

“LAW PROMOTING AND DEVELOPING EXPORT AND MAQUILA (OUTSOURCING) ACTIVITIES” (DECREE 29-89) OTHER INDUSTRIES



CHARACTERISTICS

The objective of this law is to promote, encourage, and develop the activities undertaken by natural persons or legal entities domiciled in the country and operating within the customs systems in the national customs territory, in accordance with this law.

It is limited to two sectors (which benefit from all the incentives):



a) Clothing and textiles ¹, Article 8 bis*:

The production activity under the Temporary Admission Regime entails producing, transforming, assembling, putting together, and processing industrial goods related to the clothing and textile industry, with the purpose of providing them with other characteristics or assigning them to other uses that are different from those of their original materials or components.



b) Services: The natural persons or legal entities providing services linked to information and communication technologies offering call- or contact- center, software-development, and digital-content development services, as long as their services are provided to people who do not reside in the national territory.

Authorized by: The Trade and Investment Services Directorate under the Ministry of Economy (MINECO)

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<https://www.mineco.gob.gt/node/107>



INCENTIVES APPLYING TO THE CLOTHING AND TEXTILE SECTORS + SERVICES



- **Temporary suspension (for up to a one-year period)** of the payment of customs duties and import taxes, including the Valued Added Tax (VAT) on raw materials, semi-manufactured products, intermediate products, containers, packing, and labels.
- **Temporary suspension (for up to a one-year period)** of the payment of customs duties and import taxes, including the Valued Added Tax (VAT) on samplers, engineering samples, instruction manuals, patterns and models needed for the production process or for research or demonstration purposes.
- **Total exemption** from customs duties and import taxes including Value Added Tax -VAT- on the import of machinery, equipment, parts, or components necessary for the production process.
- **Total exemption** from income tax -IRS in Spanish- for a period of 10 years.
- **Total exemption** from taxes, customs duties, and other charges applicable to the import and consumption of fuel oil, butane gas, propane gas, or bunker fuel that are strictly necessary for energy generation.
- **No Value Added Tax is levied** on the procurement of locally produced inputs to be incorporated into final products and services that are used exclusively in its activity.



INCENTIVES FOR OTHER SECTORS:



- **Temporary suspension (for up to a one-year period)** of the payment of customs duties and import taxes, including the Valued Added Tax (VAT) on raw materials, semi-manufactured products, intermediate products, containers, packing, and labels.
- **No Value Added Tax is levied** on the procurement of locally produced inputs to be incorporated into final products and services that are used exclusively in its activities.
- **Other benefits:**
Users qualifying under Decree 29-89 are not restricted to a specific location; that is, they can locate in any place in the country.

Time for authorization: 30 days from the time the documentation is submitted to MINECO.

¹ Industrial goods related to the clothing and textile industries are those included in Section XI pertaining to textile materials and their manufacturing, which comprise chapters 50 to 63 of the Harmonized System, as well as those inputs classified in any other sub-section of the Harmonized System, which should be described by tariff items in the qualifying resolution issued and notified by the Ministry of Economy, as well as the services and goods that are necessary exclusively to produce, transform, assemble, put together and process industrial goods relating to the clothing and textile industry, which should also be described in the above-mentioned resolution.



REQUIREMENTS TO BE A USER OF DECREE 29-89

1. An application on letterhead paper, signed and sealed by the owners of the company or its legal representative, addressed to the Director of Trade and Investment Services at the Ministry of Economy
2. A technical-economic report of the project to be undertaken, signed and sealed by the legal representative or the owner of the company. Instructions <https://www.mineco.gob.gt/node/112>.
3. A photocopy of the duly-registered certified copy of the company's public deed of incorporation
4. A photocopy of the appointment of the legal representative
5. A photocopy of the Applicant's Identification Document –DPI in Spanish–
6. Photocopy of the certificate of registration in the Unified Tax Registry –RTU² in Spanish– of the holder
7. Photocopies of the company's and/or corporation's trade licenses
8. A sworn statement of the Legal Representative before a Notary
9. Proof of the last payment of labor and employer's fees to the Guatemalan Social Security Institute –IGSS–.
10. Proof of no outstanding fines payable to IGSS³
11. Certificate of fiscal solvency issued by the Superintendence of Tax Administration to the natural person or legal entity, the legal representative, partners, and stockholders
12. A sworn statement by the Legal Representative before a Notary certifying that the company has not been sanctioned through a revocation of the benefits granted to it by Decree 29-89, Decree 65-89, or Decree 22-73⁴
13. A certification of the Partner and Stockholder Registry
14. A photocopy of the lease on the property where the company will be installed
15. Publication of the name of the natural person or legal entity requesting the benefits under Decree 29-89 in at least one widely-read national newspaper



COMPANIES QUALIFIED ACCORDING TO SECTOR UNDER DECREE 29-89

SEPTEMBER 2020



ACTIVITY

COMPANIES



AGRICULTURAL / LIVESTOCK	267
PRODUCTION	110
FOOD AND DRINK	18
CARDBOARD AND PAPER	41
COMMUNICATIONS, SOFTWARE AND	4
BPO	7
ENERGY GENERATION	18
HYDRO-BIOLOGICAL PRODUCTS	128
HYGIENE AND BEAUTY	7
MISCELLANEOUS MANUFACTURED	18
ARTICLES	38
MACHINERY	7
METALS AND MINERALS	41
METAL AND WOOD FURNITURE	35
PAINTS AND SIMILAR PRODUCTS	377

² The RTU is the only tax registration and serves as a kind of proof of your registration in the SAT. This helps companies to know your taxpayer status.

