



# Taxation of international executives: Guatemala



August 2023

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**01**

# **Overview and Introduction**

# 1 Overview and Introduction

If an individual's length of stay in Guatemala is less than 12 months, taxable income is projected to a complete year and the tax liability calculated on that value and prorated to the actual period of the stay. The entire amount of taxable income is subject to the rate applicable to the bracket in which total taxable income falls.

Residents and non-residents are taxed on Guatemalan-source income only.

The official currency of Guatemala is the Guatemalan Quetzal (GTQ).

Herein, the host country/jurisdiction refers to the country/jurisdiction to which the employee is assigned. The home country/jurisdiction refers to the country/jurisdiction where the assignee lives when they are not on assignment.

**02**

# **Income tax**

# 2 Income Tax

## 2.1 Tax Returns and Compliance

### When are tax returns due? That is, what is the tax return due date?

Employers withhold the income tax liability for all its employees, including any international delegate every month and files the returns during the 10 working days of the following month. Therefore, employers are the responsible for filing a summary return showing the withholding tax performed to all its employees. The summary tax return related with the withholdings performed to the employees during a fiscal year has to be filed on February, next fiscal year.

### What is the tax year-end?

31 December.

### What are the compliance requirements for tax returns in Guatemala?

#### Residents

Employers estimate the income tax liability of the employees in January each year, based on employees' wages. Because some deductions are available, the exact amount might vary at the end of the fiscal year.

#### Non-residents

No tax returns have to be filed by non-residents. The employer is responsible for withholding the income tax liability to non-residents and has to file a withholding tax return before the tax authorities.

## 2.2 Tax rates

### What are the current income tax rates for residents and non-residents in Guatemala?

#### Residents

Income tax for residents is calculated by applying a progressive tax rate schedule to taxable income as follows.

#### Income tax table for 2023, 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

## Non-residents

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

## 2.3 Residence rules

### For the purposes of taxation, how is an individual defined as a resident of Guatemala?

An individual is considered as tax resident if they have been living in the country/jurisdiction for 183 days in a year. 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 before the labor ministry. Upon receipt of the work permit, the worker should be included in the payroll and treated as a Guatemalan employee.

**Is there, a de minimus number of days rule when it comes to residency start and end date? For example, a taxpayer can't come back to the host country/jurisdiction for more than 10 days after their assignment is over and they repatriate.**

No.

### What if the assignee enters the country/jurisdiction before their assignment begins?

No specific rules would have to be considered; but it is important to obtain the immigration and work permit as soon as possible. This is more important when the assignment is going to be for more than 1 year.

## 2.4 Termination of residence

### Are there any tax compliance requirements when leaving Guatemala?

No. It is important to evaluate the submission of a note informing the tax authorities that the delegate will be leaving the country/jurisdiction. The same could be done before the work ministry.

### What if the assignee comes back for a trip after residency has terminated?

Nothing should be done.

## Communication between immigration and taxation authorities

### Do the immigration authorities in Guatemala provide information to the local taxation authorities regarding when a person enters or leaves Guatemala?

No.

## Filing requirements

### Will an assignee have a filing requirement in the host country/jurisdiction after they leave the country/jurisdiction and repatriate?

Final withholding must be performed by the employer up to the last day of the work relationship with the delegate. Also, it is advisable to file a tax return during the first 3 months of the following fiscal year. Contact your local KPMG advisor for a specific evaluation before leaving.

## 2.5 Economic employer approach

**Do the taxation authorities in Guatemala adopt the economic employer approach to interpreting Article 15 of the OECD treaty? If no, are the taxation authorities in Guatemala considering the adoption of this interpretation of economic employer in the future?**

Up to date, there is no information available about this question.

### **De minimus number of days**

**Are there a de minimus number of days before the local taxation authorities will apply the economic employer approach? If yes, what is the de minimus number of days?**

Up to date, no applicable.

## 2.6 Types of taxable compensation

**What categories are subject to income tax in general situations?**

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

- salary
- bonus
- cost-of-living allowance
- free or below-market-value use of accommodation provided by an employer
- reimbursement of moving expenses
- children's' education allowance
- housing allowances
- home leave
- Employer-provided domestic assistance.

