become familiar with them; there is nothing better than to examine them from the tax influence on accounting, since there is a clear autonomy between the two information systems.

There are notable gaps in tax procedures with the implementation of the international accounting standards. Mention is made of keeping accounting information in such a way that it satisfies the different state entities that regulate it, but yet the list of the most common differences that companies must handle, temporarily or permanently, is still being analyzed, stemming from the reconciliation between accounting income and tax income. It is important to know the differences that will result from this process, in order to be prepared for the fiscal effects. IAS 12 recognizes the obligation to pay income taxes during the same period in which the income and the expenses are registered on the financial statements, when the tax payment and any differences that arise must be recorded. This IAS recognizes the deferred tax for tax losses that have occurred in a certain period if there is enough tax income in the periods prior to the generation of the loss. This possibility would not be applicable under current tax legislation, as it does not allow tax losses to be compensated for with income from previous periods. This IAS would only be applicable to income tax and not to income tax for equity (hereafter referred to by its Spanish initials, CREE), given that the income tax is based on profits or earnings and the CREE only takes into consideration income.

The aim of the study is to gather all the information possible and present a critical analysis based on the writings, opinions and experiences of various authors to provide a basic textual compilation of cases that can be presented. To do this, international and tax regulations are cited that are subject to analysis and the work ends with a personal critique of the topic. Likewise, the intent is to benefit all accountants who will be responsible for the convergence processes, as stipulated by Law 1314 of 2009. Knowing the future of the deferred tax ahead of time gives us an accounting projection and rationale for managing the IFRS and it will enable us to know beforehand about accounting events based on this technique. All of this corresponds to the impact on tax matters that the federal government itself will exercise in two different ways: the convergence towards international standards and the responsibility to maintain harmony between the taxation and accounting.

2. Background information underlying the IFRS in Colombia

Colombia entered the economic globalization process in the 1990s, which has led to the need to generate financial information with characteristics similar to those of the countries already involved in this process, thus providing transparency and reliability to the users of this information. The globalization process is broadly related to the convergence towards IFRS, which allow economic events to be recorded with greater conceptual depth, reveal the true situation of the company at the present time and change the accounting treatment of the economic events in four aspects: recognition, measurement, presentation and disclosure (López Ávila & Zea Lourido, 2011).

However, this convergence has encountered tax legislation and its method of calculating taxable net income. For tax effects, Decree 2548 of 2014 has established that this should be done based on Decrees 2649 and 2650 of 1993, during the four years following the start of the application of the IFRS in the different groups, which were previously defined for the application of the standards in the area of accounting: for Group 1, the application of the full IFRS and for Group 3, simplified accounting, starting on January 1, 2015 until December 31, 2018; for Group 2, the application of IFRS for SMEs, starting on January 1, 2016 until December 31, 2019, generating differences that must be recorded as indicated by Decree 2548 of 2014.

The IFRS will change the accounting treatment (recognition, measurement, presentation and disclosure) of economic events

The above has generated concern and the desire to identify these differences, which must be known beforehand in order to deal with the fiscal periods defined by the current Decree 624 of 1989, referred to as the "Tax Statute," while waiting for the Colombian National Customs and Tax Administration (hereafter, DIAN, according to its initials in Spanish) to decide what actions to take with regard to this convergence. The hope is thus that there will be a nexus between both sets of regulations: taxation and accounting.

At this point, it is important to cite Article 4 of Law 1314, of 13 July 2009, which indicates the following: "Independence and autonomy of tax regulations from those pertaining to accounting and financial information. The standards issued in the development of this law will only have a tax effect when the tax laws specifically refer to them or when said laws do not regulate the subject." This enables us to confirm the separation between the accounting information and the tax system.

3. History of accounting and taxation in Colombia

Accounting and taxation have evolved over time in Colombia. Below is a brief summary of this evolution.

