



GLOBAL EMPLOYER GUIDE

GUATEMALA





Basic Country Facts

Full Name

- Republic of Guatemala

Capital

- Guatemala City

Main Languages

- Spanish
- Mayan languages

Population

- 17.25 million

Monetary Unit

- Guatemalan quetzal

Internet Domain

- .gt

International Dialing Code

- +502

Currency

- Guatemalan quetzal

STATUTORY LABOR REQUIREMENTS

Probation Period

- The first two months of an indefinite contract are considered probationary.

Annual Leave

- Employees are generally entitled to 15 days of paid annual leave after working for at least 150 days.
- Vacations should be paid in advance.

Public Holidays

- New Year's Day (1st January)
- Maundy Thursday (9th April)
- Good Friday (10th April)
- Holy Saturday (11th April)
- Labor Day (1st May)
- Armed Forces Day (29th June)
- Independence Day (Guatemala) (15th September)
- Revolution Day (20th October)
- All Saints' Day (1st November)
- Christmas Eve (24th December)
- Christmas Day (25th December)
- New Year's Eve (31st December)

Maternity Leave

- The law postulates that female workers are entitled to 12 weeks (84 days) for maternity leave.
- This includes 30 days prior to birth and 54 days afterward.
- The leave is paid 100% by both the employer and government social security

Paternity Leave

- Fathers are entitled to 2 days of paid paternity leave.



Sick Leave

- Employees are generally entitled to at least 5 days of paid sick leave.

Work Hours

- For daytime work, the ordinary working hours are 44 hours a week (any time worked over 44 hours is classed as extraordinary work (or overtime) and is paid as such accordingly).
- For night work, or mixed night work and daytime work, the ordinary working hours per week can vary.



Notice Period

- Each individual employment contract will govern the notice period to be given by employees who wish to terminate their indefinite period contract.
- If the contract has no provisions to this effect, the law provides statutory notice periods depending on the duration that the employee has been providing their services:
 - Before six months of continuous service, the notice period is at least one week.
 - Between six months and one year of continuous service, the notice period is at least ten days.
 - Between one year and five years of continuous service, the notice period is at least two weeks.
 - After five years of continuous service, the notice period is at least one month.
- These statutory notice periods are not binding on the employer, and the employer must only provide a notice period where the employment contract stipulates that this applies.

Overtime

- Any work carried out beyond the standard working time restrictions is considered extraordinary hours (overtime), and is subject to an additional payment of 50% of the employee's contracted salary.
- In any event, both standard working time and overtime cannot exceed a total of 12 hours a day.



Severance

- If the dismissal occurs without a just cause, the law requires the payment of a severance amount for damages, equivalent to one month's salary for each year of continuous service (or in proportion to the period of continuous service where this is less than one year).
- The monthly salary is not limited to basic or nominal salary alone, and is calculated on the basis of the employee's last six months of salary, including all payments received (for example, bonuses and other applicable employee benefits).
- In addition, Guatemalan labour law also has a specific legal concept known as "economic advantages" (ventajas económicas), which comprises all non-cash benefits granted by the employer to the employee (such as health or life insurance, company vehicles and mobile phones, cafeteria or other food services, and so on).
- These benefits are calculated as comprising 30% of the total salary for the purposes of calculating the severance payment, and so where these non-cash benefits have been provided by the employer, this additional payment of 30% of salary will be added to the total amount payable as part of the severance payment.

13th Month

- 13th Month pay is mandatory in Guatemala
- There is a legally mandated productivity bonus of a minimum of GTQ250 per month which must be paid to employees (the employer and employee can agree to a higher productivity bonus if they wish).
- There is also a mandatory mid-year and a Christmas bonus that must be paid to employees

Income Tax

- Resident and nonresident individuals are taxed on Guatemalan-source income only.
- Income taxes for individuals are generated by any remuneration or income in cash, whatever its denomination might be, from personal labor provided in a dependence relationship by individuals residing in the country.
- Both resident and nonresident individuals are subject to tax on Guatemalan-source self-employment and business income derived from ordinary or occasional trade or business.
- Income taxed under this regime shall be imputed to the period when collected by the payee or is available.

