



# Thinking Beyond Borders: Management of Extended Business Travelers - Guatemala

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**01**

**Key message**

The Guatemalan Income tax is applicable to the income obtained by individuals, local or foreign, residing in the country/jurisdiction or abroad. The application of this tax takes effect throughout the country/jurisdiction.

# 1 Key message

Income tax law and social security regulations provide guidelines about how income obtained by individuals (Guatemalan employees) must be managed. No specific guidelines are provided in case of international delegates, so an appropriate advice should be provided to any Guatemalan individual leaving the country/jurisdiction or to any foreign individual arriving to the country/jurisdiction.

**02**

# **Income tax**

# 2 Income Tax

## 2.1 Liability for income tax

The tax is applied upon obtaining the payment or income in cash, whatever its denomination or nature is, coming from the personal work provided under dependent relationship by individual persons residing in the country/jurisdiction.

The determination of the tax considers the total income less an annual and unique deduction of 48,000 quetzales (GTQ), deduction of the Value Added Tax paid for up to GTQ12,000, as well as donations (up to 5 percent of the total income) and payments of personal life insurance.

The liquidation of the tax is carried out through monthly withholdings made by the employer; a definitive liquidation will be made at year-end. The taxable rates are 5 percent for the annual taxable income for up to GTQ300,000 and when this amount exceeds, a fixed sum of GTQ15,000 for the first GTQ300,000, plus 7 percent over the surplus.

## 2.2 Tax trigger points

The income tax applies to any Guatemalan or foreign individual performing a work for and receiving the payment from a Guatemalan employer.

## 2.3 Types of taxable income

Any income coming from the personal work provided under dependent relationship by individual persons.

Typical items of an international delegate's compensation package, which are taxable in Guatemala, include the following:

- Salary
- Bonus
- Cost-of-living allowance
- Reimbursement of moving expenses
- Children's education allowance
- Housing allowance
- Home leave
- Employer-provided domestic assistance

And the following may be tax exempted:

- Christmas bonus
- Fourteen bonuses

## 2.4 Tax rates

Income tax for residents is calculated by applying a progressive tax rate schedule to taxable income as follows, in Guatemalan Quetzal (GTQ).

Taxable income bracket		Total tax on income below bracket	Tax rate on income in bracket
From GTQ	To GTQ	GTQ	Percent
0	300,000	0	5
300,001	Over	15,000	7

Guatemalan-source income paid to non-resident persons is subject to a withholding tax at a rate of 15 percent on salaries, wages, commissions, bonuses, and any other remuneration.

**03**

# **Social Security**



# 3 Social Security

## 3.1 Liability for social security

Employer and employee

Type of insurance	Paid by employer	Paid by employee	Total percent
Social security	12.67%	4.83%	17.50%

The employer withholds the corresponding quotas to the employees.

**04**

# **Compliance obligations**

# 4 Compliance obligations

## 4.1 Employee compliance obligations

Employees do not need to file a tax return directly to the Guatemalan Tax Authorities during a work relationship. Employees will need to file a tax return only when the employer does not withhold the total amount of the income tax throughout the year.

## 4.2 Reporting and withholding requirements for employers

Employers are responsible for performing the withholding tax to all employees, including any international delegate. The amount of the withholdings is calculated based on an annual taxable income projection (total income less deductions) that is prepared at the beginning of the fiscal year (January) or at the beginning of the work relationship. In case of any change in the remuneration to individuals, the employer needs to update the calculation and withhold the new income tax amount. At the end of the fiscal year (December) the employer must calculate the final annual taxable income obtained during the year and will perform any adjustment to the withholding executed during the year. In case of any amount pending payment, it must be withheld in December. In case of withholdings performed in excess, the employer is responsible for reimbursing the amounts to its employees.

**05**

# **Immigration**

# 5 Immigration

## 5.1 Work permit/visa requirements

- Any individual is considered resident if they remain within the country/jurisdiction for 183 days. Likewise, they will have to take the necessary steps in order to legally remain and work in the country/jurisdiction.
- The application for a work permit will proceed once they started their request with the labor ministry. Upon receipt of the work permit, the worker should be included in the payroll and treated as a Guatemalan employee.
- At the same time the visa must be requested with the Guatemalan authorities.

These permits (work and visa) are more important when the assignment will last for more than a year.

**06**

# **Other issues**

# 6 Other issues

## 6.1 Double taxation treaties

Up to date, Guatemala has not signed any double taxation treaties.

## 6.2 Permanent establishment implications

According to the Guatemalan tax legislation, any individual person performing activities with permanent establishment, having fixed business premises or working places within the country/jurisdiction, is subject to permanent establishment rules.

## 6.3 Indirect taxes

VAT is a territorial tax that levies the purchase of goods and the provision of services; the rate is 12 percent.

VAT resulting from invoicing may be recovered as follows: a) VAT debit and credit compensation and b) Refund, which applies to exporters of goods and services or anyone selling or rendering services to exempt entities.

When a non-resident renders services in Guatemala, they apply the reversion mechanism, and the local user of the services is liable to VAT payment.

VAT does not apply to services received from an individual under a work relationship.

## 6.4 Transfer pricing

Transfer pricing legislation considers the Arm's Length concept or the Free Competition principle and applies to any transaction performed between Guatemalan parties with a foreign related party.

## 6.5 Exchange control

It is allowed the free disposal, possession, contracting, remittance, transfer, purchase, sale, collection, and payment of/with foreign currency.

## 6.6 Non-deductible costs for assignees

Employees are only allowed to deduct the specific items included in the law (for example, employee social security quotas, donations, and personal life insurance premiums).

### Footnotes

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