

GUATEMALA

CENTRAL AMERICA'S
ENGINE



A place to invest

Dear investor:

I cordially welcome you to Guatemala, Central America's Engine.

Our President, Dr. Alejandro Giammattei, has entrusted me with the important role of promoting and facilitating investment in the country. In that sense, with great enthusiasm and honor, I have joined the public sector to enhance the business environment and to promote a competitive climate that can attract and retain solid companies like the one you represent.

Guatemala has a number of unique factors in the region, which makes it an attractive investment destination. In addition to being the largest economy in Central America, our capital city was awarded by fDi Intelligence as Best City for Cost Effectiveness.

Likewise, our strategic geographical position and connectivity provides a gateway to international markets and also offers a commercial platform supported by its 12 trade agreements and 19 bilateral investment treaties with partners from North America, Latin America, the Caribbean, European Union, and Asia. These allow companies and investors who have entrusted their capital in our territory to take advantage of trade benefits when dealing with the primary markets worldwide.

Considering that private investment is key for creating job opportunities and triggering economic growth, Guatemala's government is firmly committed to facilitate the process for businesses to establish themselves in our country and help them comply with domestic regulations and enjoy benefits available for them.

Therefore, PRONACOM's team and I are very interested in providing the support you require so that you can establish operations in our country.

Sincerely,



MSc. Rolando Paiz

*Presidential Commissioner for Competitiveness
and Investment*

Con el apoyo de



USAID
DEL PUEBLO DE LOS ESTADOS
UNIDOS DE AMÉRICA

Why GUATEMALA?

GENERAL INFO

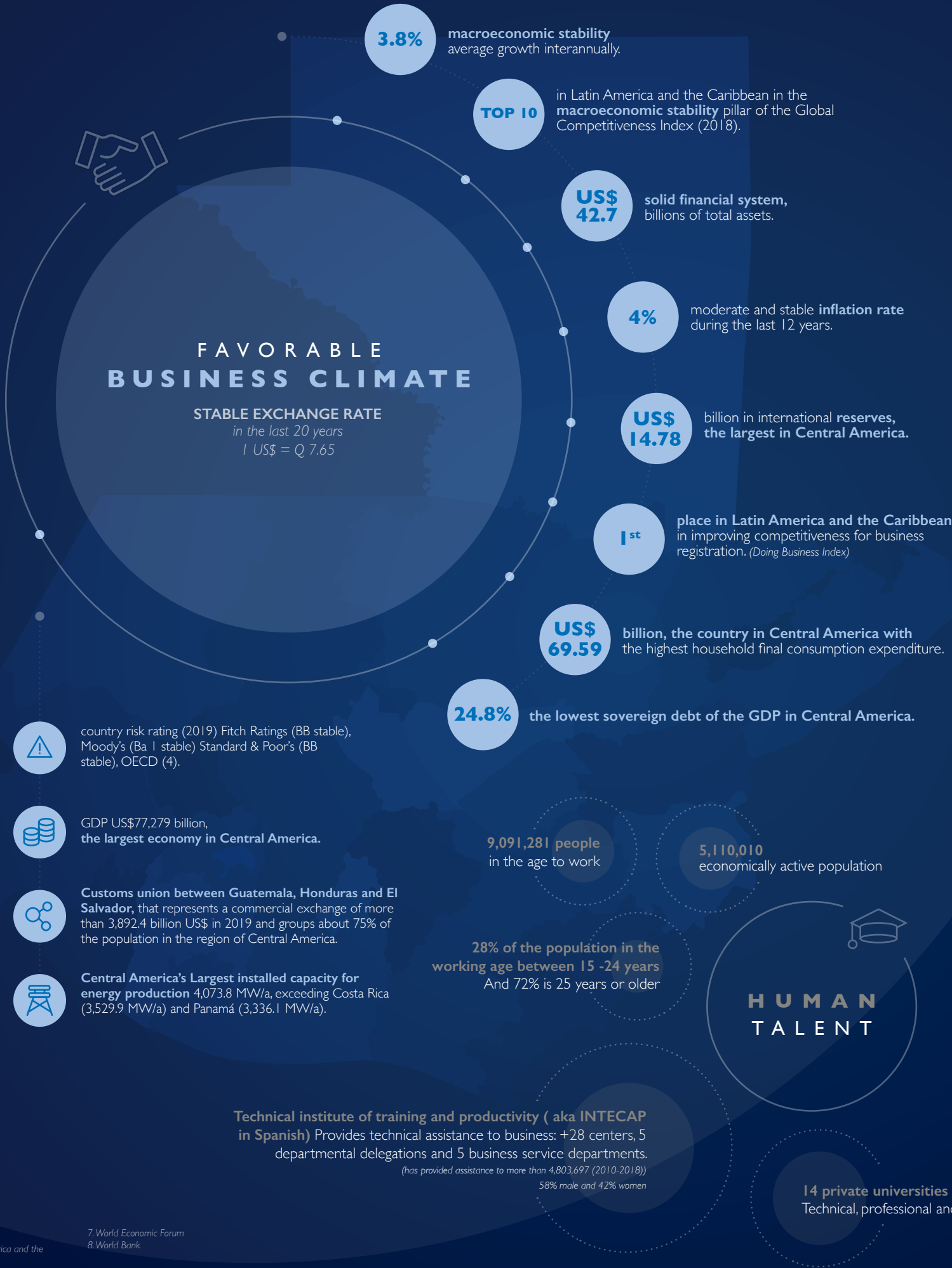
- Capital:**
Guatemala City
- Area:**
108,889 km2
- Official language**
Spanish, 22 Mayan languages, I Garifuna and I xinca
- Form of government:**
Democratic Republic
- Head of state:**
President

