



# Doing Business Guatemala 2026





# Preface

**Welcome to the edition 2026 of the Doing Business Guide in Guatemala, an annual publication prepared by PwC Interamericas. The purpose of this publication is to provide the investors a high-level overview of Central America and the Dominican Republic.**

Certainly, like every country, there are challenges, many of which are being addressed as the governments seeks to simplify regulatory frameworks, market-friendly policies, and improve the overall ease of doing business.

This guide only provides an overview of existing opportunities. Credible advice is at the heart of decision-making, so this information should lead to a

more detailed and personalized analysis of the local markets, economic environment, political climate and legislative processes that suit your type of investment. If you need more information, the PwC Interamericas team will be delighted to assist you on an individual basis and walk with you on this journey to explore the opportunities for investments in this territory.

# Guatemala

The former site of the ancient Mayan civilization, whose ruins may be seen in the jungles of Petén and the neighboring Yucatán peninsula of Mexico; Guatemala was conquered by Spaniards in 1524, under whose rule the capital city was eventually established at Antigua Guatemala.



It achieved a certain magnificence, and the major towns acquired some aspects of the Spanish culture, but the outlying areas were only slightly affected. When Antigua was razed by an earthquake in 1773, the capital was moved by royal order to the site of modern Guatemala City.

Guatemala became independent from Spain in 1821, as a republic.

Following its independence, Guatemala was the political center of the Central American federation, comprising Costa Rica, El Salvador, Honduras, and Nicaragua which were united with Mexico for the following two years.

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# Overview of the country



## Climate

Guatemala is located in the Tropics zone, but temperate seas and an irregular terrain provide a diversity of climates. At sea level, annual temperatures range between 25° and 30°C. In temperate zones, located at an altitude of 610 and 1,830 meters temperatures are 17°C in the higher altitudes. At altitudes over 1,830 meters, temperatures may be as low as 13°C.

There are two climate seasons throughout the year. The rainy season lasts from about the middle of May through October; the rest of the year is the dry season. On the Atlantic (Caribbean) coast, however, where the winds blow during the whole year from warm Caribbean waters, there is hardly any dry season.

### Population, form of government, language, currency, others:

<b>Area</b>	108,890 km <sup>2</sup>
<b>Population (*)</b>	17.6 million inhabitants
<b>Population per km2</b>	131.15 hab. /km <sup>2</sup>
<b>Population growth</b>	2.11 % (est. 2010)
<b>Urban population</b>	21 %
<b>Political system</b>	Republican democracy
<b>Form of government</b>	Presidential
<b>Language</b>	Spanish
<b>Currency</b>	Quetzal (Q)
<b>Administrative division</b>	22 departments and 340 municipalities
<b>Religion</b>	Roman Catholic
<b>Capital city</b>	Guatemala City

## Education

The Guatemalan educational system consists of the following levels:

- Initial level (for children up to 6 years of age).

- Basic level – Elementary (starts after initial level is finished and lasts 9 years).
- Middle level – High School (starts after basic level is finished and lasts 2-3 years).
- Superior level (starts after the middle level is finished and last 4-5 years).

For initial and basic levels, there are free government Official Schools, apart from private paid schools. The initial and the basic levels are mandatory.

Superior Level (College) is not mandatory but people can apply for admission into the National University of Guatemala “San Carlos of Guatemala University” or in any of the private universities available:

- Francisco Marroquín
- Rafael Landivar
- Del Istmo
- Panamericana
- San Pablo de Guatemala
- Da Vinci de Guatemala
- Galileo
- Mariano Gálvez
- Mesoamericana
- Del Valle de Guatemala
- Rural de Guatemala
- InterNaciones
- De Occidente
- Regional de Guatemala

**Notice:** Other universities are currently in the process of incorporation.

# Political and legal system



## Legal framework

Guatemala's political and legal structure is comprised of three main branches: Legislative, Executive and Judicial exercised and composed as follows:

### Estructura legal y política

	Executive	Legislative	Judicial
<b>Exercised by:</b>	The President of the Republic.	The Congress of the Republic.	<ul style="list-style-type: none"> <li>• Supreme Court of Justice. (*)</li> <li>• Courts of appeal.</li> <li>• Ordinary courts.</li> <li>• Small claims courts.</li> </ul> (*) The highest judicial body.
<b>Composed of:</b>	The President of the Republic. Vice-president of the Republic. 14 Ministers.	158 Deputies (1 deputy elected for every 80,000 inhabitants).	The Supreme court of justice is composed of 13 judges. The number of courts of appeals, ordinary courts and small claim courts and the number of judges that will compose them, will be determined by law.
<b>Elected or appointed by:</b>	The President and Vice-President are elected by direct vote every 4 years.	The deputies are elected by direct vote every 4 years.	Judges of the Supreme Court are elected by the Congress of the Republic for a period of five years. Judges are elected from among the lawyers who are eligible candidates established by law. Ordinary Judges are elected by the Supreme Court of Justice.

## Main political parties

- Encuentro por Guatemala (EG).
- Partido de Avanzada Nacional (PAN).
- Unidad Nacional de la Esperanza (UNE).
- Unión del Cambio Nacionalista (UCN).
- Partido Unionista (PU).
- Frente de Convergencia Nacional
- Vamos
- Valor
- Semilla
- Visión con Valores

The next Presidential and Congressional elections will be held in 2027.

# The Economy



Guatemala is the most populous of the Central American countries with a Gross Domestic Product (GDP) per capita of roughly one-half that of Brazil, Argentina and Chile. The agricultural sector accounts for about one-fourth of GDP, two-fifths of exports, and half of the labor force. Coffee, sugar, and bananas are the main products.