3.1. Accounting

In the 15th century, the Spanish Crown set up a group of accountants who were in charge of reviewing the income and rights of those who had under their power any type of operation in the territory of New Granada. This group of accountants reported solely to the Crown, which was very different from what happens today, as accountants receive no support from the federal government, but are responsible for overseeing taxes, attesting to and supervising the income of merchants; i.e., the accountants in our companies do not depend on the State, rather they are responsible for the taxes of those they are representing in accounting terms.

These accountants in the 15th century kept a simple record of debts, taking sworn statements from those responsible and making inventories of the stocks of royal houses at the end of the year. Those who exploited the native and black populations did not keep accounting records. The only ones who did were the Jesuits, who served as a clear example of how to implement an organized accounting system, recording single line items in their ledgers and keeping a strict control over inventories and other assets. The books that were kept during this period were on the branches, purchases, sales, raw materials, third-party deposits, workers, and the Libro

Secreto ("Secret Book"), which is where the associations and earnings were recorded (Franco Ruiz, 2012).

Accountants must take responsibility for the taxes of those they represent in accounting terms

In Colombia, the double-entry bookkeeping system arrived through the intermediation of the Spanish Court in 1923; in response to the recommendations of Edwin Walter Kemmerer, Law 42 was issued, which organized the national accounting system. In 1904, Decree 1936 was issued, which introduced the General Ledger Report, divided into folios, on which each folio page was divided into 9 columns, for both credits and debits. Decree 2160 of 1986 regulated commercial accounting, thus constituting the first generally accepted accounting principles in Colombia. Later, this decree evolved and was replaced by Decree 2649 in 1993, with which the Colombian accounting standards were harmonized with the international accounting standards issued by the International Accounting Standards Committee (IASC), which remain in force today. This decree, unlike all the previous decrees that regulated accounting, unifies all aspects related to the presentation of financial statements, unifies the records and filings, establishes the qualities of financial information and basic standards[1] and contemplates the possibility of reflecting economic events using the so-called higher standards[2], even in the event that they do not reflect the real economic situation, with the only requirement being that this be stated in the notes of the financial statements. The recognition of the economic events is based on their economic reality, emphasizing the need to generate information that satisfies the different users and establishes the objectives, the hypotheses upon which they are based, the qualitative characteristics, the elements, recognition and measurement and the capital items. This decree needed to be applied by all entities and individuals that were legally required to keep accounting records. Their application was also necessary for those who, while not required to keep accounting records, intended to use them as a means of evidence (Contaduría General de la Nación, Textos de Contabilidad Pública, 5, 15-25).

Today the International Financial Reporting Standards have been implemented in Colombia through the issuance of Law 1314 of 2009, thus writing a new chapter in history. This Law has been regulated by Decree 2548 of 12 December 2014 and the concept of the National Customs and Tax Administration (DIAN) No. 16442 of June 2015, explaining matters related to the differences between the accounting information and the tax system. There is currently the Single Regulatory Decree (DUR) 2420, of December 2015, which compiles the entire regulations issued on accounting standards and financial information and the assurance of quality; therefore, all the aforementioned decrees are included under it.

3.2. Taxation

The tax collector from the Spanish Crown was the accountant, who was a higher level civil servant appointed by the Crown itself through the Royal Audience in Santa Fe. This accountant kept control through other private tax collectors who would render accounts from the accounting ledgers, in which the entries for each transaction must be evidenced by a receipt for each credit or debit. One of these private tax collectors was Antonio Nariño, to whom the church hierarchy gave the power to collect tithes and then pass on part of this tax to the Crown. The half-yearly tribute ("*media anata*"), *alcabala*, king's fifth ("*quinto real*"), church allowance ("*mesada eclesiástica*") and windward fleet tax ("*armada de barlovent*o") were taxes that existed during this period (Contaduría General de la Nación, Textos de Contabilidad Pública, 5, page 17).

[1] Set of guiding principles, concepts and limitations that serve as the basis for and underwrite the accounting information so that it has the qualities to properly meet its objectives.