POPULATION

- Population 2018:**
16,346,950
- Economically active population (EAP) 2018:**
5,110,010

ECONOMY

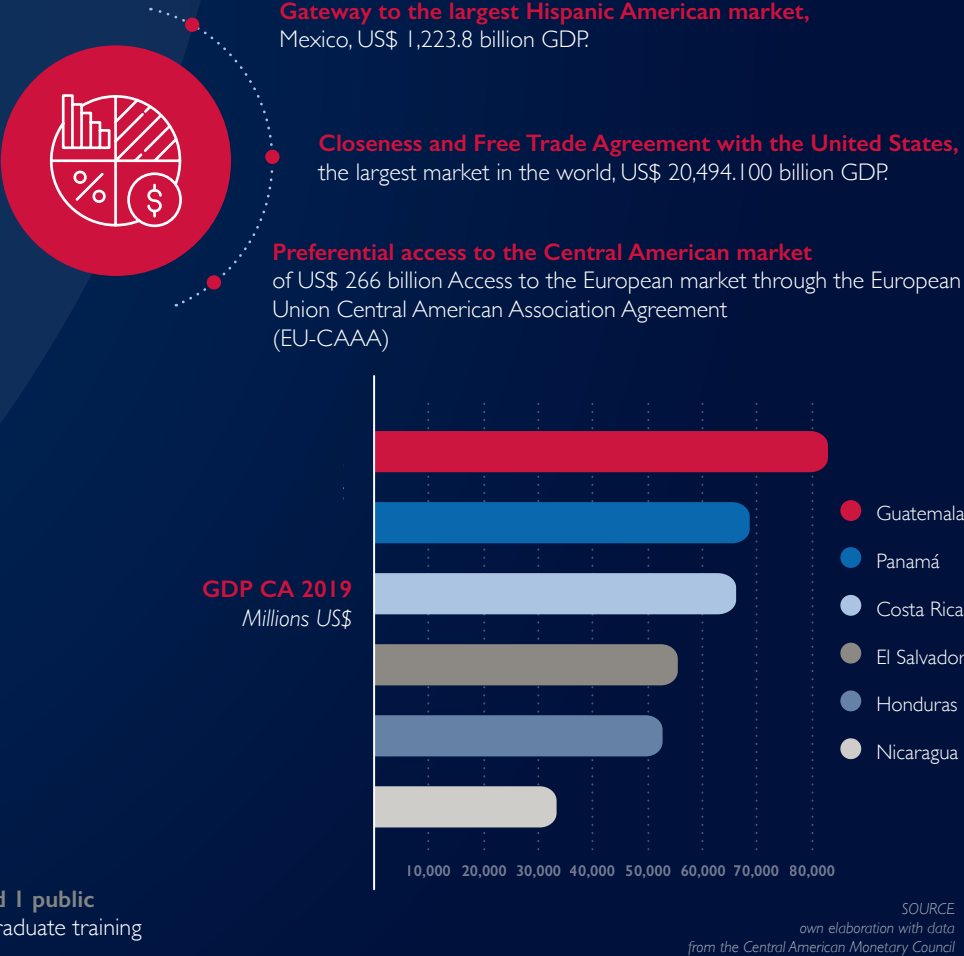
- Economic Growth 2018/2019**
3.8% Interannually
- GDP 2019:**
US\$ 77,279.68 billion
- GDP per capita 2018:**
US\$4,534.8
- Foreign Direct Investment 2019:**
US\$ 998.2 million
- Remittances 2019:**
US\$ 10,508.3 billion
- Exports 2019:**
US\$ 11,170.5 billion
- Imports 2019:**
US\$ 19,881.4 billion
- Tax revenue 2019:**
US\$ 8,531.11 billion
- Currency:**
Quetzal (Q)