The 1996 signing of peace accords, which ended 36 years of civil war, removed a major obstacle to foreign investments and Guatemala since then has pursued important reforms and macroeconomic stabilization. The Central American Free Trade Agreement (CAFTA) entered into force in July 2006 and has since spurred increased investment in the export sector. The distribution of income remains highly unequal with more than half of the population below the national poverty line. Other ongoing challenges include increasing government expenses, negotiating further assistance from international donors and narrowing the trade deficit. Given Guatemala's large expatriate community in the United States, it is the top remittance recipient in Central America, with inflows serving as a primary source of foreign income equivalent to nearly two-thirds of exports. Economic growth slowed down in 2009 as export demand from US and other Central American markets drop and foreign investments slowed amid the global slowdown.

Guatemala has the largest economic market in Central America, with a US\$77 billion GDP, representing 30.6% of the region's total GDP. The latest studies on investment banking highlights Guatemala's great economic stability throughout its history.

According to the estimates of Bank of Guatemala for 2018, the growth of the national economic activity, measured by the Gross Domestic Product (GDP) in real terms, is estimated to close between 3.0% and 3.8%, slightly higher than that observed in the previous year (2.8%).

Regarding the measurement of GDP by the origin of production, highlights the behavior registered by the activities of wholesale and retail trade stands out; financial intermediation, insurance and auxiliary activities; agriculture, livestock, hunting, forestry and fishing; and manufacture.





**Annual Gross Domestic Product | Volumes valued in millions of Quetzales, Period: 2014- 2022**

	2014	2015	2016	2017	2018	2019	2020	2021	2022 <sup>p/</sup>
<b>GDP</b>	447326.3	476022.8	502001.7	526507.4	551368	593972	600122	668860	740968
<b>Annual Variation %</b>	7.4	6.4	5.5	4.9	4.7	7.7	1.0	11.5	10.8

Source: Banco de Guatemala

p/ Preliminary figures

**Inflation**

According to the Consumer Price Index (CPI) compiled by the National Institute of Statistics and the Bank of Guatemala, the levels of inflation sustained by Guatemala are as follows:

**Inflationary rhythm, Years 2018 - 2023 | Percentages**

Period	2018	2019	2020	2021	2022	2023	2024
<b>January</b>	4.71	4.10	1.78	5.24	2.87	9.69	3.82
<b>Febuary</b>	4.15	4.46	1.24	6.00	2.98	9.92	3.30
<b>March</b>	4.14	4.17	1.77	5.84	4.17	8.71	3.24
<b>Aapril</b>	3.92	4.75	1.88	5.20	4.62	8.32	3.36
<b>May</b>	4.09	4.54	1.80	5.17	5.82	6.54	3.76
<b>June</b>	3.79	4.80	2.39	3.91	7.55	4.93	3.62
<b>July</b>	2.61	4.37	2.88	3.82	8.36	4.53	3.78
<b>August</b>	3.36	3.01	4.19	3.62	8.87	4.47	3.07
<b>Septiember</b>	4.55	1.80	4.97	3.67	9.03	4.69	2.11
<b>October</b>	4.34	2.17	5.34	2.96	9.70	4.98	1.16
<b>November</b>	3.15	2.92	5.46	2.89	9.17	4.30	1.66
<b>December</b>	2.31	3.41	4.82	3.07	9.24	4.18	

Source: Instituto Nacional de Estadística (INE).

### Exports

The total amount of General Trade exports stood at US\$12,200.4 million, US\$227.3 million (1.9%) higher than the amount recorded in October 2023 (US\$11,973.1 million). The most important products according to their share in the total export value were Clothing articles with US\$1,358.5 million (11.1%); Coffee with US\$868.7 million (7.1%);

Bananas with US\$810.5 million (6.6%); Sugar with US\$619.9 million (5.1%); Edible fats and oils with US\$599.7 million (4.9%); and Plastic materials and their manufactures with US\$494.0 million (4.0%). These products represented 38.9% of the total exported. The main export destinations according to their share were: Central America with US\$4,443.0 million (36.4%); United States of America with US\$3,853.3

million (31.6%); Eurozone with US\$920.8 million (7.5%); Mexico with US\$616.3 million (5.1%); and Panama with US\$277.7 million (2.3%); countries and regions that together accounted for 82.9% of the total.

### Imports

The total amount of imports was US\$27,102.6 million, US\$1,915.6 million (7.6%) higher than that registered in October 2023 (US\$25,187.0 million). The increase in imports was mainly influenced by the positive variation observed in non-durable consumer goods with an increase of US\$516.5 million (10.8%) and raw materials for industry with US\$396.2 million (6.0%). Imports came, according to their share, mainly from the United States of America with US\$8,819.5 million (32.5%); People's Republic of China with US\$3,846.0 million (14.2%); Central America with US\$3,141.8 million (11.6%); Mexico with US\$2,886.0 million (10.6%); and the Eurozone with US\$1,664.3 million (6.1%); countries and regions that together accounted for 75.1% of the Source: Bank of Guatemala.



# Doing business in Guatemala



## Government views toward foreign investment

The official attitude of the government has been friendly towards foreign investments, particularly well-received are those participating with local capital. As for foreign interest activities, the law does not restricts operation of foreigners.

## Free trade agreement and other agreements

Guatemala has been a member of the World Trade Organization since July 21, 1995.

DR-CAFTA (FTA between the US, Central American Countries and Dominican Republic) was signed and implemented in March 1, 2007. As of 2011 Guatemala has specific Free Trade Agreements with: Chile, Colombia, Mexico, Panama, Dominican Republic and Taiwan.

