



DOING BUSINESS IN GUATEMALA



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WHY SHOULD YOU 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 it a commerce bridge for a market of over 68 million people, with a production area of more than \$319,000 million dollars. It is considered a logistic and regional service due to its adjacency to the United States and access to both the Atlantic and Pacific Oceans.

QUALIFIED WORKFORCE

Guatemala has a workforce of 6.2 million people, with 70% of the population below the age of 30. There are 14 distinguished universities, with approximately 50 offices throughout the country. In all of Central America, Guatemala has the highest student population with more than 312,700 students majoring in humanistic and technical careers, meeting the strictest international standards. In Guatemala, more than 555,000 people have college degrees, according to the National Survey and Income 2012. About 1.5 million people have secondary education degrees in Bachelor, Accounting or Magisterium programs. More than 2 million Guatemalans have some training for specialized work.



COUNTRY ESSENTIALS



Capital city	Guatemala City	
Area and population	108,889 km ² and a population of 15,189,958 people (July 2016 est.)	
Language	Spanish	
Currency	Guatemalan quetzal (GTQ)	
International calling code	+502	
National holidays	New Year's Day	January 1 st
	Holy Week	'DWH9DLHV
	Labor Day	May 1 st
	Army Day	June 30 th
	Independence Day	September 15 th
	Revolution of 1944	October 20 th
	All Saints' Day	November 1 st
	Christmas	December 25 th
Working hours	44 hours weekly	
Major stock exchanges	National Stock Exchange (BNV)	
Government structure	Guatemala is a constitutional democratic republic whereby the President of Guatemala 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.	

Tax & Business Professionals in Guatemala

Attorneys



Accountants



EXCELLENT ECONOMIC PERFORMANCE

Guatemala has the largest economic market in Central America, representing 35% of the region's GDP. As of 2013, Guatemala has exhibited a 375.6% expansion of its FDI, demonstrating the economy's vitality and the trust of foreign companies and multinationals. Guatemala has a GDP of \$50.3 billion dollars, with an average growth of 3.4% in contempt of the World Financial Crisis. The country's main financial sectors are in manufacturing, service and commerce, representing 46% of the GDP. Additionally, for over a decade the exchange rate between Guatemala's currency and the U.S. dollar has shown a very stable behavior.

ADVANCED TELECOMMUNICATION INFRASTRUCTURE

Guatemala has a very strong telecommunication network. The country privatized telecommunications in 1996, as well as the IT and information service providers in the country. With access to an ocean on either side, Guatemala ensures 99% redundancy in connections to both Pacific and Atlantic fiber optic cables. In addition, Guatemalans are very connected: there are 1.2-1.5 cell phones for every person in Guatemala City.



LEGAL FRAMEWORK FOR FOREIGN INVESTMENT

All sectors of Guatemala's economy are open to both local and foreign investment and ownership. Other than applicable taxes, no restrictions apply to remittance of profits and repatriation of capital. Guatemala's legal framework is that of an open market that maintains a healthy respect for both entrepreneurial activity 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 through Free Trade Agreements (FTAs) and individual trade agreements with multiple countries and regions. These include Central America, the U.S., Mexico, the Dominican Republic, Colombia, Panama, Chile and the European Union. Additionally, investment trade agreements have been entrenched with Belgium-Luxembourg, Austria, Korea, Spain, Argentina, Finland, Italy, among other countries. Guatemala is signatory to the CAFTA-DR, along with the U.S., Costa Rica, Honduras, El Salvador, Nicaragua, and the Dominican Republic. This agreement establishes that about 92% of U.S. industrial and consumer goods and 82% of agricultural products enter Guatemala duty-free, with remaining tariffs scheduled to be phased out throughout 2015.

ESTABLISHING A BUSINESS

PROCESS TO INCORPORATE A COMPANY

An investor aiming to establish a business entity in Guatemala requires 6 procedures over an average of 18.5 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	1 day
Deposit the subscribed capital in a bank and obtain a receipt	1 day
A notary public draws the deed of constitution, fills the forms required by the Commercial Registry and the tax authority and pays the registration fees online	Less than 1 day
Obtain the provisional registration of the new company before the Mercantil Register; the Tax Identification Number; the Edict; the Registration of the legal representative appointment and the authorization to print invoices	3 days
Publication of the edict in Diario de Centro America and opposition to the provisional registration of the company by affected third parties	2 days on average for the edict to be published and 8 days for the opposition to the provisional registration by third parties
Obtain the definitive registration, the commercial license, the Social Security Number and the Authorization for social and accounting books	3 days
Total number of days	18.5 days

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 will be formed freely, but always refer to the main social activity. The name is formed with the full name of one 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 S.R.L. registered in Guatemala must not have more than 20 shareholders. There are no restrictions on the nationality or residency of shareholders.

TAXATION

CORPORATE TAXES

Guatemala has a territorial basis in which income tax is 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 monthly gross revenue)	5% or 7%
General Tax Regime	25%

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

TAXES ON CAPITAL GAINS AND DIVIDENDS

Capital Gains are taxed a rate of 10%, including financial products and interests.

Dividends are subject to a rate of 5% for both residents and non-residents.

EMPLOYMENT TAXES

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

	Employee	Employer
Social Security Monthly Contribution	4.83%	12.67%
Incentive Bonus		GTQ 250.00
Year-End Bonus		100% of monthly salary
Christmas Bonus		100% of monthly salary

TRANSFER TAXES

Guatemala does not levy transfer taxes.



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.

PERSONAL TAXES

Both resident and nonresident individuals are taxed on their Guatemala-source income. An individual is considered a resident 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 in Guatemala.

Individual income tax is 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)

Non-resident individuals are taxed at a fixed withholding rate of 15% on their Guatemala-source income.

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.

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 found in the aftermarket products subsector, such as bumpers, spoilers, wheels, tail lights, tires, among others.

FORESTRY AND WOODWORKING MACHINERY

Guatemala exported 100.2 million dollars of furniture and forestry products in 2013, an amount that is expected to increase as companies diversify and reach for other markets. The country has many different microclimates, creating a perfect environment for the development of wood forests for 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 manufacture products for furniture, carpentry and construction. The best prospects are found in the arch machines, CNC routers, door machines, glue applicators, chippers, electric saws and 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 of security and safety products in Guatemala continues to grow as security becomes a more weighing concern. The best prospects are found in tracking devices, CCTV, GPS and RFID technologies and the metal detectors subsectors, among others.

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