LOGISTICS PLATFORM

- Direct access to the coastlines on both the Pacific and Atlantic Oceans
(402 km between both coastlines)
- Connectivity:** 2 international airports, 9 local aerodromes, 22 commercial airlines and 11 cargo airlines.
- The second largest sea freight operation in Central America** (17.89%), after Panama, in 3 ports: Santo Tomás de Castilla and Puerto Barrios in the Atlantic Coast and Puerto Quetzal in the Pacific Coast.

ACCESS TO MAIN MARKETS



SOURCES:
1. National Institute of Statistics
2. Bank of Guatemala
3. Central American Monetary Council
4. Ministry of Economy
5. National Competitiveness Program
6. Economic Commission for Latin America and the Caribbean
7. World Economic Forum
8. World Bank
The reference exchange rate for the figures in this document is US\$ 1= Q7.65



STARTING OPERATIONS IN GUATEMALA?

Visit www.asisehace.gt, a web portal that facilitates information regarding processes, estimated times, costs and required documents to carry out the main commercial procedures. These are some of the procedures that are available online:

- Company registration (Local or Foreign)
- Trademark and patent registration
- Tax payment
- Registration as an exporter or manufacturing plant
- Work permits for foreigners with residency
- Sanitary permits

Once all the required documents are gathered and with a bank account in one of the authorized banks, the registration process of businesses and companies is carried out through the website Minegocio.gt. Through this website the registration in the governing institutions is completed: Business Registry, Superintendence of Tax Administration (aka SAT in Spanish), Guatemalan Institute of Social Security (aka in Spanish IGSS) and the Ministry of Labor and Social Security (aka MINTRAB in Spanish)

To do business in Guatemala, a foreign company can do so through the following figures:

- Constitution of a Public Limited Company (aka Sociedad Anónima in Spanish), the most used in Guatemala
- Branch of the parent company, registered as a foreign company
- Purchase of a Guatemalan company already constituted or the purchase of shares

COSTS AND TIMING ESTIMATED

Registration of a company, 9-15 days process

- US\$ 77- authorized capital up to US\$65,200
- US\$475 authorized capital up to US\$65,200 (+US\$ 1 tariff for each additional thousand, after US\$ 65,189 up to a maximum tariff of US\$ 5,215)

Registration of a foreign company

- **Undefined time:** US\$413, from 12 to 19 days process
- **Defined time:** US\$ 447, from 14 to 21 days process



IMMIGRATION PERMITS

IMMIGRATION LAW DECREE • 95-98 AND ITS REGULATION • DECREE 95-98

Foreigners can either be classified as “residents” and “non-residents”

- **Initial admission:** visitor's visa, valid only for the time requested or business trip. Allow to enter and leave the country as many times as necessary for a period of 6 months, and it is renewable.
- **Temporary or permanent residence visa application:** it is managed at the General Directorate of Migration in Guatemala presenting the necessary documentation and complying with the respective legal requirements. An extension for an additional 90 days may be requested upon expiration of the authorized immigration stay, otherwise, a fine of US \$ 1.30 will be imposed for each day of presence in the country without visa validity.

Regularly, a temporary residence is granted for two years. At the end of the 2-year term, you can choose either to apply for a permanent residence or a temporary residence renewal for another 2 years. The solvency of the person or company that will appear as guarantor of the application is key to the positive resolution.



