# Country Guide
## Nicaragua


Prepared by

Alvarado y Asociados


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# DOING BUSINESS IN NICARAGUA

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## About the guide

This guide seeks to provide investors and clients of the Lex Mundi law firms with general information about the legal requirements for doing business in Nicaragua, with a special focus on regulatory obligations that every company must comply with.

## Our firm

For over thirty years we have offered experienced, aggressive, comprehensive counsel and advocacy for businesses around the world. From real estate matters and environmental problems to contract disputes and any issue in between, our legal professionals are here to help.

Alvarado y Asociados is the exclusive member firm in Nicaragua for Lex Mundi – the world's leading network of independent law firms with in-depth experience in 100+ countries worldwide. This connects our attorneys with more than a hundred firms across the globe. We can provide our clients unparalleled access to more than 21,000 lawyers with experience handling virtually any legal concern.

Our work encompasses a range of practice areas, including: litigation, real estate, labor law, environmental law, banking and finance, intellectual property, and much more.

Superior legal service is our touchstone. We are committed to leaving no stone unturned on behalf of our clients. No matter what issue you face, we will provide practical advice, explain all options, discuss the benefits of each, and do what is necessary to implement the strategy. All of this is done under a rigorous ethical umbrella and moral framework.

As experienced lawyers, we appreciate the importance of ensuring cost-effective and efficient service with an understanding of the bottom line. Our goal is always to see your business succeed while ensuring the strictest level of confidentiality, reliability, and ethical service. We seek to build long-term relationships, providing your business with trusted legal support for years or decades to come.

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## I. General considerations

Nicaragua is the largest country in Central America, bordered with both the Caribbean Sea (to the east) the Pacific Ocean (to the west), Costa Rica (to the south) and Honduras (to the north).

Official language in Nicaragua is Spanish, being also the most spoken language throughout the country; however, there are some other dialects spoken by the natives of the Nicaraguan Caribbean Coast like Miskito, Rama, and Sumo; as well as English (ethnic minorities), which also have official use in certain circumstances according to law

Nicaraguan currency is the "Córdoba", and the official exchange rate for US dollars currently (October, 2023) fluctuates from 36.5376 to 36.5635. However, the Central Bank of Nicaragua recently approved 0% slippage of the national currency against the dollar, therefore, the exchange rate from December 31st, 2023 to December 31st, 2024 will be C$36.62.

In Nicaragua there are neither cultural nor religious influences for running businesses, though most of the Nicaraguan people are religious and traditionalist. Running a business in Nicaragua demands a full compliance of all applicable laws and regulations and requires the business not to be in contradiction with public order.

### A. Territory

Nicaragua, has a land of 130,373 square kilometers, making it the largest country in the Central American region, including about 800km of coastline in the Pacific Ocean and Caribbean Sea, 28 volcanic formations, 22,000 km2 of natural reserves, more than 10,000km2 of lakes, lagoons and rivers and 7 percent of the world´s biodiversity. The country's physical geography divides it into three major zones: Pacific plains, northern and central regions, and the Caribbean lowlands. Administratively, Nicaragua is divided into 15 departments and 2 autonomous regions with 153 municipalities.

**B. Government**

Nicaragua, is a democratic-presidential republic made up of four branches of government (Executive Power, Legislative Power, Electoral Power and Judiciary Power) and the government system is ruled by the 1987 Political Constitution and amendments. The current President of the Republic is Mr. Daniel Ortega Saavedra, who was reelected in November 2021.

Regarding the Nicaraguan legislative system, it is a single-chamber parliament composed of ninety-two representatives elected in the same election process to elect the President of the Republic. The parliament is called "National Assembly", and its primarily function is to create, approve, amend and derogate laws and parliamentary decrees. Representatives must run with a political party in order to be elected.