The coverage of these agreements sheltered 82.0% of exports and 67.5% of imports. Except for trade with the United States, for the rest of the countries mentioned above, the amount of exports during the first half of 2010 was 1,639.9 million, higher at 16.9% than in the same period of 2009.

As of December 01, 2013, section 77 through 351 of the Free Trade Agreement with the European Union, on external Commerce, is in force in Guatemala; all other sections are still under negotiation.

**The Free Trade Agreement with Canada is still under negotiation.**

## Foreign investment

In accordance with the Constitution of the Republic of Guatemala, the State has the basic obligation to protect the formation of capital, savings and investment, and to establish satisfactory conditions for promoting the investment of both Guatemalan and foreign capital.

In 1998, Guatemala passed the Foreign Investment Law, reducing the barriers to foreign investment; but investment was still restricted to a minority ownership of domestic airlines and ground transport. Incentives are available for the forestry, mining, tourism, and petroleum sectors. There are also thirteen free trade zones.

Foreign investment must be developed and promoted so that it becomes a source for the transfer of technology, the creation of jobs, and the promotion of the country's economic growth and diversification, with a view to developing all of Guatemala's productive sectors and reinforcing national investment.

Guatemala stimulates and promotes foreign investment. Foreign investors and their investment are mainly regulated by the stipulations of Foreign Investment Law. When foreign investment occurs in a sector of the economy governed by a law of a special nature, the investor must also be guided by the precepts of the latter. Likewise, the foreign investor is subject to all the precepts of general application in the territory of the republic and can enjoy the same rights and the same means of application of the law that are given to domestic investors.

## Forms of foreign investment

In accordance to Article 1, numeral 2 of the Investment Law of the Decree 9-98 of the Congress of the Republic, a "foreign investment" is:

**"Any kind of investment that involves all sorts of capital transfer to the Republic of Guatemala made by a foreign investors. Also within this concept is the foreign reinvestment in Guatemalan territory of any income or capital generated in Guatemala through its investment".**

According to the Foreign Investment Law, foreign investors have the same rights as Guatemalan investors.

## Restrictions on foreign investment

As to foreign interest activities, the law does not restrict operation of foreigners.

## Establishing a business in Guatemala

### Commercial entities

Commercial companies in Guatemala are governed

## The differences between the various types of business organizations relate mainly to registration procedures and financial liability of the participants.

by the Commercial Code. Accordingly, the following forms of business organizations are the most frequent:

### **General partnership**

An entity that exists under a given social name and in which all partners are liable in a subsidiary, unlimited and severally form of social obligations.

### **Limited partnership**

Limited partnership is composed of one or more general partners who respond to subsidiary, unlimited and joint social obligations, and one or more limited partners who have limited responsibility to the amount of their contribution. Contributions cannot be represented by securities or shares.

### **Limited liability company**

A limited liability company is comprised of several partners (20 max.) who are only required to pay their contributions. For the social obligations, only the assets of the company responds and where appropriate, the sum over the contributions agreed upon by the charter. The capital is divided into contributions that cannot be joined with any titles or called shares.

### **Joint-stock partnership**

It is composed of two types of shareholders, the partners who respond subsidiary, jointly and severally and the limited partners who are responsible for their contribution. The Partners must be the shareholders

and the name of the entity shall be the full name of one of the partners or the surname of two or more partners plus the legend “and Joint-stock partnership” or “and Company S.C.A”.

### **Entrepreneurship company**

With the approval of Decree Number 20-2018 of the Congress of the Republic, as of January 28, 2019, Entrepreneurship Companies may be constituted, which is formed with one or more physical persons that are only required to pay their contributions represented in shares, forming a legal entity distinct from that of its shareholders. The total annual income of an entrepreneurial company may not exceed five million Quetzals (Q.5,000,000.00 = USD 670,000.00).

The denomination will be formed freely, but different from those of any other company and always followed by the words “Entrepreneurship Company” or its abbreviation “S.E.”. They will be constituted by means of an own procedure, exempting it from the obligation to be constituted by means of public deed, in the same way its modifications consisting in the increase or reduction of capital, extension and change of denomination.

### **Stock company or corporation**

A corporation is the entity with its capital divided and represented by shares. The liability of each shareholder is limited to the payment of the shares that each of them have signed.

As of February 2018, the companies may be constituted with a minimum paid capital of Q.

200.00 (USD 30.00) which will not require the opening of a bank account. If the initial paid-in capital is greater than Q. 2,000.00 (USD 275.00 approx.), this amount must be deposited in a bank account in the name of the entity.

The differences between the various types of business organizations relate mainly to registration procedures and financial liability of the participants. Generally, financial liability is limited to capital contributions except in the case of partners of general or limited liability partnerships.

As of June 2011, no bearer shares are permitted.

### **Formation procedure**

Business organizations must execute an Article of Incorporation (except the entrepreneurship company) which is registered in the Commercial Registry of Guatemala. In addition, notice of formation of the entity must be published electronically by the means that the Commercial Registry implements. Any change or extension of the original Article of Incorporation must also be effected by public instrument and be registered.

### **Closing procedure**

Liquidation or dissolution of a company in Guatemala is ruled by the Commerce Law, Congress Decree number 2-70 of the Congress of the Republic, which states in sections 237 to 255 the procedure to close the entity in the Commercial Registry and before the Tax Administration.

**Branch and/or permanent establishment**

The requirements for establishing a branch do not substantially differ from those for establishing a local company, but requires the parent company to guarantee branch operations with its world-wide assets and a USD50,000 guarantee bond is required as well.

