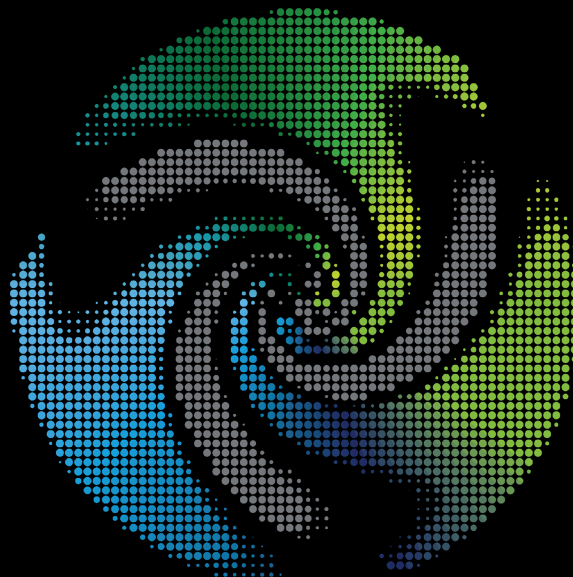


Tax Alert

Tax information



Tax requirements for the offsetting of accounts receivable and payable

As a way to relieve the stress on cash flows caused by the Covid-19 pandemic, companies have offset accounts to settle balances when they have reciprocal accounts payable and receivable with their customers and suppliers, both with third parties and related parties, as well as local entities and non-residents.

In Guatemala, the current legislation establishes that the deductibility of expenses and recognition of tax credits resulting from transactions for amounts starting at thirty thousand quetzales (GTQ 30,000) is subject to the debt being extinguished through the banking system (use of the banking system for tax matters). Alternatively, as in the case of offsetting of balances, the settlement of the accounts must be executed through a notarial instrument.

Therefore, to prevent tax assessments by the Tax Administration to the deductibility of expenses and recognition of tax credits, companies should consider the following best practices:

- 1) Keep a record of the offsetting of accounts payable and receivable made during the period, with details regarding the invoices for sales and for purchases that are being offset.

This has the purpose of evidencing the origin of the account receivable and account payable, and linking them to the extinguishment of the collection and payment of such invoices with the respective notarial instrument (Public Deed) for the offsetting of accounts.

- 2) Document the offsetting of accounts with a Notarial Instrument (Public Deed) for Offsetting of Accounts, drawn up before an in-house attorney and notary or an external legal services provider.
- 3) Finally, although the law does not explicitly regulate the frequency for documenting the offsetting of accounts receivable and payable in notarial instruments (Public Deed), the best practice is to document it on a monthly basis. This is due to the fact that the Notarial Instrument for Offsetting of Accounts is a requirement for recognizing the tax credit for the Value Added Tax, which has a monthly tax period.



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