The country's judicial system, is well-organized, with specific divisions to solve disputes according to the subject matter of the case (civil, labor, criminal, etc.); being this a unitary legal system for all the country. It is also a system that allows alternative methods for disputes resolution (arbitration, mediation), which helps the system to reduce the number of judicial cases. Of course, some matters cannot be solved by means of alternative methods (criminal matters, labor, etc.) and must mandatorily be resolved at court.

Depending on the case's subject matter, lawsuits may take a considerable time (civil cases, mainly), while others may find a faster resolution. It is a judicial system generally perceived as impartial, though there is a trend for some people to criticize the system as "not impartial" when served with resolutions against their interests, which is a common situation in all judicial systems.

Additionally, the country's judicial system allows enforcement of foreign judicial decisions, as long as the enforcement request complies with the Nicaraguan legislation requirements and previous proceedings. The enforcement of foreign judicial decisions also depends on the reciprocity of the country where the decision is issued; that is, that such country allows the enforcement of Nicaraguan judicial decisions as well. Enforcement of foreign arbitration awards are also allowed by the Nicaraguan system, so long as conditions and procedures required by Nicaraguan law are met and completed.

**C. Population**

According to the National Institute of Information Development (INIDE, for its acronym in Spanish), the estimated national population for July, 2022 is 6,733,763 million people, 50.65 percent being female and 49.34 percent male. Life expectancy in Nicaragua, according to data from the World Health Organization, is currently around 75 years.

**D. Gross Domestic Product**

According to the World Bank, the Nicaraguan Gross Domestic Product expanded by "3.8 percent in 2022 despite high inflation, global headwinds, and the damage caused by Hurricane Julia. This expansion was driven by robust private consumption fueled by remittances and net exports". It is also established that Nicaragua's economic growth is projected to moderate to 3.1 percent in 2023 due to the global economic slowdown and a tight monetary policy environment. However, according to the Nicaraguan Central Bank, In the first quarter of 2023, gross domestic product recorded year-on-year growth of 3.5 percent (2.4% in the previous quarter).

**E. Infrastructure**

The country's infrastructure is mainly composed by highways, some ports and airports. Most important ports, among others, are Corinto (Department of Chinandega), San Juan del Sur (Department of Rivas) and, Sandino (Department of León); which have lots of commercial and tourism activities (vessels, merchandise freight and cruise ships). The main airport is the International Airport "Augusto C. Sandino", located in Managua, the capital of Nicaragua; there are other airports located in the main cities of the Caribbean Coast (Puerto Cabezas, Bluefields and Corn Island), for internal transportation only. Two additional airports that will receive both domestic and international flights are under development: one in Ometepe Island and another in Punta Huete. In Nicaragua there are no railroad systems.

## F. Diplomatic Relations

Nicaragua has diplomatic relations with most countries around the world, with embassies and consulates in several countries. Its relations are sustained on the base of respect, cooperation and mutual aid in order to achieve important goals not only for the country but for the region and the whole international community as well.

Also, through a wide range of agreements, our country has developed business relations with the world´s largest markets. Preferential agreements have become an important component of trade liberalization in Nicaragua; the country therefore continues to seek opportunities to ensure its successful integration into international trade and the global economy.

| Agreements | Countries |
|---|---|
| **Free Trade Agreements** | **United States of America, Mexico, Panama, Dominican Republic, Chile and European Union. Additionally, free movement of capital, services and human resources among CA-4 countries.** |
| **Central American Common Market** | **Nicaragua, Guatemala, El Salvador, Honduras, Costa Rica and Panamá. Additionally, free movement of capital, services and human resources among CA-4 countries** |

| | |
|---|---|
| **Preferential Access Agreements** | **European Union, Venezuela, Ecuador, Cuba, Bolivia, Colombia, Japan, Canada, Russia, Norway, Switzerland and Incorporation of Nicaragua to the Latin American Integration Association (ALADI).** |
| **Solidarity Union Agreements (ALBA)** | **Venezuela, Ecuador, Bolivia, Cuba, Antigua & Barbuda, Dominican Republic & St. Vicente and Grenadines.** |
| **Other Agreements** | **ALADI (Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay, Venezuela and Cuba).** |

Source: Ministry of Development, Industry and Trade (MIFIC)

## II. Legal Structures

In Nicaragua, commerce can be carried out both individually and collectively, generally investors decide to establish a company to operate their businesses in the country and in this regard, the most common business vehicles in Nicaragua are:

- Corporations (Sociedades Anónimas), which comprise capital divided and incorporated into shares.

