

# Guatemala, is a gem at the core of

**J**uatemala is already recognized as a promising destination for investors. Due to its strategic location, sustained economic growth and a series of special regimes that provide tax benefits for investors, Guatemala has become a magnet for those who are looking for competitive and profitable business opportunities.

This article explores the reasons for which investing in Guatemala is a smart choice for those who wish to success in the competitive business world.

Guatemala has proven to be a resilient country with a sustained economic growth in Central America. It is projected a 3.2% growth for 2023, which would consolidate Guatemala's performance as one of the best countries regarding Gross Domestic Product (GDP.)

This figure proves Guatemala's economic potential and its ability to face regional challenges.

During the last two years Guatemala has recorded a foreign direct investment of US\$ 5 775 millions, which proves the investors' confidence in Guatemalan market.



Versión en español

# FAVORABLE BUSINESS ENVIRONMENT

Guatemala's risk rating has experienced significant improvements during the last years. International rating agencies as Fitch Ratings and Standard & Poor's have recognized the macroeconomic stability, low-level debt, proper management of the fiscal and monetary policies, as well as the stability of the country's financial system.

These ratings reflect the clear advantages of investing in Guatemala.

# ACCESS TO KEY MARKETS

Guatemala's privileged geographic location allows access to key markets. It is important to highlight the North American Free Trade Agreement (NAFTA) with EE. UU., one of the country's main trading partners. Besides, Guatemala has Free Trade Agreements (FTA) in force with Chile, Colombia, Mexico, Panama, Dominican Republic, and Taiwan, which enable commerce, strengthen export, and import opportunities.

BESIDES, THE AVERAGE EXCHANGE RATE OFUS\$ 1 = Q7.75 HAS BEEN STABLE OVER THE LAST 20 YEARS, WHICH PROVIDES CONFIDENCE AND STABILITY TO INVESTORS.

25% EXPORTS GREW during 2022



# LOGISTICAL INFRASTRUCTURE





as well as a variety of commercial and cargo airlines; the country has efficient and reliable air connectivity. Besides, Guatemala has direct access between the Pacific and the Atlantic Oceans through 250 miles from coast to coast,



# SPECIAL REGIMES TO PROMOTE INVESTMENT:

Guatemala offers special regimes that provide tax benefits for new investments, among them are the following:

#### "SANTO TOMÁS DE CASTILLA" TRADE AND INDUSTRY FREE ZONE -ZOLIC-DECREE 22-73:

This zone has offered the investors tax benefits and operational-logistical facilities for 50 years. After amendments to its Organic Law, since 2008 this entity is empowered to authorize and enable Special Public Economic Development Zones -ZDEEPs- at any part of the national territory; these zones operate as extra-customs areas providing the same benefits that offers a Free Zone.

Guatemala stands out as an attractive point for foreign and national investors, with its strategic location, resilient-economic growth, favorable business environment, access to key market, first-level logistics infrastructure and special regimes that offer tax benefits for investments. If you are looking for the right place, in Guatemala you will find the facilities to connect your business to the world, with growth opportunities, stability and the proper environment, right at the core of Central America, we wait for you with a smile and open arms.





Guatemala has a strategic location in the Central American region; it has established a favorable environment for investment through its Special Public Economic Development Zones (ZDEEPs).

Both are extra-customs areas supervised by "Santo Tomás de Castilla" Trade and Industry Free Zone -ZOLIC-; these areas offer a range of tax and logistical incentives to attract investors and promote economic development. This article explores the investment opportunities that ZOLIC and ZDEEPs offer in Guatemala.

"Santo Tomás de Castilla" Trade and Industry Free Zone has worked in Guatemala for 50 years; it is located adjacent to the main port on the Guatemalan Atlantic Coast.

The first Free Trade Zone in Guatemala was created in 1973 as an extra-customs area that, due to its strategic location in the region, is one step away from the largest economy in the world, and at the center of a 900-million consumers-market.

ZOLIC operates with the legal certainty granted by its Law, Decree 22-73 and its amendments, through which it offers tax incentives as:

- 100% Income Tax exemption for a non-renewable
   10-years term.
- Temporary suspension of Import Custom Duties, Value Added Tax (VAT) and other import charges.
- VAT exemption for taxable acts carried out within the Free Zone when exported abroad.
- 100% exemption of the import and export fees for machinery, equipment, raw material and supplies.
- Goods do not cause abandonment

More than 42 active companies and industries are currently operating from ZOLIC facilities.

