

Doing Business in Guyana



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with confidence

**Georgetown
GMT -4**

EY
Suite 302
Pegasus Suites & Corporate Centre
Seawall Road, Kingston
Georgetown
Guyana

Tel: +011 592 225 2835

EY Guyana Tax team contacts



Gail Marks

Tel: +011 592 601 7071
gail.marks@gy.ey.com



Colin Ramsey

Tel: +1 868 822 5016
colin.ramsey@tt.ey.com



Alicia Pereira

Tel: +1 868 822 6163
alicia.pereira@tt.ey.com



Amrita Prashad

Tel: +011 592 225 2835
amrita.d.prashad@gy.ey.com



Anna Richards

Tel: +011 592 225 2835
anna.richards@gy.ey.com



Tremaine Alphonso-Clovey

Tel: +011 592 225 2835
tremaine.alphonso-clovey@lc.ey.com

A: At a Glance

Taxation of Companies is principally governed by the Income Tax Act (ITA), Corporation Tax Act (CTA), Property Tax Act (PTA), Value Added Tax (VAT) Act, Capital Gains Tax (CGT) Act, Tax Act and the Income Tax (In Aid of Industry) Act.

B: Fiscal Regime

Overview

Commercial companies¹ or companies engaged in commercial activities are taxed at the rate of 40% of chargeable income. Where 40% of chargeable income is less than 2% of turnover, the company would be required to pay upfront corporation tax at the rate of 2% of turnover (referred to as 'minimum tax'). Where the Guyana Revenue Authority is satisfied with the company's calculation of chargeable income, the tax liability will be limited to 40% of chargeable income. Any excess minimum tax paid may be carried forward and offset against future corporation tax liabilities, subject to certain restrictions. Non-commercial companies² or companies engaged in non-commercial activities are taxed at the rate of 25%. Telephone companies are subject to Corporation Tax in Guyana at the rate of 45%.

Corporation Tax

Resident companies are subject to tax on worldwide income. Relief from taxation on foreign sourced income may be available under a double taxation treaty. Non-resident companies engaged in business in Guyana are subject to tax on income directly and indirectly derived from Guyana.

Corporation Tax is assessed on an annual basis, and the Corporation Tax return is due on or before 30 April of the year following the year of income. Taxes are due and payable quarterly with the balance of tax payable at the time of filing the return.

Expenses that are wholly and exclusively incurred in the production of income are deductible in computing the chargeable profits for Corporation Tax purposes, except where specific provisions govern the treatment of expenditures.

- 1 A commercial company is a company where at least 75% of its gross income is derived from trading in goods not manufactured by it and is defined to include commission agencies, banks and insurance companies carrying on insurance business other than long term insurance business.
- 2 Any company that does not fall within the definition of commercial company would be regarded as a non-commercial company, including manufacturers and service companies.

Specific allowances and accumulated tax losses are also available (see Sections C and D respectively).

A non-resident company that is engaged in trade/ business in Guyana, is subject to an advance Withholding Tax of 10% deductible by customers, which is creditable against the company's Corporation Tax liability.

C: Allowances & Deductions

Capital allowances

Depreciation is calculated on the value of fixed assets at the beginning of each accounting year.

Capital expenditure incurred on plant, machinery or equipment or any building housing machinery owned by the taxpayer or incurred with respect to machinery and equipment for which the taxpayer has the full burden of wear and tear qualify for capital allowances under the declining-balance method or straight-line method. Using the straight-line method, a maximum of 90% of the cost of the asset may be depreciated.

An external company is entitled to wear and tear allowance on assets owned and allocated from the head office at the rates outlined in the ITA.

The application of wear and tear allowance to assets allocated to the branch could be contested due to lack of legislative clarity.

Head office restriction

Deductions for head-office expenses paid by a branch to a non-resident head office or associate or subsidiary company, or by a resident company to a non-resident parent or associate company, may not exceed one percent (1%) of the sales or gross income of the payer.

Please note that a position may be taken that only costs of a managerial nature (i.e. relating to the overall direction and control of the business) should be subject to the restriction based on the wording of the definition of "head office expenses". Such position is subject to challenge by the GRA.

D: Incentives

Set off of losses

Losses may be carried forward and offset against future taxable income until fully utilized. In the case of non-commercial companies, losses offset in future years may not exceed one-half of the amount of the tax payable had the offset not occurred. Losses may not be carried back. There are no provisions for group relief.

E: Withholding Taxes

Withholding Tax (WHT) is levied at source on distributions and payments made to non-residents if the person or company is not engaged in trade or business in Guyana.

“Payment” means payment without deductions, other than a distribution, with respect to interest, discounts, annuities or other annual or periodic payments, rentals, royalties, management charges, or charges for the provision of personal services and technical and managerial skills, premiums (other than premiums paid to insurance companies and contributions to pension funds and schemes), commissions, fees and licenses.

WHT is levied if all the following conditions are met:

- A payment or distribution, as defined in the ITA, is made
- The payment is made to a non-resident of Guyana
- The non-resident is not engaged in trade or business in Guyana
- The payment arises in Guyana

The applicable rate of WHT for payments and distributions is 20%. Double taxation agreements may provide a lower WHT rate, and where the treaty rate is higher, the 20% rate under domestic legislation will apply.

Branch operations

An external company that carries on a trade or business in Guyana is liable for WHT at the rate of 20% on the deemed distribution of profits to its head office.

Double tax relief

The Government of Guyana has entered tax treaties with Canada, the UK and the United Arab Emirates (UAE). Guyana has signed a Double Taxation Treaty with UAE, however, the UAE has not completed the constitutional procedures for the entry into force of the Treaty.

