



Business in Guatemala

The Republic of Guatemala is located in Central America's northwestern end and is the most populated country in Central America with more than 17 million inhabitants. Guatemala City, the country's capital is also the largest city in Central America and the most populated. The country borders Mexico in the west and north; Belize, the Gulf of Honduras (Caribbean Sea) and the Republic of Honduras in the east; El Salvador in the southeast; and the Pacific Ocean in the south. It has a relatively stable economic policy that currently positions it as the ninth economy in Latin America.



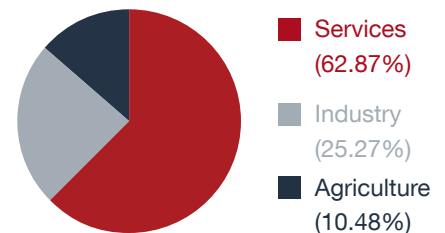
Population

17.3 million

 = 5 million



GDP Breakdown by Sector



Currency

Guatemalan Quetzal (Q)

Foreign Direct Investment

915.2 million

GDP Growth (est. 2020)

3.8%

Business Climate

Intellectual Property

Guatemala has been a part of the World Intellectual Property Organization (WIPO) since 1983. It has a Registry Agency as part of the Ministry of Economic, which oversees the Intellectual Property Surveillance. Trademarks, copyrights, patents rights, industrial designs and other forms of intellectual property must be registered in Guatemala to obtain protection in the country.

Banking System

The banking and financial framework is composed of a variety of institutions, and are closely regulated by the Superintendence of Banks, which supervises banks, financing companies and other similar institutions.

Foreign Investment Policy

Guatemalan Government recognizes the foreign investor's full right, use, enjoyment and dominion of property to his investment, and it is subject to the same obligations as Guatemalan investors.

The Government is not directly or indirectly entitled to expropriate the investment of a foreign investor nor adopt measures equivalent to the expropriation of that investment, except for cause of collective utility, social benefit or social interest duly proven.

Exchange Controls

The first principle applied for exchange transactions in Guatemala is the mandatory declaration and sale to the Central Bank (or local bank system) of all the foreign currency generated by activities of any type developed in the country. It can celebrate contracts in foreign currency.

International Trade

Law for the Strengthening of Transparency and Governance of the Superintendence of Tax Administration where, among other issues, the figure of bank secrecy in Guatemala is modified, was previously regulated by the Law of Banks and Financial Groups. The regulation established the confidentiality of the operations of depositors in banks, financial groups and companies of a financial group, except for the information required by the Monetary Board, Superintendence of Banks or information to be exchanged between banks or financial institutions.

Guatemala is part of the Dominican Republic - Central America Free Trade Agreement, which means it can trade freely between the U.S. and many other Central American countries.



Tax Regime

Guatemalan legislation is based on the territorial principle. All the taxes apply to the activities developed in the whole country.

Corporate Income Tax

The Income Tax Law (ITL) provides that income derived from activities rendered or services used in Guatemala are considered Guatemalan-source income and must be classified and taxed under one of the following categories: income from business activities, income from employment or income from capital

Income from business activities is derived from ordinary or occasional trade or business. Companies that generate income from business activities may choose to be taxed under one of the following tax regimes:

- Regime on Profits from Business Activities, which applies on a net income basis (authorized expenses are deductible). The tax rate is 25%.
- Optional Simplified Regime on Revenue from Business Activities, which applies on a gross receipts basis (no deductions are allowed). The tax rate varies from 5% - 7%.
- In addition, a 1% Solidarity Tax can apply.

Losses Carry Forward

Income Tax Law allows the loss carry forward (only for capital losses). The loss must offset against capital gains obtained within the following two tax periods.

Taxpayers subject to the simplified regime are exempt from the Solidarity Tax.

Income Tax Withholdings on Remittances to Non-Domiciled:

- 5% on dividends, transportation and insurance & reinsurance
- 3% on news services, videos and films
- 10% on payments or crediting to account for interests
- 15% on royalties, salaries, commissions, fees and payments for scientific, technical and financial advice
- 25% on payments or crediting to account of any other income from Guatemalan source

Transfer Pricing

Decree 10-2012 establishes the application of the transfer pricing regulations.

Financial Reporting

Taxpayer must attach to his or her annual income tax return, the financial statements for the appropriate tax period (balance sheet, income and losses statement, cash flow statements). For some cases there is no obligation for the financial statements to be audited.

Regime of Value Added Tax (VAT)

VAT is an indirect tax that burdens the added value generated by companies and whose purpose is consumption. The system of credits and tax debits for the final payment is used for this tax. Imports pay VAT, while exports cannot charge a tax to international consumers, so the VAT they pay through the

intermediate goods of production is returned to them.

The VAT standard rate is 12%. In Guatemala, this percentage is already included in the sales price.

Tax Incentives

Decree 19-2016: Emerging Law for the Conservation of Employment:

- Temporary Admissions Regime for the production, transformation, assembly, assembly and processing of goods related to the clothing and textile industry.
- Individual or legal person providing related services information technologies, call centers, software development, digital content.

Decree 65-89 Free Trade Zones Law:

- The objective is to encourage and regulate the establishment in the country of Free Trade Zones that promote national development through activities related to the strengthening of foreign trade, employment generation and technology transfer.
- Free Trade Zone shall mean the area of physical land delimited, planned and designed, subject to a Special Customs Regime, in which individual or legal persons are indistinctly engaged in the production or commercialization of goods for export or re-export, as well as the provision of services related to international trade, which may be public or private.

Establishing a Business

Foreign companies who want to establish themselves in the country or operate through their branches must comply with the regulations in the laws of the country. Most importantly, they must consider to have at least one representative with representation. Other regulations are that they must constitute a bond and submit to the jurisdiction of the courts of justice of the country.

A Guatemalan company can be established, with foreign entities as partners, and thus start a new operation in the country.

Employment Affairs

The Ministry of Labor and Social Welfare of the Republic of Guatemala (MINTRAB) is the state institution responsible for ensuring and promoting efficient and effective compliance with legislation, policies and programs related to work and social security for the benefit of society and the culture of respect for labor legislation. The minimum wage is GTQ 2,999.98 (USD \$ 389.61) for the Agricultural sector, for Non-Agricultural is GTQ 3,082.84 (USD \$ 400.37) and for the Export and Maquila sector is GTQ 2838.84 (USD \$ 368.68).

Vacations: The days set for vacations are 15 business days.

Maternity: Maternity days are 30 before the child's birth and 54 days after the birth.

Compensation: The labor law does not regulate it, but if the employer dismisses the employee without a fair cause, he must pay a termination benefit consisting of a salary for each year worked.

Bonus: The employer is obliged to pay a bonus to employees in December of each year, consisting of an ordinary monthly salary.

Bonus 14: The payment of an annual bonus (Bonus 14) equivalent to a monthly salary is mandatory and must be made in July of each year.

Social Security: It is in charge of the Guatemalan Social Security Institute (IGSS), which is an autonomous, governmental institution dedicated to providing health and social security services to the population that is working and is affiliated with it.

The labor laws of the country, allow the hiring of foreign employees, as long as it does not exceed 10% of the total hired staff. However, the exception is made that the managers and area managers are out of this calculation.



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