### **Intra-group statutory directors**

**Will a non-resident of Guatemala who, as part of their employment within a group company, is also appointed as a statutory director (i.e. member of the Board of Directors in a group company situated in Guatemala) trigger a personal tax liability in Guatemala, even though no separate director's fee/remuneration is paid for their duties as a board member?**

Since no fee/remuneration is paid by the Guatemalan Company, no. Notwithstanding each specific case must be evaluated by a Guatemalan tax professional before setting up.

**a) Will the taxation be triggered irrespective of whether or not the board member is physically present at the board meetings in Guatemala?**

See comments above.

**b) Will the answer be different if the cost directly or indirectly is charged to/allocated to the company situated in Guatemala (i.e. as a general management fee where the duties rendered as a board member is included)?**

Yes; each specific case must be evaluated by a Guatemalan tax professional before setting up.

**In the case that a tax liability is triggered, how will the taxable income be determined?**

See comments above about nonresident tax rate.



## 2.7 Tax-exempt income

Are there any areas of income that are exempt from taxation in Guatemala? If so, please provide a general definition of these areas.

In general, the following may be tax exempt in Guatemala:

- Christmas bonus
- Fourteen bonuses.
- Severance payments

### Provision of a company car

If the employer buys the car and it is provided without any charge to the employee, it could be exempt, but the specific case should be reviewed.

### Christmas bonus

This is a specific exempt income included in the income tax law of Guatemala.

### Fourteen bonuses

This is a specific exempt income included in the income tax law of Guatemala.

## 2.8 Expatriate concessions

Are there any concessions made for expatriates in Guatemala?

No.

## 2.9 Salary earned from working abroad

Is salary earned from working abroad taxed in Guatemala? If so, how?

It could be taxed in Guatemala and in order to determine how, a specific analysis should be performed, considering the length of time, conditions and activities performed, who is the beneficiary of those services (Guatemalan or foreign Company), among others.

## 2.10 Taxation of investment income and capital gains

Are investment income and capital gains taxed in Guatemala? If so, how?

Yes. Investment on the gross income obtained; for capital gains, on the gain that results from the difference between the sale price and the book value. The sale of house furniture or personal items is not taxable.

### Dividend, interest, and rental income

Only incomes obtained from activities and investments in Guatemala would be taxable; any other scenario should be evaluated separately.

### Gains from stock option exercises (taxed at the point of sale of the underlying shares)

Only incomes obtained for activities or investments in Guatemala would be taxable; any other scenario should be evaluated separately.

### Foreign exchange gains and losses

Due to Free Foreign Currency Trading, companies consider many procedures for paying the salaries to its employees. For this case, the specific scenario should be evaluated separately.

### Principal residence gains and losses

Only incomes obtained for activities or investments in Guatemala would be taxable; any other scenario should be evaluated separately.

### Capital losses

Only incomes obtained for activities or investments in Guatemala would be taxable; any other scenario should be evaluated separately.

### Personal use items

Personal items should not be taxable.

### Gifts

Gifts should be taxable, but particular cases should be evaluated.

## 2.11 Additional capital gains tax (CGT) issues and exceptions

### Are there additional capital gains tax (CGT) issues in Guatemala? If so, please discuss?

No, see general comments above.

### Are there capital gains tax exceptions in Guatemala? If so, please discuss?

See general comments above.

### Pre-CGT assets

See general comments above.

### Deemed disposal and acquisition

See general comments above.

## 2.12 General deductions from income

### What are the general deductions from income allowed in Guatemala?

The following items of expenditure may be deducted from taxable income:

- social security contributions
- life insurance payments
- Donations

Additionally, resident is entitled to a personal tax allowance of GTQ48,000.

## 2.13 Tax reimbursement methods

### What are the tax reimbursement methods generally used by employers in Guatemala?

The income tax law establishes that the employer is responsible for the reimbursement of the income tax withheld in excess to its employees (only during the period of time they have a work-relationship). There is a procedure for employers for recover before the Tax Authorities those amounts reimbursed to its employees.

## 2.14 Calculation of estimates/ prepayments/ withholding

How are estimates/prepayments/withholding of tax handled in Guatemala? For example, Pay-As-You-Earn (PAYE), Pay-As-You-Go (PAYG), and so on.

Could be similar to PAYE, since there is a projection of the income at the beginning of the fiscal year which is updated every month based on the real income obtained by the employee. The projection is for the full fiscal year and the income tax determined is withheld on prorated amount, for 12 months.

