

Amendments to the Tax Update Law (Law that regulates income tax)

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Decree No. 2-2020 of Congress of the Republic of Guatemala was published in the Official Gazette on February 10, 2020. Its purpose is the amendment of the Tax Update Law, which regulates income tax, specifically on the taxation of companies which engage in the international transportation of cargo and persons.

The main tax amendment of this Decree consists of allowing taxpayers (branches, agencies or other permanent establishments in Guatemala of international air transportation companies) to deduct, besides the costs and expenses that the Update Tax Law allows, a proportion of the global costs and expenses that the parent company would report, in accordance with the following formula (using the audited financial statements, apostilled and translated into Spanish):

$$\text{Proportional expenses} = \left[\frac{\text{Income of the branch}}{\text{Global income}} \right] \times \left[\text{Global expenses} = \text{Locally registered expenses} \right] = \text{Locally registered expenses}$$

If the taxpayers do not have the information to determine this deduction, they may opt for the determination of a presumptive income equivalent to 15% of their gross income. A 25% tax rate shall be applied to this taxable income.

This Decree enters into force on February 11, 2020, and the specific income tax regime regulated in it shall be applied starting on January 1, 2021.

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