ZOLIC operates with international BASC,
AEO and ISPS certifications, which guarantee safe
trade, customs procedures related to logistics chain and
international supply, enabling transparency, safety and control
of the port facilities, promoting the fight commitment against smuggling.

Since 2008, after amendments to its Organic Law, ZOLIC has been able to replicate this model throughout Guatemala and can authorize and enable the ZDEEPs, which also operates as extra-customs areas and provide the same tax benefits as a Free Zone.



## THE NEW OPPORTUNITY ZONES

The ZDEEPs have developed and growth during the last three years. With a vast territory of approximately 3.9 million square meters to be explored for investments and production, these zones have become strategic locations designed to host industrial, commercial, service, or other miscellaneous activities.

The ZDEEPs are extra-customs areas geographically delimited and monitored by ZOLIC, where imports from the National Custom Territory or the new opportunity zones abroad are allowed, as well as the transfers to any other tax warehouse, other customs regimes,

ports, borders and airports of the country, besides the export both to the National Customs Territory and abroad.

In the Development Zones can be carried out many operations related to production, processing, manufacture, assembly, marketing, storage, preservation, packaging, handling, classification and any import or export goods activity, to mention a few.



# THE FIRSTS ZDEEP'S

 $ZOLIC's \ Board of Directors has so far authorized more than 3,900,000 \ square meters in 12 \ extra-customs zones that provide strategic location throughout the country, as well as tax and logistics benefits to new investors.$ 

The private investment for the first ZDEEPs reached Q500 million during the last three years, regarding building and infrastructure for the first users, with a projection of 17,753 direct jobs and 45,523 indirect jobs will be created when all activities come into operation

The first ZDEEPs operating:

# PUERTA DEL STMO ZDEEP

Located in the Southwest of the country, 500 meters away from Tecún Umán II Customs, in Pajapita, San Marcos territorial division, operates Puerta del Istmo ZDEEP, which houses a plant of the multinational company called YAZAKI, it



manufactures auto parts and is a supplier of harnesses for the main car factories in the world. The second user is AMBEV, a company that commercializes and distributes alcoholic beverages in Guatemala and Central America; and the third one is S&D Inversiones, S.A., a Guatemalan company of Mesoamérica Logistic Group which settles a logistics center for the distribution of beverages and food of a prestigious Mexican brand that will export initially to Honduras and El Salvador; but, its main goal is to supply to the entire Central America region.

# MICHATOYA PACÍFICO ZDEEP

The Southern region of the country is a commercial and industrial area of Escuintla territorial division, considered strategic due to its proximity to the Pacific port zone; two ZDEEPs operates in this region; the first one is Michatoya Pacífico, at 72 km, on the Highway to Puerto Quetzal, half an hour from the main port in the region. This industrial enclave has become a magnet for a variety of commercial actors and is the home for the largest number of active users.

Among its users, this ZDEEP houses a building company, agro-industrial product processors, as well as a reusable bag factory.



### **PUMA I ZDEEP**

In the same region, but closer to the port area is located ZDEEP PUMA I, with a single user concept; this free zone renders services to Puma Energy Guatemala, a company dedicated to the distribution of fuels and petroleum-based products.

## **MIEL VERDE ZDEEP**

This free zone operates in the East side of the country, Río Hondo, Zacapa territorial division; this is the first ZDEEP with an agro-industrial concept that hosts two users, the first one is Green Fabric, which processes the "Stevia" leaf into a natural sweetener.

The second user is BIOINSUMOS, a company dedicated to refining GREEN FABRIC components to obtain two new sugar substitute products with better taste. These products processed by this zone are exported to Asia and Europe.



# ZONA LIBRE QUETZAL ZDEEP

This ZDEEP is a project with a privileged location, due to is located just 2 km away from Puerto Quetzal on the Pacific Coast. Its potential to develop the area is unprecedented.

It will have industrial and logistics warehouses for different goods in the region, This ZDEEP would start operations between September and October of 2023.