When are estimates/prepayments/withholding of tax due in Guatemala? For example: monthly or quarterly, annually, both, and so on.

Monthly.

## 2.15 Relief for foreign taxes

Is there any Relief for Foreign Taxes in Guatemala? For example, a foreign tax credit (FTC) system, double taxation treaties, and so on?

No.

## 2.16 General tax credits

What are the general tax credits that may be claimed in Guatemala? Please list below.

None.

## 2.17 Sample tax calculation

This calculation assumes a married taxpayer resident in Guatemala with two children whose 3-year assignment begins 1 January 2021 and ends 31 December 2023. The taxpayer's base salary is 100,000 US dollars (USD) and the calculation covers 3 years.

Years of income	2021 USD	2022 USD	2023 USD
Salary	100,000	100,000	100,000
Bonus	20,000	20,000	20,000
Cost-of-living allowance	10,000	10,000	10,000
Housing allowance	12,000	12,000	12,000
Company car	6,000	6,000	6,000
Moving expense reimbursement	20,000	0	20,000
Home leave	0	5,000	0
Education fee	3,000	3,000	3,000
Interest income from non-local sources	6,000	6,000	6,000

Exchange rate used for calculation: USD1.00 = GTQ7.70.

### Other assumptions

- All earned income is attributable to local sources.
- Bonuses are paid at the end of each tax year and accrue evenly throughout the year.
- Interest income is not remitted to Guatemala.
- The company car is used for business and private purposes and originally cost USD50,000.
- The employee is deemed resident throughout the assignment.
- Tax treaties and totalization agreements are ignored for the purpose of this calculation.

### Calculation of taxable income (in italics are amounts not included in taxable income)

Year-ended	2021 GTQ	2022 GTQ	2023 GTQ
<b>Days in Guatemala during year</b>	<b>365</b>	<b>365</b>	<b>365</b>
Earned income subject to income tax			
Salary	100,000	100,000	100,000
Bonus	20,000	20,000	20,000
Cost-of-living allowance	10,000	10,000	10,000
Net housing allowance	12,000	12,000	12,000
Company car	6,000	6,000	6,000
Moving expense reimbursement	20,000	0	20,000
Home leave	0	5,000	0
Education allowance	3,000	3,000	3,000
Total earned income	171,000	156,000	171,000
Other income	0	0	0
Total income	171,000	156,000	171,000
Deductions	14,493	13,768	14,493
<b>Total taxable income</b>	<b>156,507</b>	<b>142,232</b>	<b>156,507</b>

### Calculation of tax liability

	2021 GTQ	2022 GTQ	2023 GTQ
Taxable income as above	156,507	142,232	156,507
Guatemalan tax thereon	10,176	9,177	10,176
Less:			
Domestic tax rebates (dependent spouse rebate)	0	0	0
Foreign tax credits	0	0	0
<b>Total Guatemalan tax</b>	<b>951,778,700</b>	<b>1,105,722,000</b>	<b>1,090,362,600</b>

**03**

**Special considerations  
for short term  
assignments**

# 3 Special considerations for short-term assignments

For the purposes of this publication, a short-term assignment is defined as an assignment that lasts for less than 1 year.

## 3.1 Residency rules

**Are there special residency considerations for short-term assignments?**

Any foreign individual is considered resident after 183 days living in Guatemala.

## 3.2 Payroll considerations

**Are there special payroll considerations for short-term assignments?**

They should not be part of the local payroll before 183 days living in Guatemala.

## 3.3 Taxable income

**What income will be taxed during short-term assignments?**

All remunerations received during the assignment would be taxable.

## 3.4 Additional considerations

**Are there any additional considerations that should be considered before initiating a short-term assignment in Guatemala?**

No.

**04**

# **Other taxes and levies**

## 4 Other taxes and levies

All additional tax information is summarized by Aldana, Rodriguez y Asociados, S.C., the Guatemalan member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee., based on the Social Security Regulation; Immovable Property Law "Decree No. 15-98"; and Estate, Gift and Wealth "Decree No. 431".

### 4.1 Social security tax

**Are there social security/social insurance taxes in Guatemala? If so, what are the rates for employers and employees?**

Employer and employee.

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

The employer withholds the corresponding quotas to the employees.