A multilateral arrangement (the Caricom Treaty) has also been entered into with the following members of Caricom: Antigua and Barbuda, Barbados, Belize, Dominica, Grenada, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines and Trinidad and Tobago. Guyana has also signed an income tax treaty with Mauritius and Kuwait which treaties are not yet in force.

Country	Royalties	Dividends	Interest
Non-treaty	20	20	20
Canada	10	15	25
Caricom	15	0	15
UK	10	10	15

Unilateral relief

A credit is available to residents for foreign taxes paid on foreign-sourced income.

F: Capital Gains

Corporation Tax is imposed on gains arising from the disposal of assets within 12 months from the date of acquisition. Capital gains tax is payable at the rate of 20% on the net chargeable gain of a person accruing in Guyana or elsewhere, whether received in Guyana or not, on the change of ownership of property, subject to exceptions.

G: Financing Considerations

Investment income

Interest received on bank deposits and certificates of deposits held at financial institutions in Guyana, as well as interest on bonds and similar instruments, are taxable.

Dividends received from non-resident companies paid from profits not derived from or accruing in Guyana are taxed. Dividends received by resident companies from other resident companies are tax exempt.

Foreign-exchange controls

Guyana has a floating exchange rate regime. Commercial banks and licensed foreign-exchange dealers set the exchange rate. Profits may be repatriated without the approval of the Bank of Guyana.

Conducting Transactions in foreign currency

Under section 20 of the Bank of Guyana Act, all monetary transactions in Guyana are deemed to be expressed and recorded and must be settled in Guyana dollars unless otherwise provided by law or agreed upon, between the parties. A party may not agree to settle any monetary obligation or transaction in Guyana in any currency other than Guyana dollars, except with the permission of the Bank of Guyana after consultation with the Minister. Permission may be granted to a person for a single obligation or transaction or a class of obligations or transactions.

Debt to equity rules (thin capitalization)

There are no thin capitalization rules in Guyana. If a local company pays or accrues interest on securities issued to a non-resident company and if the local company is a subsidiary of, or a fellow subsidiary in relation to the non-resident company, the interest is treated as a distribution and may not be claimed as a deduction against the profits of the local.

H: Indirect Taxes

VAT

VAT is applicable on the entry of goods imported into Guyana, the importation of certain services and on the taxable supply of goods or services by a registered person in Guyana.

The VAT rate is 14%, except in the case of zero-rated items. Concessions may be available in respect of VAT in the petroleum sector.

Entities that are required to register for VAT if their taxable supplies exceed GYD 15,000,000 a year and thereafter, may recover any VAT incurred in relation to their operations.

I: Property Tax

Property tax is payable in Guyana on the net property of companies, and a property tax return must be filed where the net property exceeds GYD 40,000,000.

Net property is the amount by which the aggregate value, computed in accordance with the Act, of the property of any person on the valuation date is in excess of the aggregate value of all the debts owed by him on that date other than:

- a. debt incurred without consideration, or without full consideration, in money's worth,
 - b. debt incurred which is not wholly for his benefit,
 - c. debt in respect of which there is any right to reimbursement from any other person unless such reimbursement cannot be obtained,
 - d. debt charged or secured on, or incurred in relation to, any property of his which is to be excluded for the purposes of the Property Tax under the PTA, and
 - e. debt incurred by him outside Guyana other than any such debt which is contracted to be paid in Guyana or secured on property in Guyana,
- and account being taken not more than once of the same debt charged upon different portions of property.

Tax Rates

Corporate Tax

Corporate tax rate	
Commercial company	40%
Non-commercial company	25%
Telephone company	45%
Investment company	Exempt
Capital gains tax rate	20%
Withholding taxes	
<i>Payments to non-residents</i>	
Interest	20%
Royalties	20%
Rents	20%
Management charges or charges for personal services and technical managerial skills	20%
Premiums, commissions, fee or licences	20%
Discounts, annuities or other annual or periodic payments	20%
<i>Dividends and distributions</i>	20%
Branch profits remittance	20%
Net operating losses (years)	
Carry back	Not Applicable
Carry forward (corporation tax)	Unlimited
Carry forward (capital gains tax)	24 years



Value Added Tax

Supply and import of most goods and services	14%
Supply of financial services	Exempt
Rental of residential property	Exempt
Basic food items	Exempt
Exports of goods/services	0%
Certain supplies of services to non-residents	0%
Registration threshold	Taxable supplies of \$15,000,000 per annum

Property Tax Rates

Net property value	
On the first GYD 40M of net property	Nil
For every dollar of the next GYD 20M of net property	½%
For every dollar of the remainder of net property	¾%



Income Tax Rates – Individuals

Band of taxable income (GYD)	Rate of Tax		
Taxable income up to 3,360,000	25%		
3,360,001 and over	35%		
Personal allowances			
Basic deduction	Greater of \$1,680,000 and one third of total income from all sources excluding income subjected to withholding taxes		
Mortgage interest	100% of interest paid (conditions apply)		
Employee NIS contributions	100%		
Medical and Life Insurance Premiums	10% of income or 600,000 annually, whichever is lower		
Allowance per child	120,000		
Overtime Allowance	600,000		
Second Job Allowance	600,000		
National insurance contributions (% of maximum insurable earnings of GYD 280,000 per month)			
National Insurance	Employee	Employer	Total
Employed persons	5.6%	8.4%	14%
Self-employed persons	–	–	12.5%

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EY
Suite 302
Pegasus Suites & Corporate Centre
Seawall Road, Kingston
Georgetown
Guyana



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