**Joint venture**

This atypical commercial contract is held by a group of people either individuals or corporations, domestic or foreign, which made up of contributions of diverse species, which does not imply loss of identity and individuality as a legal entity for a business in common; be it from creation of goods to the provision of services. In Guatemala as in any country, this contract has been used to combine efforts for various projects, such as, real estate development and renewable energy projects, amongst others.

**Registration Procedure**

**Legal Form: “Sociedad Anónima (SA)” – Corporation; City: Guatemala City**

No:	Procedure	Time to complete	Cost in days
1	Check the proposed company name at the Commercial Registry	1	GTQ 30 charge per name
2	Obtain letter from a Guatemalan notary public to open bank account. If necessary	1	No charge
3	Deposit the subscribed capital in a bank and obtain a receipt. If necessary	1	No charge
4	A notary public draws the article of incorporation.	1	GTQ 6,800 (USD 930.00 approx.) average notarial fees + tax.
5	The notary purchases the fiscal stamps and issues a certified copy of the article of incorporation for filing with the commercial register.	1	GTQ1,000.00 (USD 340.00 approx.) stamp tax
6	File notarized unique registration form and documents with the Commercial Registry.	1	In addition to the above
7	Provisional registration and tax ID are issued	5	Additionally from the above
8	Publishing of notice	3	GTQ 600.00 (USD 90.00 approx.)
9	Final registration trading license	10	In addition to the above
10*	Present accounting books and books of minutes to the Commercial Registry for its authorization.	1	GTQ 0.80 (USD 0.15 approx.) per sheet.
11*	Obtain the authorization of a book of salaries by the Inspection of the Department of Labor.	1	GTQ 0.50 (US\$0.10 approx.) per sheet.

# Banking system



## Central bank

The banking system in Guatemala is conservative and heavily regulated. The system is controlled by the Central Bank of Guatemala (“Banco de Guatemala, BG”). The BG does not conduct commercial activities and only receives obligatory deposits (reserve deposits “encaje bancario”) from other system members.

The BG has the responsibility to:

- Supervise (through the Superintendence of Banks) the member banks and enforce banking laws.
- Set forth interest rates as guidance for the private banking system.
- Enforce the exchange controls and similar regulations, when necessary.

## Commercial banks

Guatemala has a very solid financial system, excellent international reserve levels and the lowest foreign debt in the region.

The Guatemalan financial system is integrated by 18 banks, 13 financial institutions, 14 bonded warehouses, 28 insurance companies, 3 foreign exchange entities, 4 off shore entities, 10 stock brokers, among other institutions supervised by the Office of the Banks Superintendent (OBS). These institutions offer the investor a variety of financial services with the highest standards of quality and security.

Both companies and the population, in general, have for many years, benefited from a highly competitive

sector with different participants in the market. In recent years, strong mergers and acquisitions have led to the creation of much larger banks, capable of satisfying the demands of larger clients.

Parallel to the consolidation of the sector, small and medium size banks have specialized in tending to specific market niches. Actually, Guatemala has financial entities that provide world-class services in specialized areas such as factoring, international commerce, specialized investments, and microcredits, among others.

**Monetary reserves international net YEARS: 2020 - 2024 (Millions of US dollars)**

Month	2019	2020	2021	2022	2023
January	14,895.40	18,253.30	20,813.40	20,139.40	21,227.3
February	15,203.20	18,374.40	20,835.90	20,047.10	20,714.7
March	15,337.70	18,699.80	20,763.50	20,343.70	21,106.3
April	16,549.40	18,812.20	20,843.70	20,173.60	21,222.7
May	16,708.10	18,929.70	20,986.70	20,044.00	21,671.3
June	16,991.80	18,748.80	19,875.60	21,160.50	21,412.4
July	17,398.10	19,167.10	20,808.20	20,969.80	22,139.3
August	17,623.00	19,810.40	21,106.30	20,661.80	23,993.2
September	17,611.20	19,827.20	20,427.50	20,292.00	24,233.1
October	18,314.80	20,663.20	20,138.00	21,067.4	24,216.4
November	18,249.40	20,701.80	20,398.80	21,038.5	24,150.5
December	18,468.20	20,939.60	20,019.80	21,319.4	4.18

Source: Banco de Guatemala

The non-observance of the provisions related to banking secrecy can be considered by the Tax Authority as Resistance to the audit action, which can lead from an administrative penalty or fine to a criminal action.

Most of the banks and financial institutions operate with several correspondents in the USA, Panamá, México, Switzerland, among other countries. In addition, some foreign banks operate directly in Guatemala such as Citibank, BAC, Banco Azteca, among others.

The law for the free Negotiation of Foreign Exchange allows the legal use of foreign currency, therefore in many cases the dollar is used as a basis for contracts and international transactions. Any individual can open accounts in Quetzales, Dollars or Euros.

#### **Banking secrecy**

In accordance with Decree 37-2016, of the Congress of the Republic” Law for the Strengthening Fiscal Transparency and Governance of the Tax Administration “, which entered into force on February 22, 2017, establishes that the Tax Authority may have access to the banking information of taxpayers by means of a resolution of the competent Judge; In addition to the foregoing, the obligation to record all bank accounts and investments in the accounting books is established, regardless of whether they are opened or carried out inside or outside of Guatemala.

The non-observance of the provisions related to banking secrecy can be considered by the Tax

Authority as Resistance to the audit action, which can lead from an administrative penalty or fine to a criminal action.