[2] Higher rank standards that can modify, repeal or replace those that come after them in the hierarchy.

Between 1984 and 1991 there was a modernization of the tax system and structural regulatory changes were presented, such as overall adjustments for inflation, the extension of the VAT or value added tax and the expansion to include all payment concepts for withholding at the source, among other aspects. The period between 1991 and 2002 is marked by the issuance of the 1991 Constitution, the implementation of six great tax reforms, with an average of one every 18 months, not counting the exceptional emergency economic decrees, one from each government, which generated a great deal of uncertainty, given that all these reforms were simply intended to generate greater tax collections. From 2003 to 2009, a reform was adopted that had the essential lines of expanding the base of declarants, strengthening the information system to take advantage of the technological evolution and creating a financing scheme to expand the defense and investment budget (Departamento Nacional de Planeación, 2003, page 17).

The IFRS are implemented in Colombia by Law 1314/2009, writing a new chapter in history

From 2009 to date, there has been a process of policies enacted to establish agreements in order to avoid double international taxation with more than twenty countries, which has evidenced the need for greater tax planning through a more judicious legal interpretation. The decisions on the double taxation related to income tax and consumption tax were also updated in the Andean Society; today information can be exchanged with several countries to determine tax evasion and find evidence of drug trafficking and money laundering.

The tax system has undergone several reforms and modifications in recent years, which have noticeably increased the collections as a result of the level of participation; with this, the intent has been to create a fair, equitable, progressive and efficient system that has resulted in frequent changes, making the legal framework a patchwork quilt that creates legal uncertainty. More than a dozen tax reforms have been approved in Colombia, at the rate of almost one per year, including Law 1111 of 2006, which lowered the income tax rate and slightly extended the VAT base, but kept the general rate at 16 % instead of raising it. However, public spending was further increased.

Colombia has made a major effort to extend personal income tax collection to the middle levels that for a long time were not included under the mandatory requirement to present income tax returns. A number of deductions and exemptions or tax relief measures for taxpayers were also presented, with the intent of developing and sustaining industry. Unfortunately, however, these have not been the basis of business decisions.

4. Legal foundations

In Colombia, the implementation of the IFRS on a legislative level has been an overly slow process. Law 550 of 1999, in Article 63, entitled “Harmonization of international standards,” established the revision of our internal regulations to adapt them to international parameters and to make the pertinent changes. At the end of 2003, taking advantage of the fact that Law 550 of 1999 was still in effect, the National Government, through an Interinstitutional Technical Committee consisting of the Ministry of Public Finance, the DIAN, the Banking, Securities and Companies Superintendency, the General National Accounting Administration (Contaduría General de la Nación) and the National Department of Planning (Departamento Nacional de Planeación), prepared an Economic Intervention Project that was intended to, among other things, adopt international accounting and auditing standards in Colombia by early 2006, and presented it to the public for discussion.

The constant reforms of the Colombian tax system generate a great deal of uncertainty

Said project received thousands of rebuttals in 2004, and was thus postponed. Later, with the entry into force of Law 1116 of 2006, the National Government was empowered to propose modifications to Congress on the topic of international standards when it deemed it appropriate starting on that date, giving it an indefinite period of time to study the IFRS. Finally, Law 1314 of 2009 was issued, which reached Colombia with several demands; among these, it regulates the convergence of national accounting standards to international standards, establishes that the Technical Council of Public Accounting (Consejo Técnico de la Contaduría Pública, CTCP) is the only agency authorized to propose standards and establishes 2010 as the deadline for the start of the process.

Until now, the aim has thus been to unite the two parts and articulate them: the internal regulations (COLGAAP) and the international standards (IFRS), to comply with and fulfill the desire for market globalization and private corporate growth.

