



## *Tax Alert*

# New threshold for small taxpayers may affect companies in consumer industry

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Guatemala's Congressional Decree No. 31-2024, containing the Law for the Integration of the Primary and Agricultural Productive Sectors, entered into effect on 9 April 2025 and establishes a new maximum threshold of annual income for taxpayers registered under the regime for small taxpayers. The threshold is now equivalent to 125 monthly minimum wages in effect for the nonagricultural sector, not including the incentive bonus, in a calendar year (the previous annual income threshold was GTQ 150,000). For 2025, the annual income threshold is GTQ 465,381.25. This article discusses potential implications of the threshold change for companies in the consumer industry (i.e., those that sell goods and services directly to consumers).

The regime for small taxpayers is a simplified tax regime. Taxpayers registered under the regime pay a single tax at a rate of 5% of their monthly gross sales, rather than paying income tax and VAT separately. A VAT credit is not available in relation to invoices for the acquisition of goods or services from taxpayers registered under the regime.

With the change to the maximum annual income threshold for small taxpayers, companies in the consumer industry must analyze how this affects their supply chain, with respect to the tax treatment they should provide to their suppliers and/or transporters that operate under the small taxpayer regime.

As a result of the change, companies in the consumer industry must annually verify whether their suppliers are registered under the small taxpayer regime, and update their supplier databases accordingly. If a supplier is registered under the regime, the company in the consumer industry must take the following actions:



1. The company must not recognize a VAT credit for the purchase of goods or services provided by the supplier;
2. The company must not withhold income tax on payments to the supplier for the purchase of goods or services; and
3. If the company is designated as a VAT withholding agent, it must withhold 5% of the total amount of the invoice issued by the supplier.

Companies in the consumer industry may wish to conduct a supplier verification process in May 2025 in light of the new threshold, as well as an annual verification process in early January of each calendar year, since the threshold will be subject to change for each calendar year.



## Contacts



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



• • • • •  
**Marina Mijangos**  
Senior Manager  
Tax  
[amijangos@deloitte.com](mailto:amijangos@deloitte.com)



(502) 2384 6500



[deloitte.com/gt](https://deloitte.com/gt)





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