Taxable income (GTQ)		Tax on column 1 (GTQ)	Tax on excess (%)	
Over (column 1)	Not Over			
0	300,000	0	5	
300,000		15,000	7	



Social Security

- Social security contributions are levied on salaries, which includes wages and all types of remuneration or payments, regardless of the denomination.
- The contribution rates are 12.67% for employer contributions and 4.83% for employee contributions.
- No limits are imposed on the amount of earnings subject to social security contributions.

Contribution	Employer	Employee
Social Security Contributions	12.67%	4.83%



Deductible Expenses

Personal Deductions

- All individuals, including resident aliens, can deduct the following in determining taxable income.
 - Social security contributions (4.83% of salary).
 - Life insurance premiums.
 - Donations (restrictions may apply).

Standard Deductions

- A standard deduction of GTQ 48,000 is provided in addition to the personal deductions described above.



Deductible Expenses

Personal Deductions	<ul style="list-style-type: none">• Social security contributions (4.83% of salary).• Life insurance premiums.• Donations (restrictions may apply).
Standard Deductions	<ul style="list-style-type: none">• A standard deduction of GTQ 48,000 is provided in addition to the personal deductions described above.



Immigration

Work Permit

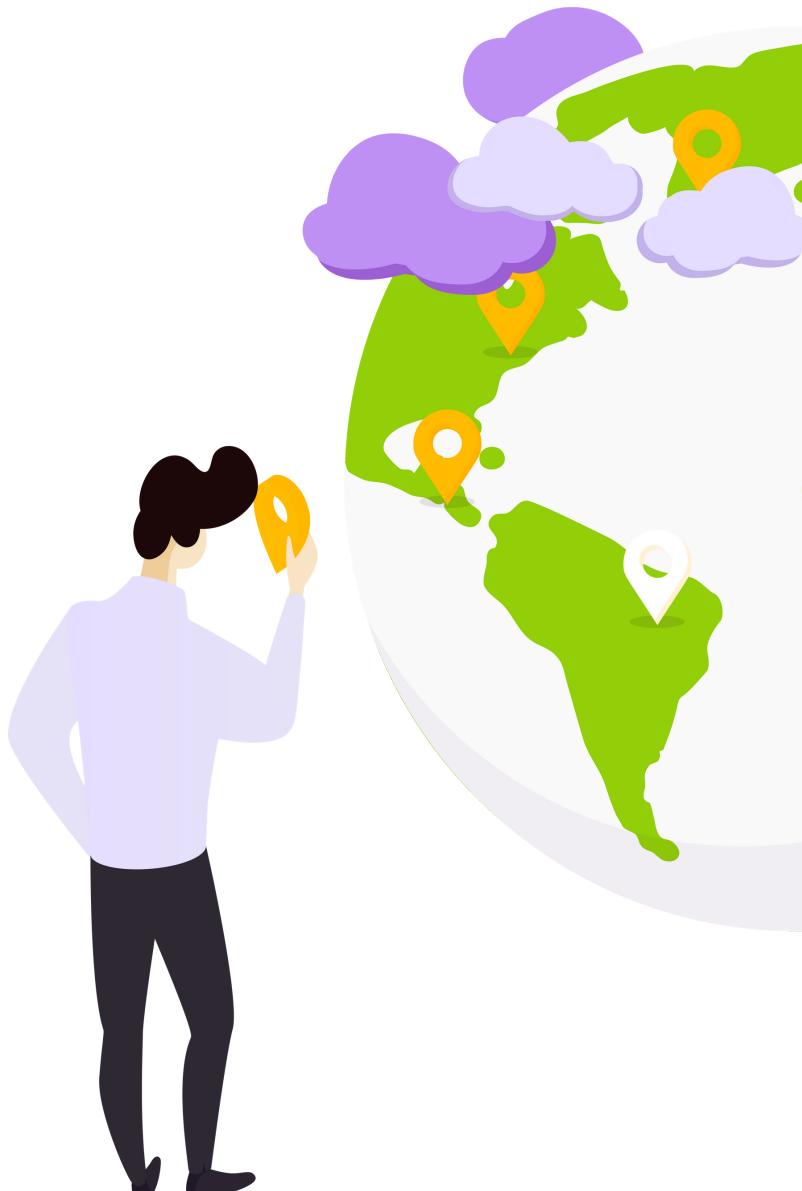
- Before obtaining a work permit in Guatemala, an applicant must request a temporary residence permit
- An application for a work permit is filed by the employer with the General Direction of Employment of the Labor Ministry and must include the following documents:
 - A certified copy of the employee's passport (all pages including the blank ones)
 - Proof that a temporary residence permit has been applied for or granted
 - A certified copy of the applicant's appointment, registered with the corresponding authorities
 - A sworn statement given by the employer that assumes full responsibility for the employee's conduct
 - Accounting certification stating the number of Guatemalan and foreign employees employed by the entity
 - A certified copy of the designation of the foreigner by the employer to execute the job in Guatemala
 - A certified copy of the company's tax identification
 - A certified copy of the nomination of the legal representative of the company
 - A certified copy of the identification of the legal representative of the company