The DIAN, in turn, has its own Decree, 624 of 1989, through which the taxes administered by this agency are issued; it is accompanied by an unlimited number of modifications, cancellations, amendments and substitutions. Law 1314 of 2009 defines the Tax Statute as articulated totally independently of Decrees 2649 and 2650 of 1993, which will be used by the DIAN as the only Decrees to back the tax burden for all those required to declare; in this scenario, the DIAN has won important ground in the area of information and has placed many taxpayers in a tight spot with the so-called “offsetting of accounts.” It states that it will take it four years from the application of the IFRS-IAS to analyze the impacts on taxes and thus determine legislatively how to proceed, as set out in Article 165 of Law 1607 of 2012.

On December 12, 2014, Decree 2548 (Ministerio de Hacienda y Crédito Público, 2014) was issued, which regulates the IFRS and suggests keeping a tax ledger or reconciliation of the differences between tax figures and those generated by the IFRS, in order to use all records, according to the regulations, as a means of support for the tax declarations. This procedure will be carried out until 2019, given that the DIAN will take this time to establish the repercussions and propose new tax regulations, together with the CTCP and the Ministries of Public Finance and Public Credit and Commerce, Industry and Tourism, which are responsible for issuing the legislative measures. This Decree also establishes the dates on which the COLGAAP must remain in effect for each of the groups in which Colombian companies were divided. This applies to Concept 16442 of June 2015, the tax bases of which must remain unchanged and established only for tax effects; in terms of the differences that are generated in accounting and tax matters, this concept considers that the taxpayer cannot lose control and that taxation must be able to be linked to its origins, and therefore a system of mandatory records and a tax ledger was decided upon.

5. Differences between taxation and the IFRS-IAS

An important part of accounting is dedicated to complying with tax obligations, starting with exogenous information, including all the taxes and ultimately ending with the tax return; this demonstrates the total tax influence on accounting. The IFRS are based on financial principles that do not totally agree with our tax model. This situation creates differences that range from the items that make up the cost of goods up until the moment the economic events are recognized.

Table 1 shows some of the differences between accounting and tax issues.

Table 1
Differences between accounting and tax issues

ASPECT	IRRS-IAS	TAX REGULATIONS
First-time implementation (Section 35 and IFRS 1)	According to the measurement and recognition criteria, there are resulting tax effects that merit being evaluated by the migration of the entries that make up the financial statements, as in the case of assets whose cost must be reassessed, the outflow of resources in the case of estimated and contingent liabilities or a future event that may be uncertain and that ends up being recognized as a real asset. The first-time adoption will derive in a profit or loss; if it is a gain, it will not become more than a theoretical gain that cannot be distributed, and if it is a loss, it will create an unavailability of cash flow, which will suddenly not exist. The implementation requires the creation of accounting policies and, therefore, the exploration of a world that is completely different from the traditional one; it is thus possible for the standard to be misinterpreted, leading to errors.	They can potentially impact the taxpayers' liquid assets in a significant manner during the first year of adoption, a situation that would undoubtedly affect the determination of income by the presumptive income or new equity taxes system (Andrade, 2012, page 1). The return will be presented based on tax regulations in which the IFRS will not be taken into account, which will create a large line item to be reconciled between the value of the tax provision and the real tax. This means that the act of transferring entries from assets or liabilities to the retained earnings account generates differences that can increase or decrease the presumptive income.
Changes in accounting policies, selection of accounting policies, accounting estimates and errors from previous periods (IAS 8 and Section 10)	In the case of the reassessed cost of assets, the international standard uses the asset reassessment criterion, but taxation would not take this reassessment into account, which would be called a revaluation of assets. That said, taxpayers can declare the valuation, but for the purposes of occasional gains, it would not be accepted as a fiscal cost and for the purposes of presumptive income and equity tax, it would not be prudent to do so.	Certain policies may not be included, such as, for example, choosing a valuation of current and non-current assets that is different from those mentioned in the Tax Statute. The fiscally revaluated value criterion is considered as an expectation; for this reason, it is not declared.
Valuation of financial instruments (IFRS 9, IAS 39 and Sections 11 and 12)	The valuation is carried out taking into account the amortized cost or even the fair value. The fair value measurement (IFRS 13) is the most commonly used basis for measurement or recognition in the international standards, which modifies the values or accounting bases, creating a deferred tax.	Its recognition is given according to net value or agreed cost or value. It differs from the concept related to the income, which refers to a cost, but a historical one.
Recording of portfolio provisions at the time of implementation	The policies for the portfolio provision change in relation to local regulations. A portfolio record contrasted with retained earnings will be generated.	Only general and individual provision methods are accepted, creating another difference that will have an impact on the entity's deferred tax.
Valuation of inventories (IAS 2 and Section 13)	The interest and the implied interest and the difference, on the other hand, will be recorded as expenditures. The discounts on purchases are subtracted from the inventory value. The inventory is recognized upon the arrival of the physical goods, which means that it will be recorded once the goods are in the warehouse.	Interests and exchange differences form part of the cost. These concepts are recorded as income. The inventory is recognized with the invoice.
Combination of businesses	It is necessary to bear in mind that the acquiring company must recognize the assets, liabilities and contingent liabilities of the acquired company at their fair value, which would be the same as the market value.	It is recorded according to book value or historical fiscal cost.
Joint businesses (IFRS 11 and Section 15)	These are recorded according to the proportional consolidation method; i.e., the recognition on the financial statements of each party to the contract corresponds to the portion of assets, liabilities, income, costs and expenses associated with the joint business contract or, alternatively, the share method.	It is not indicated how to do this; in other words, there is no tax rule that regulates this.