³ Guatemalan Social Security Institute: it is an autonomous, governmental institution dedicated to providing health and social security services to the population that has affiliation to the institute, then called the insured or entitled.

⁴ Law Promoting and Developing Export and Maquila (Outsourcing) Activities, Decree 29-89; Law on Free Zones, Decree 65-89, and Organic Law of the Free Industry and Trade Zone Santo Tomas de Castilla, Decree 22-73; all of them issued by the Congress of the Republic of Guatemala.

SPECIAL PUBLIC ECONOMIC DEVELOPMENT ZONES (DECREE 30-2008)

Legal Concept of Special Public Economic Development Zones Decree 30-2008

A geographically-defined area within the national territory that is an extra-customs area where industrial goods and services are developed or commercial activities are undertaken under special tariffs, a temporary customs and foreign trade regime, authorized by ZOLIC (Free Trade Zone).

- It can be established anywhere in the national territory.
- The minimum authorization period is 12 years, as of the date of the resolution. Extensions may be requested.
- It can be installed in ZOLIC facilities or third-party property that is leased or granted in usufruct to ZOLIC. An area of at least 10,000 square meters. If the area is smaller, 400 direct and permanent jobs must be guaranteed. There can be exceptions that consider the investment to be made and employment generation.
- A minimum of two users must be installed (an administrator and a productive user). If there is a single user, the economic impact and employment generation must be justified.

Type of Operations

- Importing from the National Customs Territory (TAN in Spanish) or from abroad
- Transfers to any other tax warehouse
- Transfers from and to other regimes, ports, borders, and airports in the country.
- Providing services or products to other users or ZDEEP.
- Exporting to the National Customs Territory (TAN) or abroad.

Users of a ZDEEP

- Industry, trade, and services
- Activities: Production, manufacturing, transformation, assembly, commercialization, distribution, warehousing, conservation, fragmentation, packing, repacking, crating, manipulation, classification, any other operation on its own goods or imported and exported goods.

Contact

- Authorized by: The ZOLIC Board of Directors
- Guatemala office: Blvd. Los Próceres, 24-69 zona 10 Edif. Empresarial Zona Pradera, Torre 4, Nivel 10, Oficina 1002. Telephone +502 2279-0950.
- Headquarters in Izabal: Km. 293.5 Ruta al Atlántico Norte, Santo Tomás de Castilla. Puerto Barrios, Izabal. Guatemala Telephone No.: +502 7961-5400
- Consult the law and its set of regulations: <https://zolicguate.com/zdeep/>



PROCESS TO ESTABLISH A ZDEEP

Submitting the file:

- **Strategic Project** including the economic, social, and productive impact that will be generated by the ZDEEP and its contribution to the development of the region and to employment generation.
- **Professionals' technical** opinion and the Environmental Plan to be implemented.
- **Application form:** This applies if the property is owned by third parties (see details in the Regulations for Authorization, Qualification and Operation)

Once the file is completed:

- **Physical inspection** by ZOLIC, within a maximum period of 30 working days
- **Technical opinion** issued within a maximum period of 20 working days.
- **Board of Directors resolution** within a period of 30 working days. After this, the ZDEEP is authorized and SAT is notified so that it assigns personnel to start operations.





INCENTIVES

- **ISR¹** exemption for a period of 10 years, also applicable to dividends and profits.
- **Temporary suspension of VAT ², import duties and other import charges** on goods entering the ZDEEP.
- **VAT exemption on taxed events and acts** undertaken within the ZDEEP when they are exported.
- **Fiscal-Stamp Exemption** on the documents pertaining to acts or contracts on goods and business in the Zone.
- **Goods do not cause abandonment.**
- The State or Municipal Governments **may grant non-fiscal incentives** to certain users.



Other benefits: ³

- The possibility of selling products processed within the free zone in the internal market.
- On-site Customs Office.
- Software for logistics and customs processes.
- Infrastructure adapted to international operations.
- Immediate access to Puerto Santo Tomás de Castilla and Puerto Barrios.
- AEO⁴ Certification
- Logistical complementarity in operations
- Opportunity to establish sectoral clusters.
- Decentralization of productive economic activities and local development.
- Extensive National Telephone Network and Internet bandwidth options.
- National and Regional Electric Network Connection
- Abundant labor, possibility of instruction and training
- Consultancy and accompaniment for the installation process.