### 4.2 Gift, wealth, estate, and/or inheritance tax

**Are there any gift, wealth, estate, and/or inheritance taxes in Guatemala?**

A separate tax law relates to inheritance and gifts. The tax rates range from 1 percent to 7 percent for bequests or gifts to spouses or children. Various rates up to 13 percent apply to bequests to other relatives. Gifts to unrelated parties are taxed at rates between 9 percent and 25 percent.

### 4.3 Real estate tax

**Are there real estate taxes in Guatemala?**

Immovable property is subject to real state tax at the following rates .

	Taxable amount		
	From GTQ	To GTQ	Rate
0	2,000	0.0	0
2,001	20,000	0.2 per thousand	2,001
20,001	70,000	0.6 per thousand	20,001
70,001	Over	0.9 per thousand	70,001

### 4.4 Sales/VAT tax

**Are there sales and/or value-added taxes in Guatemala?**

Sales of goods and services are taxed with a 12 percent tax rate.



## 4.5 Unemployment tax

Are there unemployment taxes in Guatemala?

No.

## 4.6 Other taxes

Are there additional taxes in Guatemala that may be relevant to the general assignee? For example, customs tax, excise tax, stamp tax, and so on.

No.

### Foreign Financial Assets

Is there a requirement to declare/report offshore assets (e.g. foreign financial accounts, securities) to the country/jurisdiction's fiscal or banking authorities?

For individuals (local employees or international assignees in a work relationship), no.

**05**

# **Immigration**

# 5 Immigration

In Guatemala all migratory features are managed by the Guatemalan Institute of Migration in accordance with the Migration Code and in a general overview the immigration status is regulated in accordance with the purpose for their entry and permanence.

- Tourist or traveler: Tourists or travelers are foreigners who have entered regularly for lawful purposes, without the purpose of obtaining a temporary or permanent residence, whose term may not be longer than 90 days, extendable only once.

The technical, professional, scientific, cultural, sports or religious people, who for reasons of their knowledge are required by public or private institutions, to remain and develop a paid consultation or advisory activity for a period that does not exceed 180 days.

- Temporary resident, includes various categories according to their purposes of permanence in the country/jurisdiction and are:

- **Migrant workers:** Foreigners who have been authorized to remain in the country/jurisdiction to engage in the exercise of a lawful, remunerated activity, under the dependence and direction of an employer. Migrant workers may apply for temporary residence for a period of 1-5 years.

The labor law prohibits hiring more than 5 percent of foreign employees and paying national employees less than 85 percent of the total wages earned.

- **Students:** Foreigners authorized to reside in the country/jurisdiction for reasons of study of any of the educational levels. The student's temporary residence status will be authorized for the period corresponding to the educational cycle or the duration of the university courses.
  - **Athletes and artists:** Foreigners hired by legal or individual persons who provide their specialized services as athletes or artists, will be authorized temporary residence status in accordance with the period of duration of the specific contract or for a maximum period of 5 years.
  - **Investors:** Foreigners who make investments in the country/jurisdiction will be authorized for a term not exceeding 5 years.
  - **Intellectuals, researchers and scientists:** Those who are engaged in scientific, research and academic activities that are hired by entities to carry out their own work, will be authorized temporary residence status for a period not exceeding 5 years.
  - **Ministers of worship or religious:** Ministers of worship or foreign religious belonging to a religious entity officially recognized by the State will be authorized temporary resident status for a period not exceeding 5 years.
- Permanent resident, may opt to be permanent residents who:
    - They have been temporary residents for a period equal to or greater than 5 years.
    - Have a year or more of having married or declared a de facto union with a Guatemalan person.
    - The relatives, within the degrees of law, of a Guatemalan person who have another nationality.
    - Those born in other countries/jurisdictions of Central America when they have been temporary residents for a period of 1 year.
    - The retirees or pensioners, who are the persons who have been authorized to reside in the country/jurisdiction and who have lawful permanent income from abroad.

The children of people who have applied for temporary resident status in any of the categories may acquire student status at any level of the national education system with the declaration of the father or mother, letter of acceptance from the educational center where they will be registered and the indication of the degrees that they will take according to the provisions of the corresponding educational center.