- A certified copy of the business license of the company issued by the Registry of General Commercial Affairs
- A certified copy of the incorporation license of the company issued by the Registry of General Commercial Affairs
- A certified copy of the form for the temporary residence filing application
- For an employee who comes from a non-Spanish-speaking country, a sworn statement indicating that he or she is fluent in Spanish
- For each work permit requested, the employer must pay a fee to the Guatemalan Learning and Training Department.
- This payment serves as evidence of the employer's commitment to the training policies for Guatemalan employees.
- The work permit is valid for renewable periods of one year. A request for an extension must be filed 15 days before the expiration of the period for which the work permit is issued.

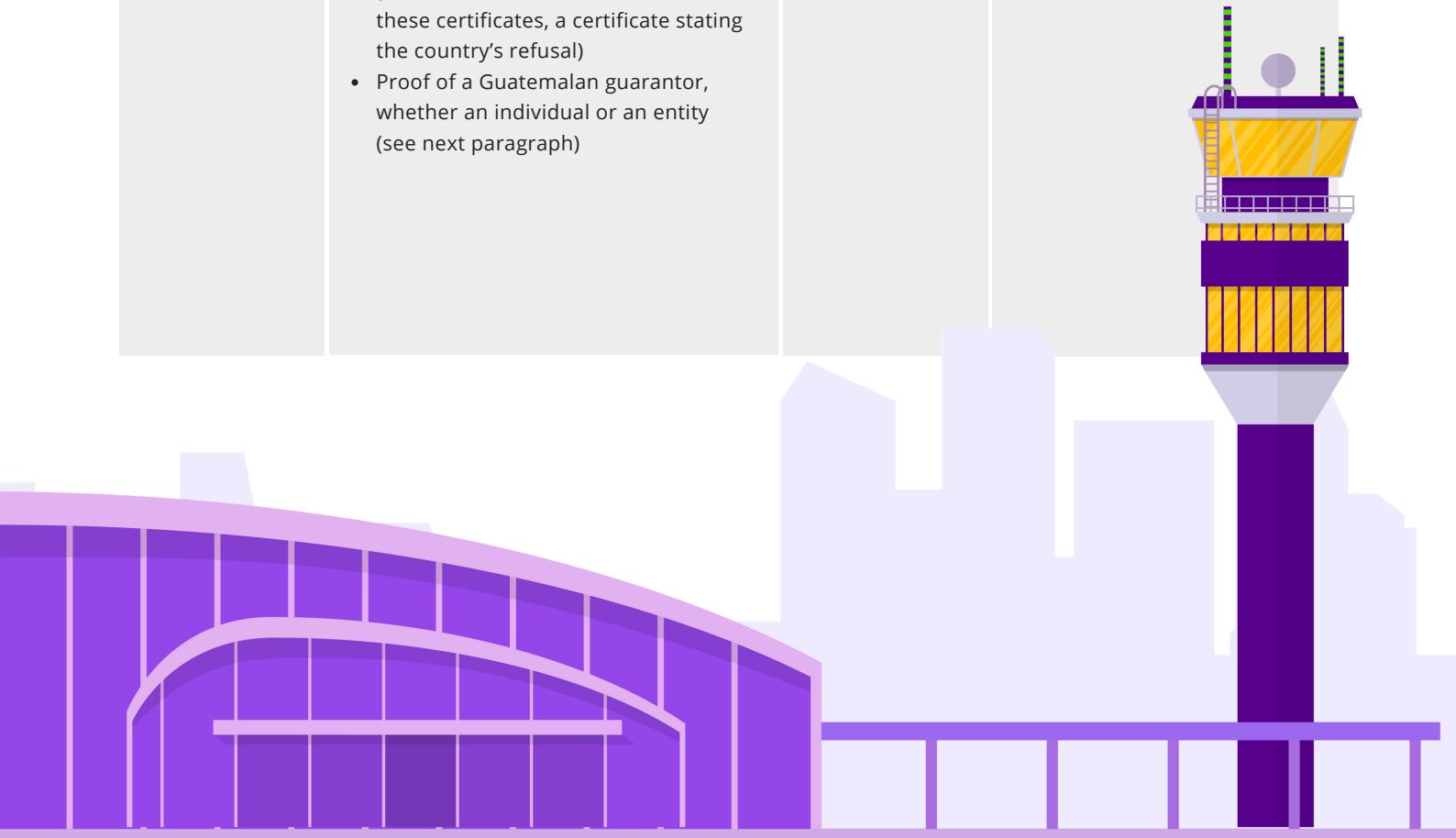
Temporary Residence Permit

- The government of Guatemala may grant residencies to nationals of other countries who are interested in residing at Guatemala as foreign workers, renters, retirees or relatives of nationals.
- An application for a temporary residence permit for a foreign individual in Guatemala must be submitted to and processed by the immigration authorities in Guatemala.
- It must include the following items:

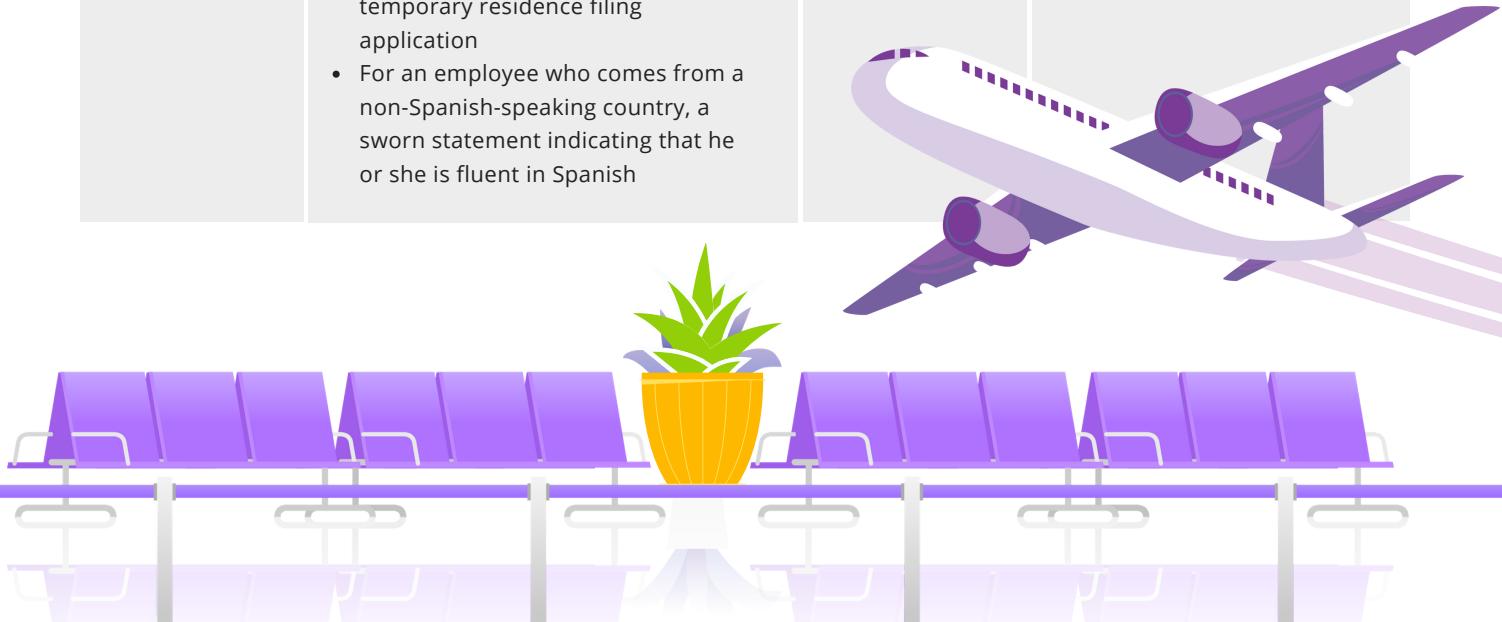
- A form filled out with the personal data of the applicant and the members of the applicant's family who wish to reside in Guatemala
 - A recent photograph
 - Certified copy of the passport Certification stating the validity of the passport and term (in Spanish or in the original language translated into Spanish by a Guatemalan authorized translator) issued by the embassy or consulate in the applicant's country or a birth certificate for persons from countries with which Guatemala does not have diplomatic relations
 - Proof stating that the applicant does not have a criminal record in the country or countries where he or she has lived during the last five years (or, for countries that do not issue these certificates, a certificate stating the country's refusal)
 - Proof of a Guatemalan guarantor, whether an individual or an entity (see next paragraph)
- If the guarantor for an applicant is a legal entity, the following documents are required:
 - Financial statements
 - Legalized copy of the incorporation license
 - Legalized copy of the legal representative's personal identification document
 - Legalized copy of the power of attorney granted to the legal representative
 - Offer of employment letter
- Application requirements may vary from case to case.
 - Consequently, the requirements need to be checked in advance.
 - When the temporary residence permit is granted, the applicant's passport is sealed.
 - A temporary residence permit is valid for up to two years and may be renewed for equal periods.
 - In addition, after a temporary residence permit is granted to an individual, he or she can request permanent residence, which, if granted, guarantees the domicile of the person in the country



