



Main Transfer Pricing adjustments made in Guatemala

Since 2016, the Superintendency of Tax Administration –SAT– started overseeing compliance with the Transfer Pricing regulations, which came into effect in 2013, were suspended in 2014, and went into effect again in 2015 and remained so thereafter.

Let's remember that the Transfer Pricing regulations seek to have the taxpayer demonstrate that the prices and/or margins used in their transactions with foreign related companies are agreed upon at market prices, and that there is no transfer of profits or decrease in the payment of taxes in Guatemala.

From 2016 to 2022, SAT has made transfer pricing adjustments amounting to Q4,741,625,606, as a result of the Transfer Pricing audits of various taxpayers that have reported transactions with foreign related companies.

the Superintendency of Tax Administration –SAT–, has an audit risk model by industry and economic sector, which has the purpose of making the selection of taxpayers to be audited more efficient, being those that are below the average of the results of the sector. to which they belong, those chosen to be audited.

Despite the fact that SAT's audits are specific to each taxpayer and may vary depending on the taxpayer's industry and the transactions that each taxpayer performs with its foreign related parties, the main questions raised by SAT in its adjustments have been related to:

-  Schedule analysis per transaction vs. global analysis (segmentation of financial statements)
-  Change of valuation method and profitability indicator
-  Rejection of comparables (companies with losses)
-  Rejection of accounting adjustments
-  Valuation of imports and exports of goods
-  Questioning of extraordinary adjustments

The transfer pricing oversight plans announced by SAT have included the following: an increase in transfer pricing audits by 50%, oversight of taxpayers falling under the Offices of Large and Medium-sized Special Taxpayers, analysis of the information entered in the Transfer Pricing Annex, and the sending of information requests to taxpayers that per SAT's records should be reporting transactions with foreign related parties but are not doing so, among others.

Based on the above, it is important that the taxpayers that have not yet begun to declare their transactions with foreign related parties start doing so, in order to avoid any contingency, since they could be accused of perjury and tax fraud.

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