The classification for purposes of exemption and mandatory visa for entry into national territory depends on the nationality of the person, is the starting point to verify the category in which it is classified according to the following:

Category “A” does not require a visa, you can enter the country/jurisdiction without any impediment.

Category “B” requires a visa without guarantor and must be processed beforehand at an airport in Guatemala

Category “C” requires a visa with guarantor previously constituted in Guatemala and having been approved it is necessary to go to the embassy of the traveler's country/jurisdiction to process the visa.

To obtain a visa and work permit, applications must be made in accordance with the category of the applicant and proceed as required before the Guatemalan governments' office accredited abroad or directly at the Guatemalan Institute of Migration.

In order to obtain a work permit, it is recommended to formalize the relationship prior traveling to Guatemala in accordance with the visa category you require, having as a condition that to be able to begin obtaining the employment relationship, the authorization by the corresponding government and before expiring the Migration or work permit carry out renovations.

KPMG in Guatemala is an entity specialized in migratory aspects to which we invite you to go to avoid any inconvenience that may arise before the Guatemalan authorities.

## 5.1 International Business Travel/Short-Term Assignments

Describe (a) which nationalities may enter Guatemala as non-visa national, (b) which activities they may perform and (c) the maximum length of stay.

Alemania	Japón
Andorra	Kuwait
Antigua y Barbuda	Letonia (Latvia)
Arabia Saudita	Liechtenstein
Argentina	Lituania
Australia	Luxemburgo
Austria	Macedonia
Bahamas	Madagascar
Bahrén	Malasia
Barbados	Malta
Bélgica	México, Estados Unidos
Belice	Mónaco
Brasil	Nicaragua
Brunei-Darussalam	Noruega
Bulgaria	Nueva Zelanda
Canadá	Panamá
Chile	Paraguay
República de China (Taiwán)	Perú

Chipre	Polonia
Colombia	Portugal
Corea del Sur (República de)	Qatar
Costa Rica	Reino de los Países Bajos (Holanda)
Croacia	Reino Unido de Gran Bretaña e Irlanda del Norte y Regiones Administrativas Especiales de la República Popular China: Hong Kong (Ver *). A los originarios de los otros territorios británicos se les dará tratamiento de exento de visa (A)
Dinamarca	República Checa
El Salvador	República Dominicana
Emiratos Arabes Unidos	Rumania
Eslovaquia	Rusia, Federación de
Eslovenia	San Kitts y Nevis
España	San Marino
Estados Unidos de América	San Vicente y Granadinas
Estonia	Santa Lucía
Fiji	Santa Sede (Ciudad del Vaticano)
Finlandia	Santo Tomé y Príncipe
Francia	Singapur
Grecia	Sudáfrica
Honduras	Suecia
Hungría	Suiza, Confederación
Irlanda	Trinidad y Tobago
Islandia	Turquía
Islas Marshall	Tuvalu
Islas Salomón	Ucrania
Israel	Uruguay
Italia	Vanuatu
Islandia	
Islas Marshall	

They can carry out work activities, with a work permit previously authorized by the Ministry of Labor. Can be in Guatemala for a maximum of 90 days, extendable.

**Describe (a) the regulatory framework for business traveler being visa nationals (especially the applicable visa type), (b) which activities they may perform under this visa type and the (c) maximum length of stay.**

Category B Consular visa.

Category C. Consulted Visa

He can carry out work activities, with a work permit previously authorized by the Ministry of Labor. Can be in Guatemala for a maximum of 90 days, extendable.

**Outline the process for obtaining the visa type(s) named above and describe (a) the required documents (including any legalization or translation requirements), (b) process steps, (c) processing time and (d) location of application.**

Category B. The person concerned requires authorization from the Guatemalan Consulate of the nearest country.

Category C. The guarantor requests the authorization in Guatemala and if approved, it is sent to the nearest Consulate where the person concerned is located.

1. Passport and legalized copy
2. Passport validity certificate.
3. Lack of police and criminal records with legal passes.
4. Demonstrate economic capacity with recent proof of income and account statements, with legal passes.
5. Transportation ticket -Roundtrip-
6. Previously authorized Guatemalan guarantor.

**Are there any visa waiver programs or specific visa categories for technical support staff on short-term assignments?**

N/A.