Type of Visa	Documentation	Validity	Eligibility
Temporary Residence Permit	<ul style="list-style-type: none"> A form filled out with the personal data of the applicant and the members of the applicant's family who wish to reside in Guatemala A recent photograph Certified copy of the passport Certification stating the validity of the passport and term (in Spanish or in the original language translated into Spanish by a Guatemalan authorized translator) issued by the embassy or consulate in the applicant's country or a birth certificate for persons from countries with which Guatemala does not have diplomatic relations Proof stating that the applicant does not have a criminal record in the country or countries where he or she has lived during the last five years (or, for countries that do not issue these certificates, a certificate stating the country's refusal) Proof of a Guatemalan guarantor, whether an individual or an entity (see next paragraph) 	<ul style="list-style-type: none"> 2 years (may be renewed) 	<ul style="list-style-type: none"> The government of Guatemala may grant residencies to nationals of other countries who are interested in residing at Guatemala as foreign workers, renters, retirees or relatives of nationals.



Type of Visa	Documentation	Validity	Eligibility
Work Permit	<ul style="list-style-type: none"> • A certified copy of the employee's passport (all pages including the blank ones) • Proof that a temporary residence permit has been applied for or granted • A certified copy of the applicant's appointment, registered with the corresponding authorities • A sworn statement given by the employer that assumes full responsibility for the employee's conduct • Accounting certification stating the number of Guatemalan and foreign employees employed by the entity • A certified copy of the designation of the foreigner by the employer to execute the job in Guatemala • A certified copy of the company's tax identification • A certified copy of the nomination of the legal representative of the company • A certified copy of the identification of the legal representative of the company • A certified copy of the business license of the company issued by the Registry of General Commercial Affairs • A certified copy of the incorporation license of the company issued by the Registry of General Commercial Affairs • A certified copy of the form for the temporary residence filing application • For an employee who comes from a non-Spanish-speaking country, a sworn statement indicating that he or she is fluent in Spanish 	<ul style="list-style-type: none"> • 1 year (may be renewed) 	<ul style="list-style-type: none"> • Foreigner who have secured employment in Guatemala and have obtained a temporary residence permit are eligible for work permits



Value Added Tax (VAT)

- The standard VAT rate in Guatemala is 12%.
- There are no reduced VAT rates.
- Exports are VAT exempt with the right to recover input VAT.