STARTING OPERATIONS IN GUATEMALA?

Once the permanent residence is granted, the foreigner is registered in the Registry of foreign residents before the Migration Department, and in the same way as foreign residents before the National Registry of People (aka RENAP in Spanish), where they are given a Unique Identification Document (aka DPI in Spanish)

Temporary residence, fees:

- 1 year, \$ 200.00
- 2 years, \$ 300.00
- 3 to 5 years, \$ 500.00
- Permanent residence \$ 700
- Permanent residence for Central Americans- \$ 500.00

Documentation requirements:

- Certificates of lack of police or judicial records, stamped by the place of residence of the last five years.
- Original passport and full photocopy.
- Birth certificate apostilled by applicants. Spouse and children can process their residence in the same file and marriage certificate.
- Documents proving the financial solvency of the guarantor and its tax identification number.

WORK PERMITS FOR FOREIGNERS

The company must have at least 90% of Guatemalan employees and pay them at least 80% of total salaries, except in cases where special laws stipulates it, as in the case of lack of national technicians in the area.

A written request is presented, indicating the place to receive notifications before the General Employment Directorate of the Ministry of Labor and Social Welfare. Extension is requested every year.

- **Positions of managers, directors, administrators, superintendents and general managers:** ordinary request
- **Technical position:** governing body makes a verification in its human resources bank.

Documentation requirements:

- Photocopy of the complete passport of the foreigner with the respective residence visa, proof of procedure or photocopy of application, with stamp of receipt, of the General Directorate of Migration.
- Request signed by the representative of the company that requires the permit, as well as an affidavit of the legal representative of the applicant company declaring to be responsible for the foreigner to hire, and that he can speak and understand the Spanish language.
- Certificate of lack of a criminal record abroad, apostilled.
- Accounting certification stating the percentages of salaries paid on payroll. If the company still does not operate, an affidavit is accepted that stipulates it.
- Act of appointment of the executive position of the foreigner to hire.
- Express declaration of the applicant for commitment to training Guatemalan personnel.



Estimated processing time
61 to 112 days



Estimated cost of processing
US\$ 391

Reference exchange rate US \$ 1 = Q7.67



INVESTMENT LEGAL FRAMEWORK

FOREIGN INVESTMENT LAW • DECREE 9-98

Guatemala grants the foreign investor the same legal treatment as the national investor. When starting a business, a non-national individual may participate in commerce and represent legal entities that have been duly registered according to the requirements of the Commerce Code.

FREE EXCHANGE OF CURRENCIES LAW • DECREE 94-2000

It stipulates the freedom in the disposition, possession, remittance, transfer, purchase, sale, collection and payment of and with currencies, as well as the possession and management of deposits and accounts in foreign currency. The exchange rate calculated and published daily by the Bank of Guatemala will be used for obligations with the State and conflict resolution.

COMMERCE CODE • DECREE 2-70

It is the main legal framework for commercial activity. When starting a business, a non-national individual may participate in commerce and represent legal entities that have been duly registered according to the requirements of the Commerce Code. Both, non-national individuals and legal entities, can acquire participation as partners or stockholders in Guatemala in any form, even when they are not domiciled in the country. Bearer shares are prohibited.



SPECIAL REGIMES

FREE ZONES LAW • (DECREE 65-89)

Free Zones are guarded and controlled by the customs authority. They can be public or private, and they can be established in any region of the country. Tax benefits include:

- Tax exemption on customs duties and import charges.
- Exemption of Income Tax
- Exemption of Value Added Tax
- Exemption of Tax Stamp and Special Stamped Paper for Protocols.
- These benefits do not apply to all productive sectors. For more information please refer to the Free Zones Law : Decree 65-89

FREE ZONE OF INDUSTRY AND COMMERCE

“SANTO TOMÁS DE CASTILLA” • ZOLIC BY ITS ACRONYM IN SPANISH, DECREE 22-73

It is an extra-customs area, located in Puerto Santo Tomás de Castilla, Izabal. It is managed by ZOLIC, a state institution with legal personality and its own assets. Tax benefits include:

- Exemption of Income Tax
- Exemption of Value Added Tax
- Exemption Tax Stamp
- Exemption of customs duties and import charges



INVESTMENT LEGAL FRAMEWORK

PUBLIC SPECIAL ECONOMIC DEVELOPMENT ZONES ZDEEP BY ITS ACRONYM IN SPANISH

They are considered as an extra-customs area, located outside the national customs territory aimed for industrial, commercial and services activities. Other permitted operations include export and import to foreign markets and to the national customs territory, transfer of products made in a ZDEEP to other tax deposits as well as to other ZDEEPs, other regimes, ports, borders and airports.