USER REQUIREMENTS

Requirements for a legal entity or natural person ⁵

1. Application containing the legal requirements and information on the economic impact, employment generation and the activities that are expected to be undertaken. Term of the lease (minimum 1 year) and a statement establishing that they wish to enjoy tax benefits.
2. Fill out the form included in the website or provided by ZOLIC (download: <https://zolicguate.com/wp-content/uploads/2019/09/FORMULARIO-PARA-ZDEEP-MERCADEO.pdf>).
3. A certified copy of the Trade License.
4. A certified copy of the owner's Personal Identification Document –DPI in Spanish– or passport.
5. Latest audited Financial Statements.
6. Copy of the Tax Identification Number –NIT in Spanish– of the company and an updated certificate of registration in the Unified Tax Registry –RTU in Spanish–.
7. A sworn statement in a notarial certificate, in which they indicate that they are not included in the prohibitions or limitations to make use of the rights contained in the ZOLIC Law.

Legal entities must also submit the following:

8. A certified copy of the company's Public Deed of Incorporation
9. The Notarial Certificate of the Appointment of the Legal Representative.
10. A certified copy of the corporation and trade licenses
11. A certification by the Board of Directors authorizing the contracting to be performed and authorizing the Legal Representative to sign a lease with ZOLIC.

Other requirements:

1. Technical, Economic, Financial and Environmental Feasibility Study
2. A list of products or raw materials to be stored.
3. Safety data sheets of the products to be stored.
4. Others <https://zolicguate.com/requisitos-para-ser-usuarios/>



ZDEEP APPROVED AS OF 2020:

Privileged access to international markets

- Estados Unidos de América
- Todos países de centroamérica
- Unión Europea
- México
- Chile
- Colombia
- Panamá
- República Dominicana
- Taiwán

Territorial, insular and maritime differendum pending resolution

Puerta del Istmo

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Atlantic Ocean 567 KM
Honduras 457 km
El Salvador 375 Km
Puerto Quetzal 254 km
México 3km
Guatemala City 279 km

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Atlantic Ocean 360 KM
Honduras 250 km
El Salvador 112 Km
Puerto Quetzal 30 km
México 200 km
Guatemala city 84 km

¹ Income Tax

² Value Added Tax

³ Each ZDEEP may grant additional benefits, for example, commercial areas, training centers, special facilities for energy efficiency or logistics operation facilities.

⁴ Authorized Economic Operator

⁵ ZDEEP administrators can also be its users. These requirements apply to new companies or investments. Projects with 29-89 or 65-89 benefits must secure a previous resolution from SAT.

FREE ZONES

Legal Concept of Free Zone (Decree 65-89)

A limited physical area of land that has been planned and designed, subject to a special customs regime, in which natural persons or legal entities can undertake either to the production or commercialization of goods for export or re-export, as well as providing services linked to international trade. The Free Zone will be guarded and controlled by the customs authority. They can be public or private and the areas assigned to industrial users will be physically separated from those assigned to service users and they can be established in any region of the country, according to the legal stipulations currently in force.

Type of Users

- **Industrial:** producing and assembling goods for export out of the national customs territory, re-exporting goods or engaging in research and technological development.
- **Services:** linked to international trade
- **Commercial:** commercializing goods to be exported out of the national customs territory, as well as re-exporting them without engaging in any activities that change characteristics of products or alter their origin.

Contact

Authorized by the Ministry of Economy through the Trade and Investment Services Directorate under the Ministry of Economy –DISERCOMI–
8 Avenida 10-43, zona 1
Telephone +502 2412-0200
More information at: <https://www.mineco.gob.gt/node/107>



PROCESS TO ESTABLISH A FREE ZONE



1. Submitting a request to DISERCOMI, which will issue a legal opinion within a maximum period of 30 days.
2. Based on the above-mentioned opinion, MINECO will decide whether the application is admissible or not, within a maximum 15-day period.
3. Once the administrative entity is authorized, it may process user applications. See user requirements.



INCENTIVES

- **Exemption of taxes, customs duties, and charges applicable to importing goods** that are used in producing goods and providing services.
- **100% IRS¹ exemption** during a 10-year period
- **VAT² exemption** for transferring goods within and between free zones.
- **Exemption from Fiscal-Stamp Tax** and Special Protocol Paper Tax on real-state purchases, exchanges, or transfers.
- **VAT exemption** on the purchase of locally-produced inputs to be incorporated into final products and services.



Other benefits*:

- Warehouses of various sizes
- Water
- Wastewater treatment
- Waste Disposal
- Electricity
- Internet
- 24-hour security and surveillance
- Streets suitable for international business activity

¹Income Tax

²Value Added Tax

* These benefits may vary according to what each free zone offers.