VAT	
Standard Rate	12%
Exempt Rate	0%



Withholding Tax

Dividends

- Dividends paid to a resident or nonresident are subject to a 5% withholding tax on the gross amount

Interest

- Interest paid to a resident or nonresident is subject to a 10% withholding tax on the gross amount
- Exemptions are provided for the banking and finance sectors

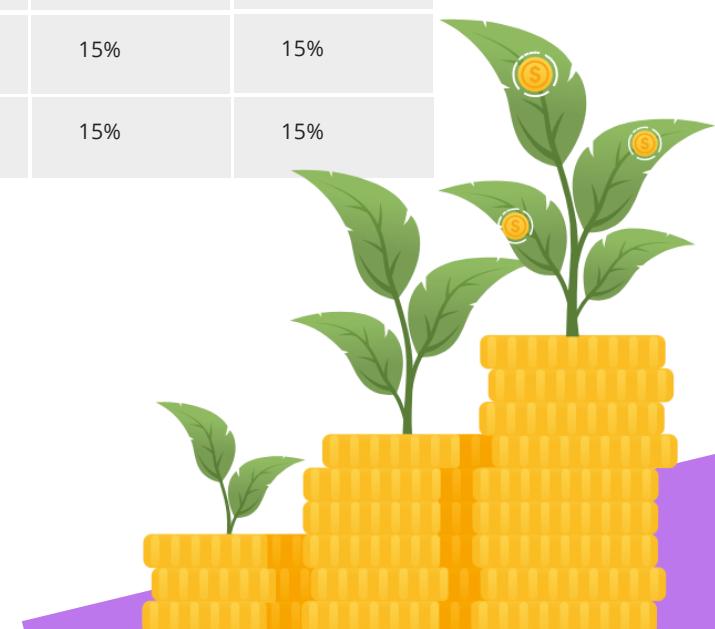
Royalties

- Royalties paid to a resident are not subject to withholding tax
- Royalties paid to a nonresident are subject to a 15% withholding tax on the gross amount

Fees for technical services

- Fees for technical services paid to a resident are not subject to withholding tax
- Fees for technical services paid to a nonresident are subject to a 15% withholding tax on the gross amount
- Technical services include a report, advice, or recommendation of a technical or scientific nature, which is presented in writing and results from the detailed study of facts or available data and is intended to guide action on a stated situation or problem

Type of Payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	5%	5%	5%	5%
Interest	10%	10%	0%/10%	10%
Royalties	0%	0%	15%	15%
Technical Service Fee	0%	0%	15%	15%



Termination

- Each individual employment contract will govern the notice period to be given by employees who wish to terminate their indefinite period contract.
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Statutory Benefits

- These are mandatory benefits as postulated by law
- These include probationary period, annual leave, public holidays, sick leave, maternity leave, paternity leave, overtime pay, severance pay and 13th month pay.
- Statutory benefits also include social security benefits

Statutory Benefits

Probationary Period

Annual Leave

Public holidays

Maternity Leave

Paternity Leave

Sick Leave

Overtime Pay

Severance Pay

13th Month Pay

Social security benefits



Payments and Invoicing

- Employers are responsible for withholding income tax and social security contributions from the employee's salary on a monthly basis.
- Consequently, an annual income tax return is not required for employed individuals if all compensation is subject to withholding at source through the local payroll.
- Self-employed individuals engaged in either commercial or non-commercial activities must issue invoices, and monthly or quarterly income tax reporting is required depending on the tax regime elected by the individual.
- In addition, self-employed individuals must pay VAT and file monthly VAT returns.
- The ordinary tax year runs from 1 January to 31 December.
- Returns must be filed, and any tax liabilities due must be paid within three months after the end of the tax year (31 March).
- Interest and penalty charges are imposed on late payments.
- Nonresident individuals with income subject to tax at a fixed withholding rate are not subject to further taxation and are not required to file an annual income tax return.

Ease of Doing Business

- The ease of doing business index is an index created by Simeon Djankov, an economist at the Central and Eastern Europe sector of the World Bank Group.
- Higher rankings (a low numerical value) indicate better, usually simpler, regulations for businesses and stronger protections of property rights.
- According to the World Bank Guatemala ranked 96th in the World in 2019 in terms of ease of doing business.



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**GX GLOBAL
EXPANSION**

An Equus Software Company