Eight ZDEEPs are waiting authorization of the Superintendency of Tax Administration to start operations, four of them are located in Escuintla territorial division: Zona Libre Quetzal ZDEEP, PUMA II, Scali Centroamericana and Mauricio Pacífico; the other four in Puerto Barrios territorial division, among them are: Santander, ZODISA, Parque Industrial Quiriguá and Río Medina.

Five entities are in the process of being authorized by ZOLIC, four of them are located in Izabal and Zacapa territorial divisions.

ZOLIC offers 17 ZDEEPs to potential investors, which represent investment opportunities in Guatemala; these ZDEEPs are located in strategic regions of the country, with competitive and logistical advantages that make investments more profitable and productive and improve competitiveness.



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#### How to establish a



# **ZDEEP IN GUATEMALA?**

#### PROFITABILITY AND COMPETITIVENESS IN A PRACTICAL WAY

Guatemala emerges with economic resilience and sustainable growth at the growth of Central America; the country has become a magnet for investments and opportunities. The 3.2% estimate of solid economic growth for 2023 places the country at the summit of performing countries in the region, reaffirming its position as a major actor in the economic landscape.

In a world where adaptation is the key, Guatemala has shown its resilience and adaptability, positioning itself as a model in terms of Gross Domestic Product (GDP.)

During the last three years Guatemala has improved its risk rating, earning recognition of rating agencies as Fitch Ratings and Standard & Poor's. These entities have praised the macroeconomic stability, proper monetary and tax management of the country, as well as the robustness of the Guatemalan financial System. These assessments act as beacons that guide investors towards Guatemala's promising horizon.

The success is due to the strategic approach on attracting investment and improving the business climate. Large short-term projects are being developed, creating responsible jobs and social inclusion. Guatemala has understood that true progress is developed not just on financial balances, but in creating opportunities for the people; this is about strategic places that are taking off.

From the tourism to agrobusiness or the manufacture and technology sectors, the path to a sustainable growth is being built with the authorization and enablement of "opportunity zones" or Special Public Economic Development Zones -ZDEEPs- which have been growing during the last three years.

More than 5.3 million square meters distributed in 12 ZDEEPs authorized by ZOLIC are being turned into logistics corridors between key ports on the Pacific and Atlantic Coasts, which allow closeness to key markets of USA and Mexico, with a clear vision and a future of investments and production.

Designed to host a variety of activities, these zones guarantee legal certainty and attractive tax incentives, a formula that has catapulted competitiveness in this country.

Guatemala is more than just a country on the map; its investment approach, business climate improvement and the development of the strategic sectors have turned the country into an ideal destination for investments.



# THE PATH TO A

ZONAS DE DESARROLLO ECONÓMICO ESPECIAL PÚBLICAS

The authorization process to establishing a ZDEEP is clear and transparent; the ZDEEPs are authorized and enabled by ZOLIC Board of Directors.

#### Submit an application

Both individuals and legal entities can begin this procedure before ZOLIC Board of Directors. To know about the necessary documentation, you may scan the following QR and access to the Regulations for the Authorization, Entitlement and Functioning of the ZDEEPs.



#### Resolution of the **Board of Directors**

With the approval of the General Manager and the analysis of the ZDEEP economic impact, ZOLIC Board of Directors will issue the authorization resolution indicating the term and general conditions of the agreement.



**Technical Opinion** 

4

commission shall issue a technical opinion indicating if the application is favorable twenty days after the technical visit has been

**Physical** 

**ZOLIC** professional carried out.

#### Notification to the beneficiary and the **Superintendency of**

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Once the resolution of the Board of Directors has been issued, the General Management will notify the interested party and the Superintendency of Tax Administration within a period not exceeding than 48 hours for the corresponding legal effects.

**Tax Administration** 

#### **Application** review

A team of project advisors of ZOLIC will evaluate the application submitted by checking that the documentation is complete to facilitate the process.

#### **Physical** inspection

3

Within a 30-days period after the receipt of the application, commission professionals appointed by ZOLIC will carry out a physical inspection of the property to verify the viability and conditions for the ZDEEP development.

#### **Operation** permit process

The Superintendency of Tax Administration shall entitle the ZDEEP authorized by ZOLIC as an Auxiliary of the Customs Public Function, thus this is ready to start operations and establish industrial, commercial, service or mixed services.