1. Administrative Penalty: Fine equivalent to one percent (1%) of the gross income obtained by the taxpayer during the last monthly, quarterly or annual period declared in the tax regime to be audited. When the resistance is of those that constitute immediately, the sanction will double.
2. Criminal action: Offense of resistance to the tax inspection action of the Tax Administration, which is regulated in the Criminal Code as follows:

Commits the offense of resistance to the tax inspection action of the Tax Administration who, after having been required by said Administration, with the intervention of a competent judge, prevents the actions and diligences necessary for the inspection and determination of its obligation, refuses to provide books , records or other accounting documents necessary to establish the tax base of taxes; or prevent access to the computer system in relation to the recording of its accounting operations.

#### **List of banks**

##### **Central bank**

- Banco de Guatemala

##### **Bancos de propiedad parcial del gobierno**

- De Desarrollo Rural (Banrural)
- Crédito Hipotecario Nacional
- De los Trabajadores

##### **Private owned banks**

- G&T Continental
- Agromercantil
- De Antigua
- Vivibanco
- De Crédito
- Industrial
- De América Central
- Internacional
- Inmobiliario
- INV

##### **Foreign banks**

- Citibank N.A. Sucursal Guatemala
- Promerica
- Azteca
- Ficohsa

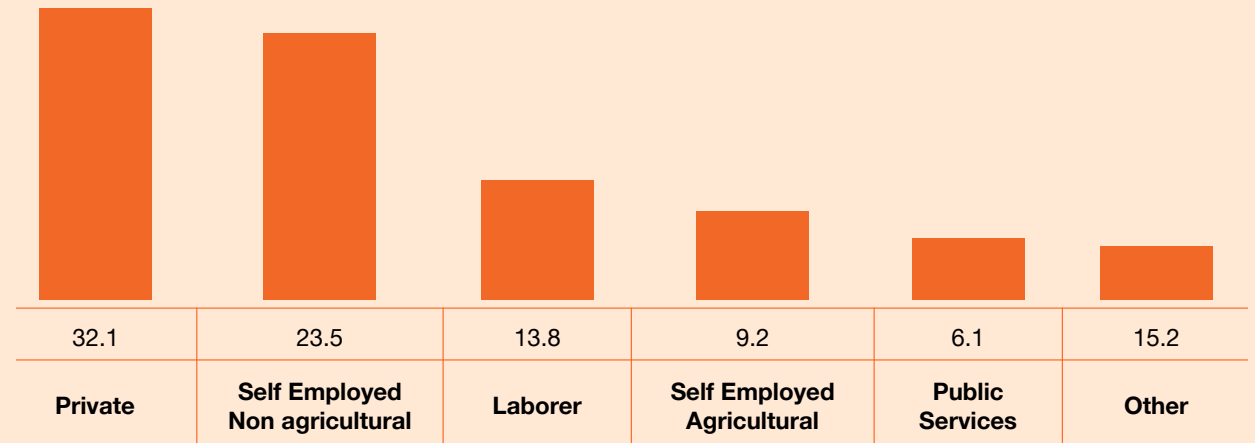
# Labor and social security



## Labor supply

Indicators of the labor market, according to the last National Survey of Workforce, are on the following:

### Employed population according to main economic activities



Fuente: Instituto Nacional de Estadística

## Labor law requirements

Employer-employee relations are governed by the Labor Code of Guatemala.

Collective Labor Conditions Treaty is specifically recognized by the Labor Code; however, unions are not organized on a national, regional or industry basis, but rather are generally limited to the employees of an individual company. Although the union movement has received greater attention in recent years, it is not strong and where unions have been established, membership is not obligatory. Collective labor agreements are normally negotiated in the presence of, or with the assistance of a representative of the Ministry of Labor and extend for two to three years.



The following is a summary of Guatemala's Labor Code requirements:

### **Wages and salaries**

The government is empowered to set the minimum wage. As of January 1, 2024, the minimum wage has been set for the department of Guatemala at USD 450.08 (Q.3,516.86) for the agricultural sector, USD 465.98 (Q.3,634.59) for the non-agricultural sector and USD 428.60 (3,343.01) for the export and maquila sector.

For the rest of the departments except for the department of Guatemala, USD 432.62 (Q.3,374.42) for agricultural work, for non-agricultural work USD 445.88 (Q.3,477.82) and for the export and maquila sector USD 406.66 (Q.3,171.90)

### **Profit sharing**

In Guatemala there is no regulation that states an obligation for paying shares or participations to employees, although this practice is not prohibited and could be set up between both parties of the work relationship.

### **Annual bonus**

In Guatemala it is mandatory to pay an annual bonus (bono 14) equal to a month's salary and it is payable in the month of July.

### **Christmas bonus**

The employer is obliged to pay the worker a Christmas bonus in the month of December, consisting of one

month's salary, (one twelfth of the ordinary salary earned by the worker in the calendar year).

### **Hours worked**

Maximum Labor hours are eight (8) hours daily, and should not exceed 44 hours a week.

### **Paid holidays and vacation**

Legal holidays established by law add up to 10 days per year. Vacation are granted for a period of fifteen (15) labor days, after a year of uninterrupted service.

### **Labor union**

The Labor Code provides that unions may be established. Although the union movement is increasing, at present, it is still limited in comparison to the total labor force.

### **Termination of employment**

The termination of employment contracts occur when one or both parts of the employment relationship will conclude it, either by the will of one of them, mutual consent, reasons attributable to the other, or disposal of the law, in which circumstances, cancelling the rights and obligations under such contracts.

If the employment contract concluded for an indefinite period after the probationary period because of unjustified dismissal of workers, or one of the causes under Article 79, the employer must pay the employee compensation for time served equivalent to one month's

salary for each year of continuous service or the services do not reach a year, in proportion to time worked.