ZDEEPs can be established in any part of the territory of Guatemala. They can settle within ZOLIC or in private land granted in lease or usufruct to ZOLIC, and land owned by the state/municipalities.

Criteria to approve a ZDEEP:

- Extension: 10,000 mt²
- Less than 10,000 mt²: 400 direct and permanent jobs (Based on economic impact).
- Installed Users: Minimum 2 (Administrator and productive user).
- Single user: It must justify economic impact and job creation.

LAW FOR THE CONSERVATION OF EMPLOYMENT • DECREE 29-89

Its purpose is to promote and develop the production of merchandise aimed for export or re-export, without the need to operate within a free zone. Tax benefits include:

- Temporary suspension of import duties and VAT on raw material
- Suspension of import duties and VAT on samples
- Exemption/suspension of import duties and VAT on machinery and equipment.
- Exemption of import duties on butane gas.
- Exemption of VAT on local production supplies
- Exemption of 100% of Income Tax for 10 years, exclusively for the textile industry and call centers.

INCENTIVES FOR THE DEVELOPMENT OF RENEWABLE ENERGY PROJECTS • DECREE 52-2003

The incentives apply to municipalities, the National Institute of Electrification (INDE in Spanish), joint ventures, legal entities, and individuals who carry out energy projects with renewable energy resources. The incentives are:

- Exemption of import duties, including VAT
- Exemption of Income Tax
- Exemption of the Commercial and Agricultural Companies Tax (IEMA in Spanish)



LABOR AND SOCIAL SECURITY

The employment relationship is formalized with an employment contract. This can be registered online, on the Ministry of Labor website. A trial period of 2 months is allowed before being definitively hired.

LABOR OBLIGATIONS OF EMPLOYERS

- File within the first 2 months of the year a report at the Labor Statistics department detailing information about the employees and the company.
- Nursery when having more than thirty female workers.
- Payment of travel expenses if workers travel abroad or within the country.
- Recognize unions and comply with collective agreements.
- Proportional compensation for the time worked when unfair dismissal.
- Contribute to the Guatemalan Social Security Institute (IGSS in Spanish). The company covers 10.67% of the employee's monthly salary while the employee covers 4.83%.
- Contribute to the Technical Institute of Training and Productivity (INTECAP in Spanish), which represents 1% of the employee's monthly salary.
- Contribute to the Recreation Institute for Private Sector Workers of Guatemala (IRTRA in Spanish), which represents 1% of the monthly salary paid to its employees.

FAIR CAUSES OF DISMISSAL

- If the worker does not show up two days in a row or 6 days in the same month, without a fair cause.
- When revealing sensitive information, and when violating a non-disclosure agreement.
- When having to serve a sentence.
- Any serious offense that is contemplated in the employment contract.

LABOR BENEFITS

- Seventh day off, after working 6 consecutive days. If you work it must be paid as "overtime".
13 recognized national holidays.
- After a year of uninterrupted work, the employee must be granted at least 15 days of vacation.
- Annual bonus: equal to 100% of an ordinary salary, must be paid in one payment on July 15th.
- Christmas bonus: equal to 100% of the ordinary salary, payable in 2 installments, the first half on December 15th and the second half on January 31st
- Compensation, applies in case of dismissal when there is an indefinite contract, and is equivalent to a monthly salary per year worked.
- Grant permits with pay to employees in the events set out by law (death of spouse, marriage, birth of child, subpoenas, and union duties).