**ZOLIC's Board of Directors** is the Entity's governing body and the responsible one for authorizing and enabling Special Public Economic Development Zones -ZEDEEPs-.

This is made up of a diversity of representatives of government entities, business and municipality sectors, which ensures broad representation and support in promoting the country's development.

ZOLIC's Board of Directors is made up of the following members:

- A Chairman
- A Vice-President, Representative of the Ministry of Public Finance
- A Representative of the Ministry of Economy
- A Representative of "Santo Tomás de Castilla"
   Port Company EMPORNAC-
- A Representative of Guatemalan Chamber of Commerce
- A Representative of Guatemalan Chamber of Industry
- A Representative of the Municipality of Puerto Barrios, Izabal



ZDEEP Puerta del Istm

SAT

# LOGISTICS

#### **Corridors**

Guatemala has so far 12 authorized and entitled ZDEEPs, located in regions of the West, East, and North of the country, such as the territorial divisions of San Marcos, bordering Mexico; Escuintla, near Puerto Quetzal on the Pacific Coast; Izabal and Zacapa with access to the main port on the Atlantic Coast.

The first ZDEEPs in Guatemala are strategically established in San Marcos; Puerta del Istmo ZDEEP operates just 500 meters away from the second customs office with Mexico, which houses automotive parts and harnesses manufacturing users and beverage and food distributors.

PUMA 1 and Michatoya Pacífico ZDEEPs are located in the Southern region of Escuintla territorial division, and Miel Verde ZDEEP is located in the East region, in Zacapa territorial division.

Foreign countries have established production plants in the development zones of the country, where products such as Stevia in different presentations, automotive harnesses and reusable bags are manufactured, goods that they export to markets in North America, Europe and Asia, Canada, Brazil, Mexico, Colombia, Peru and Argentina.

The potential does not stop here. Another eight ZDEEPs are in the process of authorization by the Superintendency of Tax Administration to become Auxiliaries of the Customs Public Service and then begin operations, with which will arise more investment opportunities with tax benefits and the advantages provided by this port-to-port logistics corridor.

#### Tax benefits

# **CREATE** COMPETITIVENESS

The attractiveness of the Free Trade Zones in Guatemala is not only due to their location and operational potential; but the tax benefits that make investments more profitable and competitive.

#### Tax benefits:



100% Income Tax exemption for 10 years, without renewable option for new company names.



Temporary suspension of Import Customs Duties, Value Added Tax (VAT) and other import charges.



VAT exemption for taxable acts carried out within ZOLIC and the ZDEEPs when are intended for foreign trade, as well as tax stamps.



100% exemption of import and export fees for machinery, equipment, raw materials, and supplies; goods do not cause abandonment.



Once they have an agreement in force, the goods do not cause abandonment.



#### **ZOLIC** contact:

#### Santo Tomás de Castilla Central Office

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#### (502) 7961-5400

# **OPORTUNITY**

Zones

The ZDEEPs are geographically delimited areas, safeguarded, authorized, and enabled by ZOLIC.

Imports can enter in the ZDEEPs from both the National Customs Territory and abroad, allowing goods transfers to other Tax Warehouses, various customs regimes, ports, borders, and airports of the country.

In addition, it is possible to provide services and products both to other users of the ZDEEPs and through interzonal connections, not to mention the exporting potential both to the National Customs Territory and abroad.

These areas are right spaces for a wide range of operations, ranging from production, processing, manufacturing, and assembly, to marketing, storage, preservation, handling, and classification of goods, among others.

## **SAFE AND TRANSPARENT**

foreign trade

The ZDEEPs operate under the supervision of a customs delegation in their facilities, which guarantees safety and efficiency of the business operations. They use logistics process software that enable transparency and allow real-time monitoring of operations.

In addition, these zones offer the opportunity to establish sectorial clusters, encouraging collaboration and joint development of related companies.

The ZDEEPs in Guatemala offer legal certainty and an ideal platform for investment and relocation, with a large territory and strategic locations.

With tax benefits and operational and logistical advantages, these zones are an attractive option for those looking to expand their business and take advantage of Guatemala's economic potential.