**Severance payment**

The severance payment is generally payable in case of unjustified dismissal (or to the employee’s family in the event of death) at one month’s salary per year of uninterrupted service. The law specifies causes of “just” dismissal.

**Foreign personnel**

Normally at least 90% of the labor force must be Guatemalan and collect 85% of the total payroll. Managers or administrators should be excluded from the calculations. The limitations can be modified by the Ministry of Labor only by a justified cause.

Foreign personnel must have a work permit and a temporary residence in Guatemala.

**Social security**

Generally the system is designed to cover the total labor force gainfully employed. All contributions are withheld by the employer from the monthly payrolls.

The Guatemalan social security plan is designed to include all inhabitants of the country who take an active part in industry, commerce and agriculture, and to cover work accidents, occupational illness, maternity, sickness, disability, orphanage,

widowhood, old age and death and burial expenses. Participation is mandatory for employers with three or more employees. However, at present, the plan operates only for work accidents and occupational diseases in most parts of the country, and as to disability, old age and survival.

**Maternity benefits are extended to wives of covered employees.**

Premiums for this coverage are paid by employers, employees (both male and female) and the Government at the following percentage of each employee’s wages (with no upper limits or maximum salaries for the purposes of applying these percentages):

**Percentage contributed by**

Employer	12.67% (1)
Employee	4.83%

(1) Employers 12.67% contribution includes 1% to fund the activities of the Worker’s Recreational Institute (IRTRA) and 1% for the Professional Training Institute (INTECAP).

# Accounting and audit requirements and practices



## Accounting

On June 29, 2010, an Extraordinary General Association of Accountants and Auditors of Guatemala, resolved to adopt the “IFRS for SMEs” as part of the Generally Accepted Accounting Principles referred to the Code of Commerce of Guatemala.

## Statutory audit requirements

The fiscal law requires that companies registered under the Optional Income Tax system submit audited financial statements signed by an independent Certified Public Accountant, along with their annual tax return.

## Books and records

The Commercial code prescribes the principal books of account to be maintained by companies. The books required by law are:

- General ledger.
- Journal book.
- Inventory book (merchandise, fixed assets and bank accounts).
- Financial statements.

## Monthly register of purchase and sales.

Generally, these books are bound and each must be authorized by the local tax authorities and approved by the Commerce Registry.

Loose-pages and computerized systems shall also be authorized.

## Accounting profession

To practice in Guatemala the profession of Certified Public Accountant and Auditor, professionals must obtain a degree in one of the country’s universities or submit to approval certificate obtained abroad before the University of San Carlos of Guatemala.

Professionals must also register at the College of Public Accountants and Auditors and obtain a registration number before the Tax Administration.

## Auditing standards

Guatemala follows the International Auditing Standards issued by the International Auditing and Assurance Standards Board.



# Tax system



The place where it is established determines the residence of the company. Any entity that is organized in accordance with the laws of Guatemala is obliged to establish its fiscal and business domicile in Guatemalan territory.

The Customs Bureau (Dirección General de Aduanas) agency, supervised by the Tax Administration Office (SAT), controls the customs offices which assigns and collects duties, fees and VAT on imports.

## Tax on corporate income

There are two tax regimes in Guatemala are:

- Simplified Optional Regime on Income from Lucrative Activities
- Regime on Earnings from Lucrative Activities
- Simplified Optional Regime on Income from Lucrative Activities

Onwards a rate of 5% on gross revenue is applicable to juridical entities and individuals performing mercantile and non-mercantile activities, domiciled in Guatemala on the first GTQ 30,000.00 and 7% on the excess.

The tax is payable under flat tax withholdings (the tax is to be retained by either the customer or the recipient of services) or by direct remittances to the tax office made monthly within the first 10 working days of the month following the invoice date.

## Regime on Earnings from Lucrative Activities

A rate of 25% is applicable to a company's taxable

Guatemala has a territorial taxation system and the Tax Administration Office (SAT) has overall responsibility for tax administration. The municipalities of the Republic of Guatemala are autonomous agencies and some of them are in charge of the collection of real estate taxes.

income from Guatemala sources. The rate is applicable on net income of individuals or juridical entities domiciled in Guatemala.

The annual final tax liquidation period begins on January 1st and ends December 31st of each year.

Under this system, the tax is payable with advanced quarterly payments that must be made immediately after the end of that month. The tax is determined and paid upon presentation of the corresponding tax return, not later than March 31 of the year following the end of the fiscal period. The advanced quarterly payments are applied to the tax that is determined at the end of the final period.

The Income Tax return shall be accompanied by the documents required by the regulations, which might include:

- A balance sheet.
- A profit and loss statement.
- A statement of cash flow.
- A statement of cost of production (manufacturing companies).

The income tax return and exhibits thereto shall be signed by the taxpayers, their agent or their legal representative or by any other responsible person so determined by law.

## Tax on interest income

Interest income earned by domiciled persons other than banks is subject to a flat withholding tax rate of

10%. The interest taxed must be included by taxpayers in their income tax returns as non-taxable income.

## Corporate residence

The place where it is established determines the residence of the company. Any entity that is organized in accordance with the laws of Guatemala is obliged to establish its fiscal and business domicile in Guatemalan territory.

As of January 2013, the Income Tax Law of Guatemala incorporated regulations on the permanent establishment figure.

## Tax on branch income

Foreign-source income received by a domestic corporation is generally not considered to be from Guatemalan sources for Income Tax purpose. In Guatemala, individuals and business enterprises are taxed on their income derived primarily from national sources. Expenses incurred abroad by non-resident in connection with income earned from Guatemalan sources cannot be deducted from Income Tax purposes by merely having the supporting receipts, as the regulations to the law does not permit such a deduction for these purposes.

