

DOING BUSINESS IN GUATEMALA



FOREWORD

This guide has been prepared with the purpose of providing basic information to people interested in investing and doing business in Guatemala. It does not cover in detail all the requirements and subjects to be considered, but instead it is intended to provide an overall idea of the benefits of doing business in Guatemala and the basic taxation requirements.

The guide is intended to be used for informational purposes only and therefore, you should consult a professional tax and business advisor to acquire more information.

The material contained in this guide is based on information and regulations in effect as of May 2020.





ABOUT H&CO

Since 1992, H&CO has been providing international tax and business advisory services to multinational companies, global families and local companies that seek to invest or expand their operations in multiple jurisdictions in Latin America.

By working together with our affiliates in the region, we offer integrated solutions to help companies with all of their cross-border requirements and reporting obligations, from opening a new company abroad, and manage your operations, to helping you create an international tax strategy and repatriation plan.

With 3 offices throughout South Florida and partner firms in more than 15 countries in South and Central America, H&CO's primary goal is to be the most trusted service provider of accounting, tax and consulting services for the global community.



COUNTRY ESSENTIALS

Capital City	Guatemala City
Area and population	108,889 km ² and a population of 17,153,288 people (July 2020 est.)
Language	Spanish and 21 languages of Mayan, Xinca and Garifuna origin
Currency	Quetzal (GTQ)
International calling code	+502
GDP	\$72.9 billion USD (2018 est.)
GDP per capita (PPP)	\$4,222 USD (2018 est.)
Exports	\$9.6 billion USD (2018 est.)
Imports	\$17.7 billion USD (2018 est.)
Inflation rate	2.3% (2018 est.)
Government structure	Guatemala is a constitutional democratic republic whereby the President is both head of state and head of government, and of a multi-party system. Executive power is exercised by the government. Legislative power is vested in both the government and the Congress of the Republic. The judiciary system is independent of the executive and the legislative.

WHY YOU SHOULD DO BUSINESS IN GUATEMALA





STRATEGIC GEOGRAPHIC LOCATION FOR TRADE

One of Guatemala's most significant advantages for investment is its geographic location. Guatemala's proximity to Mexico and Central America makes this country a trade bridge for a market of over 68 million people, with a production area of more than \$319,000 billion dollars. It is considered a regional logistics service hub due to its adjacency to the United States and access to both the Atlantic and Pacific Oceans.

QUALIFIED WORKFORCE

Guatemala has an economically active population of 7.1 million people, with 70% of the population below the age of 30. There are 14 distinguished universities, with approximately 50 campuses across the country. Throughout Central America, Guatemala has the largest student population with more than 312,700 students majoring in humanistic and technical careers, meeting the strictest international standards.

EXCELLENT ECONOMIC PERFORMANCE

Guatemala is the largest economy in Central America and presents the largest economic market as well, representing 35% of the region's GDP. Since 2013, Guatemala has shown a 375.6% expansion of its FDI, demonstrating the economy's vitality and the trust of foreign companies and multinationals. Guatemala registered a growth in its GDP of 3.5% in 2019 and is expected to increase to an average of 3.6% in 2020.

The country's main financial sectors are manufacturing, service, and commerce, representing 46% of the country's GDP. Additionally, for over a decade, the exchange rate between the Guatemalan Quetzal and the U.S. dollar has shown a very stable behavior.

ADVANCED TELECOMMUNICATION INFRASTRUCTURE

Guatemala has a strong telecommunication network. The country privatized telecommunications in 1996, as well as IT and information service providers in the country. With access to both the Atlantic and Pacific oceans, Guatemala ensures 99% redundancy in fiber optic connections.

On the other hand, Guatemalans are quite connected: there are between 1.2-1.5 cell phones for each person in Guatemala City.



LEGAL FRAMEWORK FOR FOREIGN INVESTMENT

All sectors of Guatemala's economy are open to investment and to local or foreign ownership. Other than applicable taxes, there are no restrictions that apply to remittances of profits and repatriation of capital. Guatemala's legal framework is focused on an open market that maintains a healthy respect for both business and foreign investment.

Guatemalan laws actively promote investment and include provisions that recognize, reaffirm and guarantee private property rights for both national and foreign investors. Additionally, foreign investors are granted favored nation status through the Foreign Investment Law.

FREE TRADE AGREEMENTS

Guatemala has a pronounced position in international commerce thanks to its various Free Trade Agreements (FTA) and individual trade agreements with multiple countries and regions. These include Central America, the United States, Mexico, the Dominican Republic, Colombia, Panama, Chile and the European Union. In addition, trade investment agreements have been consolidated with Belgium-Luxembourg, Austria, Korea, Spain, Argentina, Finland, Italy, among other countries.

Guatemala is a signatory to the CAFTA-DR, along with the United States, Costa Rica, Honduras, El Salvador, Nicaragua, and the Dominican Republic. This agreement establishes that around 92% of the industrial and consumer goods from the United States and 82% of agricultural products enter Guatemala duty-free.