Table 1 (continued)
Differences between accounting and tax issues

ASPECT	IRRS-IAS	TAX REGULATIONS
Assets held for sale (IFRS 5)	These assets must be classified and presented on the financial statements separately from the other assets; in addition, they neither depreciate nor are amortized.	These assets must be depreciated according to Article 134 of the Tax Statute. In this case, the tax regulations are very generous, permitting them to be calculated by any technical system of recognized value authorized by the assistant director of taxation of the tax administration or his delegate.
Measurement of property, plant and equipment (IAS 16 and Section 17)	This must be carried out while taking into account the cost model, which consists of its initial cost, minus the accumulated depreciation and the amount corresponding to impairment. In the Full IFRS, an alternative treatment is provided called the revaluation model, which consists of the fair value minus the accumulated depreciation, less the amount of accumulated impairment.	There is a procedure similar to the cost model that is disaggregated according to the acquisition cost or initial recognition, plus adjustments for inflation prior to the date on which they took effect, minus the accumulated depreciation, plus the fiscal readjustments. The valuations are not declared.
Useful life	The useful life corresponds to the period in which the depreciable asset is expected to be used by the company.	It is the period during which the use of the assets is recognized, which is established by Article 70 of Decree 187 of 1975; according to the foregoing, a distinction must be made between the useful life for accounting and tax purposes, with the former being determined technically, and the latter as indicated by the regulation or authorized by the director of the DIAN.
Depreciation	This will have to be replaced by a method other than that established by the fiscal authority, which is generally the straight line method. It must be changed to a method that actually incorporates the wear and the contribution made by the asset to the generation of income.	The already established methods will not change.
Dismantling of properties, plants and equipment	The estimated value for dismantling forms part of the cost of the property, plant and equipment and must be recognized from the time of initial recognition, offset by an estimated liability, thus affecting the value of the depreciation in future periods.	This dismantling is not an accepted liability, because it is estimated.
Leases (IAS 17 and Section 20)	For the case of financial leases, the recording of the property as an asset must be done by the lessee, who must depreciate the asset, while the lessor records it in accounts receivable. This means that the essential risks and benefits are transferred from the leased asset.	The cost will be integrated in the value of the lease payment and will never be the property of the party making the payment until that right legally exists.
Revenues (IAS 18 and Section 23)	The revenue occurs when the good becomes physically available and the collection right is created. The concept of revenue does not include the exchange or trade for goods or services of a similar nature; this type of exchange is not considered as ordinary revenue. Revenue with financing or implied interest refers to the sale with a period greater than that provided according to the normal conditions of negotiation for collection. This value must be recorded at fair value, which implies separating the implied interest, recording the revenue on one hand and the monthly interest value on the other. The income would be the cash value and the financial revenue or financial cost would be the value or difference between the final perceived value and the initial value of the sale. The credit value is understood to be different from the cash sales value.	Currently, the value to be recognized is the historic value, i.e., the value agreed by the parties, and it is recognized once there is a sales invoice and the date of the invoice is when the revenue is recorded. The problem that can arise in relation to the IFRS is the cut-off at the end of the month.

