



# Tax Policy, Tax reporting & Taxes paid

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At the end of December 2023 Grupo Aval Acciones y Valores S.A. and its subsidiaries are present mainly in 4 countries for tax purposes: Colombia, Panama, Peru and Barbados, where it acts as a taxpayer of income tax and its complementary taxes and also as responsible for the other taxes in accordance with the applicable legislation for each jurisdiction, through its subsidiaries.

The Group's main objective in tax matters is to ensure formal and material compliance with all obligations for each of the companies that make up the consolidated group, complying with laws, decrees and in general any regulatory standards, continuously evaluating the positions taken in tax returns to avoid risky positions that may give rise to fines and/or penalties.

Grupo Aval's tax strategy includes the following actions:

- Identify and apply the regulations in force in each of the jurisdictions in which operations are carried out, so as to ensure compliance with all obligations.
- Apply the constitutional foundations, principles, tax regulations, jurisprudence, doctrine and other auxiliary sources of law for the determination of taxes; use the different permitted methods of interpretation of the regulations, including those that imply the interpretation of the spirit of the law.
- File and pay the taxes for which each company is liable in a timely manner.
- Based on the principle of legality, identify the tax benefits from each company, which allow the optimization of taxes according to their business. This is given through the use of exempt income, tax discounts, special exemptions for the development of taxable activities.
- Comply with the principle of full competition for transfer pricing purposes, ensuring that operations are carried out at market prices both with related and independent parties.

- Consider, at the time of advancing any operation or making any decision on tax matters, whether it corresponds to a good practice in transfer pricing and ensure the legality of the operation for involving, among other factors, jurisdictions that the Colombian authorities consider tax havens, countries that are on restrictive lists, and the use of front entities and without commercial substance for exclusively evasive purposes.
- Verify that in its reporting duties it provides complete and truthful information including, when required, tax information, information on the jurisdiction of incorporation, information on the payment of tax obligations and any other information on which there is a legal duty to report.
- Collaborate with the tax authorities in the event of any legal requirement, providing the required information within the established terms, complying with the administrative procedures applicable to each case.
- Integrate external tax experts to the tax teams of the main companies, to assist in specific tax issues that involve complexity in the study and analysis, so that the decision to be taken internally is studied and supported.
- Periodically evaluate the positions taken in the tax returns with respect to situations in which the applicable tax regulation is subject to interpretation and avoid taking positions that may result in the recognition of provisions for uncertain tax positions and/or fines and penalties in the future.
- Design and implement accounting policies and internal controls from each entity and at the consolidated level to ensure that tax-related information is correctly recorded in the accounting and disclosed in the different reports.
- Support national governments and tax administrations, through trade associations, with the study of relevant tax issues of the sector.

The governance of each company of Grupo Aval is autonomous with respect to the management of its taxes, including the activities that impact the preparation and calculation of each of the taxes for which they are responsible. These processes are directed by the tax managers, tax directors or tax heads of each entity. Likewise, each entity has its own processes in place for reviewing taxes, approving payments and authorizing the reporting of information so as to ensure that each company has an appropriate body in charge of the process.

Also, there are consolidating entities in the consolidation structure that exercise control over their subsidiaries. These companies must periodically report all information related to taxes and in this process, each parent company, headed by its manager, director or head, as the case may be, carries out processes that ensure the verification of tax contents from the accounting standpoint.

When situations arise that require definition regarding the understanding of any standard or a specific tax treatment, a tax committee is triggered at the corporate level with the participation of the IFRS Tax Director and the tax managers, directors or heads of Grupo Aval Holding, Banco de Bogotá, Banco de Occidente, Banco Popular, Banco Av Villas, Corficolombiana and Porvenir, where they present, study, analyze and seek a way to take a homogeneous corporate position for the management of the subject matter under discussion. If the committee is unable to reach a consensus, support is sought from external advisors to ensure the handling of the particular issue.

The effective tax rate in 2023 reached 37.6% at the consolidated level. The following are the taxes accrued during the year 2023 by region. These taxes include income tax, industry and commerce tax, VAT assumed, financial transactions tax assumed, property tax, vehicle tax, stamp tax, among others.

Taxes accrued during the year 2023 (1)		
Figures in billions	\$	%
Colombia	2,223	98.0%
Others (3)	45	2.0%
<b>Total</b>	<b>2,268</b>	<b>100.0%</b>

(1) The deferred tax expense is not included because, although it impacts the profits for the period, does not result in the payment of taxes during the reporting period.  
(2) Includes taxes recorded by the responsible companies in Panama, Peru and an immaterial portion in Barbados.