TAXATION



CORPORATE TAXES

The tax code in Guatemala primarily has a territorial basis in which taxes are levied only on Guatemala-source income. A resident company can opt to be taxed under one of the following regimes:

Simplified Optional Regime (based on gross monthly revenue)	5% - 7%
General Tax Regime (based on net income)	25%

A corporation is considered resident in Guatemala if it is incorporated in accordance with Guatemalan laws or has its fiscal domicile or headquarters in the country.

TAXES ON CAPITAL GAINS AND DIVIDENDS

Capital gains are subject to a tax rate of 10%, while dividends are taxed at a rate of 5%.

ESTATE AND GIFT TAXES

Estate and gift taxes are levied at progressive rates up to 25%, depending on the degree of relationship between the deceased and the beneficiary.

SALES TAXES / VAT

VAT is levied on most sales of goods, the provision of services, leases, and imports. The standard VAT rate is 12%. The fee must be included in the sale price of goods or in the value of services.



EMPLOYMENT TAXES

Tax withholding from income derived from employment is applied according to the following rates of contribution:

	Employee	Employer
Social Security. Monthly Contribution	4.83%	12.67%
Year-End Bonus	—	100% of monthly salary
Christmas Bonus	—	100% of monthly salary



PERSONAL TAXES

Guatemalan tax code primarily has a territorial basis: both residents and non-residents are taxed on their Guatemala-source income. An individual is considered a resident by Guatemalan authorities if he or she remains in the country for more than 183 days during the year or if his or her center of economic interests is Guatemala.

Individual income taxes are levied according to the following progressive rates:

Taxable Base	Fixed Tax Amount	Marginal Rate on Excess
0.01 to 300,000	0	5%
300,001 and over	15,000	7%

All values are in Quetzales (GTQ).

TRANSFER TAXES

Guatemala does not levy transfer taxes.

ESTABLISHING A BUSINESS



PROCESS TO INCORPORATE A COMPANY

An investor aiming to establish a business entity in Guatemala requires 6 procedures to be performed in an average of 15 days, a significantly shorter time span than the average of 30 days in Latin America and the Caribbean.

PROCEDURES	TIME TO COMPLETE
Check the proposed company name online and obtain a letter from a Guatemalan notary public to open bank account	3 days
Deposit the subscribed capital in a bank and obtain a receipt	1 day
A notary public draws the incorporation documents	1 day
Registration and payment of the fees online by a notary, publication of the edict on the Registry's website, and opposition period for affected third parties	8 days
Register the company's employees at the Guatemalan Social Security Institute (IGSS)	1 day
* Register the employees' contracts with the Ministry of Labor	1 day
Total number of days	15 days

Note: Steps marked with an asterisk () may be completed simultaneously.*



REQUIREMENTS TO INCORPORATE A COMPANY

The *Sociedad de Responsabilidad Limitada* (Cía. Ltda.), similar to a Limited Liability Company, is the most common form of incorporation in Guatemala. Shareholders in a Cía. Ltda. are liable only to the value of their shareholding.

COMPANY NAME

Company names in Guatemala are formed freely, but always refer to the main social activity. The name is formed with the full name of a partner or with the names of two or more of them. In both cases, it is mandatory to add the word *Limitada* or its abbreviation.

SHAREHOLDERS

An Limited Liability Company registered in Guatemala should not have more than 20 shareholders. There are no restrictions on the nationality or residency of the shareholders.

MARKET OPPORTUNITIES AND COMMERCIAL SECTORS





AUTOMOTIVE ACCESORIES AND PARTS

Guatemala is an important market for automotive parts and accessories. On average, Guatemalans keep their automobiles for 5 to 7 years before purchasing a newer model. There is a large market for importers who buy damaged cars at auctions abroad and then repair them locally for resale. These vehicles require continuous maintenance and replacement services. Imported parts are sold to local mechanic shops and service stations. The increasing volume of used vehicles in circulation has stimulated the market for this type of equipment. The best prospects are in the aftermarket product subsector, such as bumpers, spoilers, wheels, taillights, tires, among others.



FORESTRY AND WOODWORKING MACHINERY

Guatemala's forest area extends to more than 3.6 million hectares, representing 33.6% of the country.

The country has a large number of different microclimates, creating a perfect environment for the development of forests of cedar, mahogany, pine and many others. According to the Forest Guild of Guatemala, there are around 22 wood mills and around 200 companies that use wood to make furniture, carpentry, and construction products. The best prospects are found in the arch machines, CNC milling machines, gate machines, glue applicators, chippers, electric saws and the tools subsectors.



SECURITY AND SAFETY EQUIPMENT

According to the Security Chamber of Guatemala, private companies invest between 10% to 15% of their annual budget in security products and services. The demand for security and safety products in Guatemala continues to grow as safety becomes a more weighing concern. The best prospects are found in tracking devices, closed circuit television, GPS and RFID technologies, and the metal detectors subsectors, among others



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