Table 1 (continued)
Differences between accounting and tax issues

ASPECT	IRRS-IAS	TAX REGULATIONS
Interest on loans to employees	They must be recognized even if nothing has been agreed in this regard.	This interest does not meet the requirements to be considered as revenue, so there is no recognition.
Differed tax	This exists when future effects are presented on earnings taxes, derived from the different treatment that is presented between the commercial accounting and the tax bases: they are treated through the balance approach or liability method, through which the temporary differences are recognized that arise in the valuation of an entity's assets and liabilities, in addition to those occurring to the income, costs and expenses; in other words, all transactions with future effects are taken into account.	It only recognizes temporary differences that arise from the recognitions and measurements that are different between the taxation and the commercial accounting of the revenues, costs and expenses, i.e., the profit and loss accounts.
Deferred tax accounting	The liability method (AIS 12) bases its logic on the statement of financial position: the financial statements must reflect the current and deferred tax implications of all events that have been recognized on the financial statements or tax returns.	According to Article 67 of Decree 2649 of 1993, the effect of temporary differences that imply the payment of a larger tax in the current year must be recorded as deferred tax debits, calculated at current rates, whenever there is a reasonable expectation that sufficient taxable income will be generated in the periods in which said differences will be reversed. The deferred tax must be amortized in the periods in which the temporary differences that originated it are reversed; when it is a minor tax to be paid in the current year, it must be recorded as a deferred tax owed, calculated at current rates whenever there is a reasonable expectation that said differences will be reversed. Decree 2650 of 1993, PUC for Retailers, within the description and dynamics of account 1710, Deferred Charges, indicates that the deferred income tax must be recorded in this account as a debit, caused by the temporary differences between the commercial profit and the fiscal liquid income by virtue of the non-deductible nature of some of the accounting expenses.

Source: author's own work.

6. Conclusions

The set of rules or tax regulations have the purpose of collecting taxes, a goal that is totally different for the businessman, who wants to know his real financial position, earnings, liquidity, cash flow based on the recognition of figures adapted to a set of rules imposed by the federal government through its competent entities in charge of transmitting to the merchant the pertinent regulations to prevent informational chaos. Here is where the differences are created, that can be either permanent or temporary. In Colombian taxation, the concept of "temporary differences" exists, but what exactly is meant by "temporary differences" has yet to be defined. Therefore, on many occasions, companies do not calculate this or record this value. Those companies that do record it do so in order accounts that do not affect the company's financial position. However, with the IFRS, the financial statements should be affected, generating great changes in the profits to be shown by the companies.

An important part of accounting is dedicated to meeting tax obligations

During the first four years the IFRS are applied, taxpayers must prepare tax returns with the accounting figures from Decrees 2649 and 2650 of 1993, in spite of the fact that the Tax Statute has its own regulations for tax collection; nonetheless, the data provided by the aforementioned decrees are used as a point of departure. The accounting figures according to the IFRS and those figures originated for tax effects must then be reconciled, and so a tax ledger or other system to record the differences must be kept, according to the provisions of Decree 2548 of December 2014. If the DIAN needs to audit anything between the years 2015 and 2019, it will do so with the accounting figures according to the accounting framework in force until December 2014 for Group 1 and December 2015 for Group 2, which is to say according to Decrees 2649 and 2650. The DIAN will not accept the presentation of accounting figures for tax purposes that are obtained according to the IFRS. These new frameworks will be used solely to generate accounting figures that will be used for all other purposes; for this reason, Decree 2548 established two options for the way in which taxpayers can comply with the IFRS and at the same time with the accounting figures for tax purposes: one of them is the “tax ledger,” which will be a special book within the accounting records to record all base operations for tax purposes, which is not mandatory; the other option is to keep a record of the differences.

