

## Tax Alert

*Tax information*



### Considerations for companies prior to the annual settlement of employee Income Tax

As part of their obligations as an employer, companies must be sure to properly comply with making the monthly and annual Income Tax withholdings on the remunerations paid to their employees.

In Guatemala, the current legislation establishes that the employer is the one responsible for determining the annual Income Tax of its employees and must withhold each month one-twelfth of such tax. Furthermore, the employer is responsible for applying the deductions permitted by law, such as: Q.48,000 annually for personal expenses without need for any verification, Q.12,000 annually for the Value Added Tax paid by the employee in personal expenses, donations, social security contributions, and the employee's life insurance premiums.

Due to the above, in order to avoid having adjustments or penalties being imposed by the Tax Administration, as tax withholding agents, employers should consider the following prior to the annual settlement of the tax:

- Update employee Income Tax calculations every time there is a change in their remunerations, such as overtime, commissions, bonuses, salary increases, etc.

- Issue the tax withholding certificates to the employees monthly and annually.
- Prior to the end of the calendar year, review the tax calculation for the employees, with the purpose of ensuring that the withholdings have been correctly made and that there are no balances pending withholdings at the end of the annual period.
- Be sure to have the documentation that supports each type of deduction from the employee's tax, as applicable.

Finally, if as a result of the deductions permitted by law the employee is due a refund of some of the tax withheld during the year, the company must be sure to make the refund during the first 2 months of the year.



## Our experts:

Deloitte offers a range of integrated tax and legal services. Our teams combine technical knowledge, experience and innovation, which allow us to help our clients meet their objectives at the local and global levels.



**Byron Martínez**  
CEO Guatemala & El Salvador.  
Tax and Legal Lead Partner  
[bymartinez@deloitte.com](mailto:bymartinez@deloitte.com)



**Maria Andrea González**  
Tax Senior Manager  
[mgonzalezs@deloitte.com](mailto:mgonzalezs@deloitte.com)

### About Deloitte:

Deloitte refers to Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, its network of member firms, and their related entities, each of which is a legally separate and independent entity. Please see [www.deloitte.com](http://www.deloitte.com) to learn more about our global network of member firms.

Deloitte provides audit and assurance, consulting, financial advisory, risk advisory, tax and legal services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte's more than 312,000 professional are committed to making an impact that matters.

As used in this document, "Deloitte S-LATAM, S.C." is a member firm of Deloitte consisting of three Marketplaces: Mexico-Central America, Southern Cone and the Andean Region. It includes various related entities, which have the exclusive legal right to engage in, and limit their business to, providing audit, tax consulting, legal advisory, risk advisory and financial advisory services, as well as other professional services under the name "Deloitte".

### About this publication:

This publication contains general information only, and Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax or other professional advice or services.

This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and Deloitte shall not be liable or responsible for any loss or damage sustained by any person relying on this communication.