# Tax reporting (1 | 3)

COP millions

2023						
Description	Banking services	Merchant banking	Pension and severance fund management	Holding	Eliminations	Total
Income	33,137,111	14,162,026	1,476,988	1,330,385	-2,448,272	47,658,238
Net income before tax (1)	642,232	2,798,435	733,152	795,766	-1,482,035	3,487,550
Income tax expense (2)	-188,102	1,268,268	172,943	56,966	359	1,310,434
<b>Effective tax rate (3)</b>	<b>-29.3%</b>	<b>45.3%</b>	<b>23.6%</b>	<b>7.2%</b>	<b>0.0%</b>	<b>37.6%</b>
Income tax paid (4)	1,671,759	116,041	131,845	54,714	0	1,974,359
Operating taxes (5)	1,039,955	157,525	26,896	19,360	0	1,243,737
VAT	336,833	33,719	3,117	0	0	373,670
Industry and commerce tax	422,528	61,039	18,181	15,419	0	517,168
Financial transactions tax	246,397	54,037	4,430	3,940	0	308,803
Other taxes and contributions (6)	34,197	8,730	1,168	0	0	44,096
<b>Income tax expense + Operating taxes</b>	<b>851,853</b>	<b>1,425,793</b>	<b>199,839</b>	<b>76,326</b>	<b>359</b>	<b>2,554,171</b>
Number of employees (7)	45,399	26,044	2,469	124		74,036

## Notes:

(1) Includes nontaxable income and nondeductible expenses.

(2) Income tax expense includes all income tax in the period (composed of current income tax, deferred income tax, tax uncertainties and adjustments from prior periods).

(3) Calculated as income tax expense divided by net income before tax expense.

(4) This value matches the cash flow of income taxes and is derived from information reported by our subsidiaries. In some cases, the payments made during the year exceed the value of the income tax payable, for this reason some of our entities have positive balances in term of taxes.

(5) Accrued operating taxes (different from income tax).

(6) Includes all other accrued operating taxes not listed above.

(7) Includes direct employees, temporary employees and outsourcing.

# Tax reporting (2 | 3)

COP millions

2022								
Description	Banking services	Merchant banking	Pension and severance fund management	Holding	Eliminations	Continued operations	Discontinued operations	Total
Income	24,026,254	13,466,165	972,508	3,098,474	-4,288,631	37,274,770	0	37,274,770
Net income before tax (1)	2,860,290	4,055,131	248,187	2,503,108	-3,392,345	6,274,371	768,994	7,043,365
Income tax expense (2)	403,553	1,753,733	92,993	18,802	2,322	2,271,404	224,104	2,495,508
<b>Effective tax rate (3)</b>	<b>14.1%</b>	<b>43.2%</b>	<b>37.5%</b>	<b>0.8%</b>	<b>-0.1%</b>	<b>36.2%</b>	<b>29.1%</b>	<b>35.4%</b>
Income tax paid (4)	849,868	421,072	225,239	40,860	0	1,537,039	-	1,537,039
Operating taxes (5)	769,098	131,941	28,958	54,814	0	984,811	98,978	1,083,789
VAT	319,262	26,939	2,308	31,359	0	379,869	-	379,869
Industry and commerce tax	238,871	50,605	13,099	13,481	0	316,056	-	316,056
Financial transactions tax	162,325	36,184	6,323	9,973	0	214,805	-	214,805
Other taxes and contributions (6)	48,640	18,212	7,229	0	0	74,081	98,978	173,059
<b>Income tax expense + Operating taxes</b>	<b>1,172,651</b>	<b>1,885,674</b>	<b>121,952</b>	<b>73,616</b>	<b>2,322</b>	<b>3,256,215</b>	<b>323,082</b>	<b>3,579,297</b>
Number of employees (7)	48,734	25,257	2,929	123		77,043	-	77,043

## Notes:

(1) Includes nontaxable income and nondeductible expenses.

(2) Income tax expense includes all income tax in the period (composed of current income tax, deferred income tax, tax uncertainties and adjustments from prior periods).

(3) Calculated as income tax expense divided by net income before tax expense.

(4) This value matches the cash flow of income taxes and is derived from information reported by our subsidiaries. In some cases, the payments made during the year exceed the value of the income tax payable, for this reason some of our entities have positive balances in term of taxes.

(5) Accrued operating taxes (different from income tax).

(6) Includes all other accrued operating taxes not listed above. Discontinued operations correspond to the regional taxes accrued by BAC Holding International Corp. and its respective subsidiaries, during the time prior to is partial spin off.

(7) Includes direct employees, temporary employees and outsourcing.



# Tax reporting (3 | 3)

COP millions

Below is the detail of Grupo Aval's income taxes by jurisdiction.

2023

Description	Colombia	Panamá	Perú	Barbados	Bahamas	Cayman Islands	Total
Net income before tax	3,041,439	231,519	80,724	20,729	-633	113,773	3,487,550
Income tax expense	1,258,309	10,280	27,621	759	0	13,465	1,310,434
Effective tax rate	41.4%	4.4%	34.2%	3.7%	0.0%	11.8%	37.6%

## Jurisdictions share: Profits and taxes

Net income before tax	87.2%	6.6%	2.3%	0.6%	0.0%	3.3%	100.0%
Income tax expense	96.0%	0.8%	2.1%	0.1%	0.0%	1.0%	100.0%

2022

Description	Colombia	Panamá	Perú	Barbados	Bahamas	Cayman Islands	Total
Net income before tax	5,786,961	307,597	179,992	17,234	2,187	-19,601	6,274,371
Income tax expense	2,207,748	6,772	55,053	702	0	1,130	2,271,404
Effective tax rate	38.2%	2.2%	30.6%	4.1%	0.0%	-5.8%	36.2%

## Jurisdictions share: Profits and taxes

Net income before tax	92.2%	4.9%	2.9%	0.3%	0.0%	-0.3%	100.0%
Income tax expense	97.2%	0.3%	2.4%	0.0%	0.0%	0.0%	100.0%

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