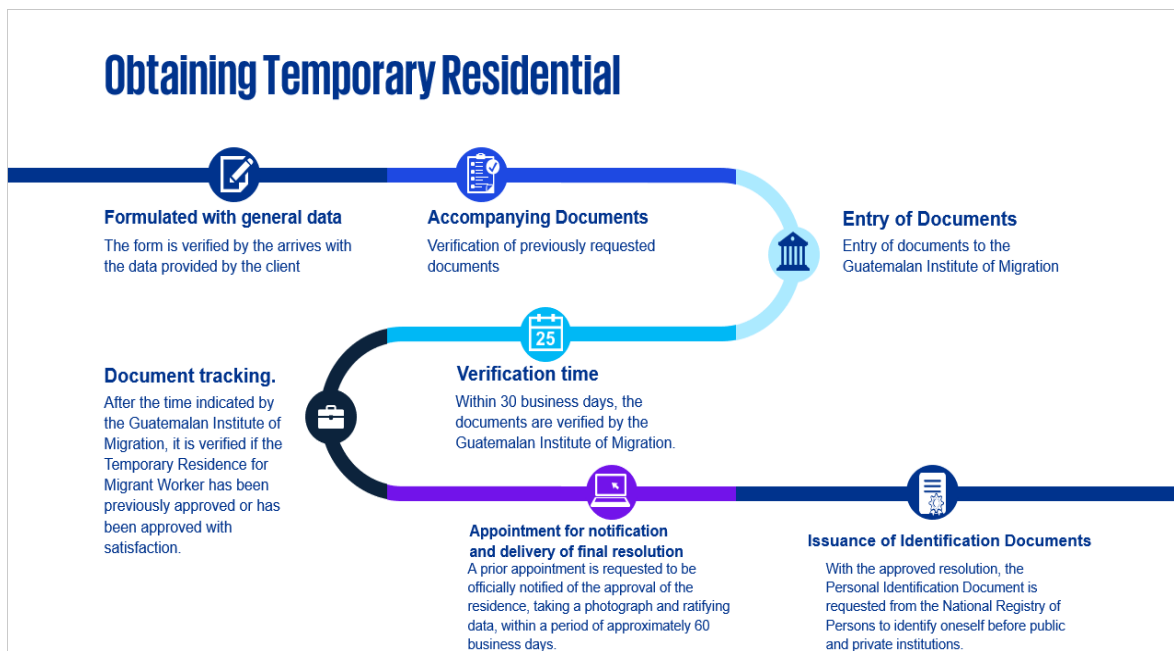
## **5.2 Long-Term Assignments**

**What are the main work permit categories for long-term assignments to Guatemala? In this context outline whether a local employment contract is required for the specific permit type.**

Does not apply categories of work permits. You need to have an employment contract.

**Provide a general process overview to obtain a work and residence permit for long-term assignments (including processing times and maximum validation of the permit).**

- Migrant worker passport
- Passport Certificate
- Lack of criminal and police records
- Migratory Movement.
- Letter Job Offer
- Guatemalan guarantor and proof of payment.



**Is there a minimum salary requirement to obtain a long-term work and residence permit for assignments? Can allowances be taken into account for the salary?**

Minimum it will be approximately USD 1200.

**Is there a fast-track process which could expedite the visa/ work permit?**

N/A

**At what stage is the employee permitted to start working when applying for a long-term work and residence permit (assignees/ local hire)?**

After he obtains work permit from Ministry of Labor.

**Can a short-term permit/ business visa be transferred to a long-term permit in Guatemala?**

N/A

**Is it possible to renew work and residence permits?**

It is possible.

**Is there a quota or system or a labor market test in place?**

USD 450.

## 5.3 General Immigration Related Questions

**Would it be possible to bring family members to Guatemala?**

It is possible.

**Is it possible to obtain a permanent residence permit?**

It is possible after 5 years of temporal residence.

**What if circumstances change after the Work and Residence application process?**

N/A

**How long can a permit holder leave Guatemala without their permit becoming invalid?**

It is no allowed.

**Must immigration permissions be cancelled by the end of the assignment/employment?**

Yes, it has to.

**Are there any penalties for individuals and/or companies in place for non-compliance with immigration law?**

Administrative fines and expulsion in case.

## **5.4 Other Important Items**

**List any other important items to note, or common obstacles faced, in Guatemala when it comes to the immigration processes.**

Not having the complete and recent necessary documents.

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