

“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.