## Value-added tax (VAT)

A 12% (VAT) is levied on the sale or transfer of merchandise and on non-personal services rendered or executed in Guatemala. The tax is payable to the government by way of invoice method, whereby the

tax charged to the customers is offset with the VAT paid over purchases, and the government collects the net resulting amount.

The circulation of credit titles is VAT-exempt.

- Sale of goods

The taxable amount on the sale of goods includes the sales price minus any discounts provided under commercial practices plus other charges shown on the invoice.

The VAT rate is applicable to the first sale of the real estate and the subsequent sales are subject to the Tax Stamp Tax with a 3% rate.

- Services

The taxable amount of services includes the price of the services, minus any discounts provided under commercial practices, plus financial charges and products used to render the services.

- Other issues

Imports: The tax base is the value declared for VAT and import duties' computation purposes.

Leases of movable or immovable property: The tax base is the value of the lease.

- Exempted sale and services

- Incorporation made by:

1. Cooperatives legally constituted as registered on imported machinery, equipment, and other goods relating to the activity or services of the cooperative; and

2. Diplomatic and consular missions accredited before the Guatemalan government.

#### **Banking institutions services and their agents.**

The issuance, circulations and transfer of credit bonds, value bond and stock of any kind.

Interest accrued by credit bonds and other obligations issued by mercantile partnership, negotiated through an authorized stock exchange.

#### **Exports of goods and services.**

Contributions and donations to educational, cultural, assistance or security service partnership, constituted as not-for-profit entities.

#### **Real estate taxes**

Real estate taxes are assessed annually at GTQ 2 per thousand on declared property values from GTQ 2,000 to GTQ 20,000, at GTQ 6 per thousand on values from GTQ 20,000 to GTQ 70,000, and at GTQ 9 per thousand on value in excess of GTQ 70,000 (e.g., property valued at GTQ 1,000,000 will pay real estate taxes of GTQ 9,000).

VAT rate is applicable to the first sale of a real estate property; subsequent sales are subject to a 3% stamp tax.

#### **Stamp tax**

Other than sales invoices, contracts and documents subject to VAT and other minor exemptions, a stamp tax must be paid on all documents covering commercial and legal transactions.

This tax is also assessed on documents issued abroad, other than drafts or credit bonds involving international transfers of funds are generally exempt from stamp taxes. The current tax rate is 3% and is calculated on the face value of the documents or on the gross value of the related transaction.

#### **Inheritance and Donation Tax**

Recipients of inheritance, legacies and gifts of personal property, real estate or other rights in Guatemala are subject to inheritance taxes. Inheritance, legacies, or gifts of personal property located abroad, but publicly deeded in Guatemala, and debt waivers executed in Guatemala, are also taxable. The tax is levied at progressively higher rates on amounts up to GTQ 50,000 at 1% to 9% when the recipients are related to the donor (at least 12%) and at 6% to 14% on amounts of excess of GTQ 500,000 (up to 25% for nonrelated recipients).

#### **Solidarity tax (ISO)**

An ISO tax rate of 1% should be paid on the fourth quarter of net assets of a corporation, or on the fourth quarter of gross income, whichever is higher, and there is no limit on the amount to be paid.

Tax paid may be credited against the corporation's income tax. If the annual business tax exceeds the income tax, no reimbursement is possible.

The tax that is paid can be credited to the income tax of the company and is applied only to the taxpayers that are governed by the regime on profits of lucrative

activities and it is paid each quarter on the basis of the Income Tax annual tax return of the immediately previous period.

**Deductions  
Allowed deductions**

Deductions are only permitted under Regime on Earnings from Lucrative Activities.

**Interest**

The deduction for this concept cannot exceed the result of multiplying the interest rate referred to in the following paragraphs by three times the average net total assets reported by the taxpayer in the corresponding annual tax returns.

The interest rate over quetzales-expressed credits or loans may not exceed the maximum simple annual rate determined by the Monetary Board for tax purposes within the first 15 days of January and July of each year for the respective semester, taking as a basis thereof the weighted banking rate charged during the preceding semester. As for loans obtained abroad, the related contracts shall be executed with banking or financial entities registered and monitored by the respective State surveillance body and authorized for intermediation purposes in the country where the loan is provided. In this case, the interest rate over foreign currency loans may not exceed the maximum simple annual rate determined by the Monetary Board, as described in the preceding paragraph, minus any interannual variation of the quetzales exchange rate vis- a-vis the currency in which the loan contract is expressed during the period the annual income tax return may pertain to.

For purposes of this section, the average net total assets shall be understood to be the sum of closing net total assets of the preceding year and the closing net total assets of the current year, as reported in the income tax returns pertaining to each tax period divided by two. Total net assets shall reflect the carrying value of all assets effectively owned by the taxpayer.

The limitation provided by this section shall not apply to banking and financial entities subject to surveillance and inspection by the Superintendence of Banks, neither to legally authorized cooperatives.

**Taxes**

All taxes other than income tax and VAT are deductible.

**Depreciation and depletion**

Depreciation is generally computed on a straight-line basis. Upon request by the taxpayer, the tax authorities may authorize other depreciation methods.