The IFRS are a means of communication between the country and businesses as a whole. There are some companies that have worked with these standards for some time now, since they form part of a multinational company to which they must send reports with international characteristics. These standards better reflect reality than Decree 2649 of 1993; this is simply an appeal to the federal government to analyze the rules it uses to collect taxes. Article 632 of the Tax Statute establishes a period of five years to keep for tax purposes any accounting ledgers and other documents that support tax returns. That said, if the international standards are closer to reality, the tax collection must also be based on real information. While the tax part is being standardized, we will have to keep a tax ledger or a record that identifies the differences that are presented from period to period with the accounting part according to the IFRS, as there must be something to support the tax in the case of an inspection by the DIAN.

Colombia will need to copy models from counties that have the same tax situation, although it is doubtful that this can occur, since Colombia has a tax that is too varied, generating great tax stability, which can be perceived in the constant changes that are carried out, the emergence of new taxes and the tax changes that are woven by practically every government, because the reality is that every time there is a new government, there are new taxes or the extension of them. Their regulations are late in coming, they are increasingly high and the responsibility falls on a greater share of the population. Their interpretation also becomes complex; in short, these result in difficult situations for investment and decision-making in Colombia.

With everything set out so far, this work leads us to conclude that a very large burden is on the way for public accountants and managers, since the IFRS have permanent changes, as do the tax regulations. There is therefore the risk of reaching a critical moment in which the information will be bounced around in such a way that it will be impossible to know with any certainty which figures to use to plan the tax strategy.

In order to manage to comply with the Government’s requirements according to both the IFRS and the tax regulations, companies will have to increase their administrative costs, since they might need more than one accountant per company, unless this work is assigned to a single person, as the fact of the matter is that both information systems must be handled separately, since Law 1314 of 2009, in Article 2, makes the public accountant responsible to the federal government, while on the other hand is the public trust that the professional accountant owes in terms of tax matters on the tax returns.

The changes that will come about as the result of the implementation of the IFRS will affect everyone

The process of implementing the IFRS implies the setting of software parameters, which will require businesses to operate simultaneously with both systems of regulations. The accounting work and administrative costs will both increase, given that staff must be trained and made aware of the change. However, this process also represents an opportunity for companies to get their accounts in order, to eliminate any errors that have been made when getting figures to balance and to obtain clarity on what they own, as accountants are forced to become financial managers instead of simply bookkeepers.

The changes that are going to be generated as the result of the implementation process for the IFRS do not apply only to retailers and businesses, but also to the DIAN, which must revamp the Tax Statute, making it more comprehensible and transparent, as the law must not lend itself to interpretation, rather it must be as clear as possible. These are the challenges that must be faced, welcoming the change and the differences that are generated between the IFRS and the tax regulations. Over time, the burdens will ease and Decrees 2649 and 2650 of 1993 will go down in history as just another era in accounting.

Finally, as of the date of publication of this article, the country has a tax reform on the table, which has been called "structural." The proposal is to eliminate the four years in which Decrees 2649 and 2650 of 1993 will be in effect and transition over to the IFRS more quickly than expected. Once of the initiatives is also to begin to use the language of the IFRS in order to close the gaps in relation to the terms used and generate an environment for the study of what might be substantial modifications and eliminate any gaps or confusion that end up resulting in tax evasion. In other words, Colombia is faced once again with a tax reform and it will surely not be the last, as no data are available about the changes on the financial structure of SMEs, which represent a large group and thus a critical mass to review and oversee in terms of taxation.

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