



## Transfer Pricing News

# SAT is proposing amendments to Transfer Pricing regulations

Transfer Pricing -TP- has been an area that has grown increasingly important in recent years in Guatemala, despite the fact that it went into effect in 2013. Over the years, we have seen that the Superintendency of Tax Administration -SAT- has taken greater action and initiative, requesting studies from taxpayers and initiating TP audits that have subsequently culminated

in adjustments for companies operating in various industries. The year 2022 has not been the exception, since SAT has started discussing some proposed tax amendments, including various amendments to TP regulations. The initial proposed TP amendments are as follows:

- i. Deductibility of royalties paid to related parties, which should not exceed 1% of the revenue stemming from the transaction.
- ii. Clearer definition of the arm's length principle and transfer pricing, in accordance with international standards.
- iii. Updating of SAT's powers with respect to transfer pricing.
- iv. Broadening and clarification of the definition of a related party in Guatemala.
- v. Scope of application of transfer pricing, including local transactions between related parties.
- vi. Clarification in the valuation method for importation and exportation of goods, by using international markets and securities exchanges, among others.
- vii. Improvement in the terms for stipulating advance pricing agreements between competent authorities.
- viii. Mandatory filing of the Transfer Pricing Study, when there are transactions with related parties, as well as the corresponding tax return.
- ix. Determination of the arm's length range for establishing whether there are comparable transactions.
- x. Validation of transfer pricing technical references, per international guidelines, etc.



One of the most striking points is that SAT is proposing the application of transfer pricing regulations between local related parties, which is something that has already been seen in the regulations of countries such as Mexico, Colombia, Costa Rica and El Salvador. The application of local transfer pricing regulations would imply paying special attention to groups of Guatemalan companies to check, starting now, that their prices between local related parties are aligned with the arm's length principle, and thus avoid future contingencies with the tax office.

It is expected that these changes would take effect, provided they are passed by the Congress of the Republic, as of early 2023 or 2024.

If you need assistance with any matter related to transfer pricing regulations, please do not hesitate to reach out to our contact people. Our specialized team in Transfer Pricing is available to support you with all your needs.

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**Mario Coyoy**

Tax and Transfer Pricing  
Partner  
Centralamerica Transfer  
Pricing Leader  
[mcoyoy@deloitte.com](mailto:mcoyoy@deloitte.com)



**Joshua Rivera**

Manager  
Transfer Pricing  
[mroch@deloitte.com](mailto:mroch@deloitte.com)

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