<b>Class</b>	<b>Rate %</b>
Buildings, constructions and installations attached to the property and their improvements	5
Machinery and equipment	20
Tools	25
Trees and vegetable plants	15
Computer equipment and software	33.33
Installations not affixed to properties, furniture, office equipment, vessels, and maritime rolling stock, fluvial or lacustrine.	20
Livestock used as pack or working animals, machinery, vehicles in general, cranes, air planes, excluding rail road stock.	20
Breed reproducers, males and females, depreciation is calculated on the cost value of such animals less their value as common cattle.	25
Any other depreciable asset.	10

**Payments to foreign affiliates**

Deduction for royalties, professional fees and technical services are allowed up to 5% of gross income.

### Employee pension/retirement funds

The deduction of royalties is allowed up to 5% of the gross income. Charges for fees, commissions and advice are deductible up to 5% of gross income.

### Severance compensation payments

Severance compensation payments are allowed as deductible expenses according to the provisions of the Labor Code or the corresponding collective agreement or limited allocations (not to exceed 8.33% of total annual salaries) to a reserve, for severance compensation.

### Donations

Duly proven donations made to the government, the municipalities and their agencies, as well as to duly authorized not-for-profit welfare, social service and scientific associations foundations, universities, political parties, and guild entities, are deductible. The maximum deductible amount for income tax purposes of each period shall not exceed 5% of the donor's gross income up to the maximum of GTQ 500,000 per year.

### Net operating losses

Operating losses may not be carried forward for deduction from otherwise taxable profits.

### Group taxation

No consolidation for tax purposes is permitted as each group entity is treated as an independent taxpayer, which shall file its own tax return of Income Tax.

### Transfer pricing ruling

As of January 2013, the new Income Tax Law is in force, which introduces Arm's Length ruling within related parties domiciled abroad (Transfer Pricing ruling).

Transfer pricing ruling is based on OECD guides.



**Withholding tax (WHT)**

On payments to non-domiciled foreign corporations or individuals:

Class	%
Dividends	5
Interest	10
Commissions, salaries, royalties, professional fees and technical, financial, economic, scientific counseling	15
Others	25

**End of year date provided by the Income Tax Law**

The annual tax settlement period begins on January 1 and ends on December 31 of each year and must be equal to the taxpayer’s accounting period.

In the case of taxpayers who carry out temporary activities in less than one year, the Tax Authority, at the request of those, may authorize special dates for the tax to be paid, which begins and ends on the dates on which those activities are initiated and ceased.

**Individual tax summary**

All individuals can deduct from their net income:

- Up to Q.60, 000.00, out of which Q.48, 000.00 are to be used by way of personal deductions with no further proof to the contrary, and Q.12, 000.00 by way of VAT tax credits over personal purchases or services made during the period. These credits shall

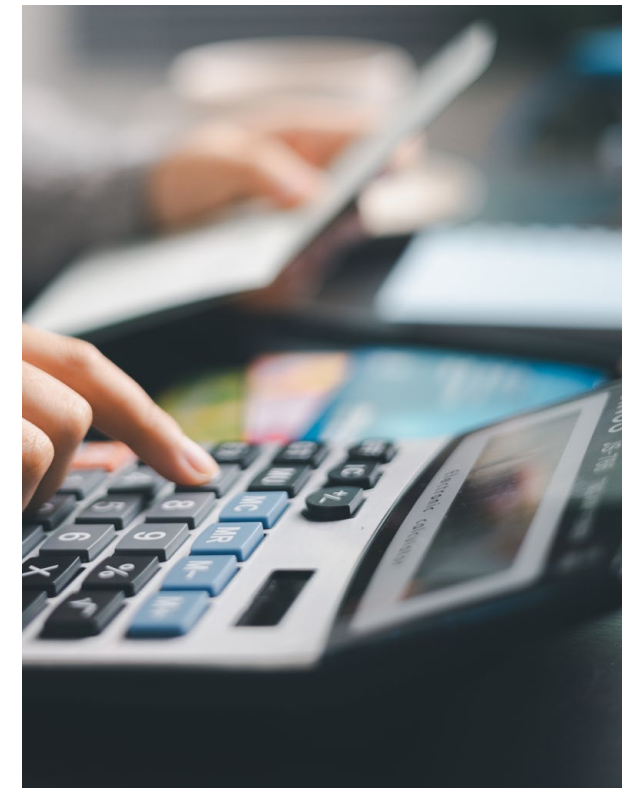
be supported by a listing of the pertinent vouchers, which shall be subject to Tax Administration Office (SAT) audit. This listing shall be presented to Tax Administration Office (SAT) within the first 10 working days of January of each year, and the employer shall reconcile any income tax withheld during the period to the final income tax return.

- Donations demonstrably given to the Government, the Municipalities and their agencies, to universities and cultural and scientific entities. Donations given to not-for-profit social service associations and foundations, as well as to churches, and to political parties, which in any event shall be duly organized, authorized, and enrolled as provided by law, and are provided by the Tax Administration Office (SAT) with tax solvency certificated for the period the donations may pertain to.
- The donations maximum deductible amount for each period shall not exceed 5% of the donor’s net income.
- Contributions paid to both the Social Security Institute and the Military Welfare Institute to account for pensions and retirement plans, and Government pension plans.
- Life insurance premiums that cover only the death of employees, provided that the insurance contract does not accrue any amount for the concept of return.

Individuals, who obtain income from personal services as an employee, must calculate the tax on their taxable income, according to the following sliding scale of rates:

Renta imponible	Importe fijo	% sobre el exceso del límite
Q.0.01 a Q.300,000.00	Q.0.00	5%
Q.300,000.01 en adelante	Q.15,000.00	7% sobre el exceso de Q.300,000.00.

Tax rates on taxable income for individuals on an employee relationship shall be taxed with a 5% and 7% as the taxable income tier might be.





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