LABOR AND SOCIAL SECURITY

WORKING SHIFTS MUST FALL WITHIN THE FOLLOWING RANGE:



DAYTIME

06:00 – 18:00

8 hours Maximum work hours
44 hours Maximum weekly work



NIGHTTIME

18:00 – 06:00

6 hours Maximum work hours
36 hours Maximum weekly work



COMBINED

Daytime-nighttime

7 hours Maximum work hours
42 hours Maximum weekly work

*The ordinary workday could be extended up to 4 hours a day.
Every extra hour must be paid 1.5 times the regular hour payment.*

WAGES

The minimum wage is established by the Guatemalan Government, currently it is in force in the following structure:

AGRICULTURAL AND NON AGRICULTURAL ACTIVITIES	EXPORT AND LIGHT MANUFACTURING ACTIVITIES
US\$ 12.16* per day	US\$ 11.11* per day
US\$ 364.8 per month	US\$ 333.3 per month
US\$32.60 (bonuses)	US\$ 32.60 (bonuses)
US\$ 397.52 monthly	US\$ 365.9 monthly

The Labor Code (Decree 1441) is the main regulatory framework in terms of labor relations; it creates the institutions that provide oversight over labor dispute settlement and enforcement. Another legislation related to labor relations is the Constitution of Guatemala, Convention 175 of the International Labor Organization, the Labor Code, Decree 19-2018, and Government Accord 242-2018.

Source: Guatemalan Institute of Social Security (IGSS 2017); Labor Code (Decree 1441); Ministry of Public Finances - Government Accord 242-2018

**The amounts can vary according to the current reference exchange rate, the reference exchange rate for this document is US\$1 = 7.64*



TRADE AND INVESTMENT AGREEMENTS



TRADE AGREEMENTS

Partial Scope Agreements: Belize (f), Cuba (f), Ecuador (f) y Venezuela (f). **Free Trade Agreements (FTA)** Chile (f), Taiwan (f), Colombia (f), Dominican Republic (f), DR-CAFTA (f), México (f), Panamá (f), Israel (n), Canada (n), United Kingdom (f), South Korea (n) and Peru (s). **Regional Integration:** Central American Economic Integration (F). **Association Agreement:** European Union (F).

BILATERAL INVESTMENT TREATIES

Argentina, Austria, Belgium-Luxembourg Economic Union, Chile, Cuba, Czech Republic, Finland, France, Germany, Israel, Italy, The Netherlands, Republic of Korea, Spain, Switzerland, Chinese Taipei, Trinidad and Tobago, Turkey, Sweden



TAX OBLIGATIONS

The Superintendency of Tax Administration (aka SAT in Spanish) - is the customs governing body. The company needs to be registered in the Mercantile Registry in order to be granted with the Unified Tax Registry (aka RTU in Spanish), and the Tax Identification Number (aka NIT in Spanish). Once the NIT is obtained, the company can start operating and billing. *Any company may activate its virtual agency in the SAT web portal, which will allow you to perform several steps electronically, including:*



Data update
annually



Verify declaration
status



Authorization of
electronic invoices

VALUE ADDED TAX • VAT • (AKA IVA IN SPANISH)

The VAT is 12% of the price generated by the sale, provision of services, imports, leasing, the adjudication of movable and immovable property in payment of debts and the donation of movable and immovable goods. It must be included in the sale price.

INCOME TAX • (AKA ISR IN SPANISH)

Tax that falls on income or profits obtained by individuals; legal entities (companies, foundations, associations, amongst others; or national or foreign assets, resident or non-resident. *It taxes three types of income: lucrative activities, capital income and labor income.* There are 2 regimes you can opt for:

- **Payments on profit - 25%** (expenses are deductible)
- **Optional Regime** - 5% based on brute income (paid over the first Q30,000) and 7% once over Q30,000 (per month/year)





TAX OBLIGATIONS

SINGLE TAX ON PROPERTIES • (AKA IUSI IN SPANISH)

This tax falls on rustic or rural and urban real estate, including land, structures, constructions and facilities of the property and its improvements, as well as permanent crops. The proceeds go to municipalities directly.

To be paid quarterly or annually. The ranges vary according to the value of the property:

 RANGE	 RATE
Up to US\$260	Exempted
From US\$ 261 to US\$2,610	1% per thousand
From US\$2,611 to US\$9,125	6% per thousand
From US\$ 9,126 onwards	9% per thousand

Note: These are the main taxes related to investment. There may be other taxes, depending on the economic activity that is carried out. There is a regulatory framework that regulates each tax which can be consulted at:



portal.sat.gob.gt/portal/biblioteca-en-linea-sat/legislacion-2/

Reference exchange rate US \$ 1 = Q7.67