- Limited liability companies (LLC) (Sociedades Colectivas de Responsabilidad Limitada), which are formed by partners whose capital in the company is in the form of a participation or contribution (as opposed to shares in corporations).

- Branches of foreign entities (branch) (Sucursales de Entidades Extranjeras), which are established as branches of foreign parent companies.

Foreign investors most frequently use one of the three vehicles above. When it comes to choosing a specific vehicle, most foreign investors consider their pre-existing corporate or organisational structure and try to keep it, or to follow it (to the extent that that is possible), for their business in Nicaragua. The most flexible corporate structure can be found in corporations, as a result of their share structure and the corporate governance requirements.

Whether a corporation, LLC or a branch is being used, they must all be incorporated by a public deed before a Nicaraguan public notary, and should be recorded with the Mercantile Registry, the Final Beneficiary Registry, the Nicaraguan Tax Authority and the municipal authority where the company is doing business.

LLCs must contain at least one of the names of their partners in their legal name, followed by the words "y compañía limitada" to limit the responsibility of the partners. Corporations should include the words "Sociedad Anónima"; and branches must include the words "Sucursal Nicaragua". These vehicles can be incorporated and registered in about 35 days. Some additional permits and registrations may apply, depending on the business sector, and the timescales for obtaining permits and registrations can vary, depending on the permit to be obtained and the governmental agency involved. The following websites can provide further information:

- Mercantile Registry (www.registropublico.gob.ni).
- Municipal Authority of Managua (www.managua.gob.ni).
- Tax Authority (www.dgi.gob.ni).

The highest authority for corporations is the shareholders meeting and the board of directors administer the corporation (Directors must be shareholders.) LLCs can appoint administrators with the authority to legally represent and act on behalf of the company, and these administrators may or may be not partners in the company. If administrators are not appointed, then any partner is lawfully entitled to act on behalf of the company. Branches are managed by their parent company's board of directors and/or shareholders, as applicable, though the branch in Nicaragua should also have an individual granted with full power-of-attorney to represent the branch in the country.

### A. Management Restrictions

There are no restrictions on foreign managers, but the legal representative must be either a Nicaraguan citizen or a foreign citizen resident in Nicaragua. However, if a foreign manager is appointed who will be working in Nicaragua, certain immigration requirements may apply.

### B. Directors' and Officers' Liability

For corporations, the Nicaraguan Code of Commerce provides that directors are not liable (either personally, jointly, or severally) for the corporation's obligations. However, directors will be liable (either personally, jointly, or severally) to the corporation and third parties in the event of:

- Not executing the corporation's administrative mandate.
- Breach of the corporation's bylaws.
- Breach of the law.

In addition, the Nicaraguan Criminal Code establishes criminal sanctions (including, among others, imprisonment) for directors and officers:

- Participating in the decision-making process or in agreements which are in their interest but are harmful to the corporation.
- Consenting to agreements in breach of the corporation's bye-laws or the law, which are harmful to the corporation or the public.

### C. Parent Company Liability

There are no specific provisions on parent company liability. However, claimants can try to pursue legal action against a parent company where they have claims or disputes.

Consumers' rights can exercise legal rights against suppliers. A supplier is defined as a public, private, or combined individual or legal entity that usually engages in production, manufacture, import, distribution, commercialization, or renting of goods or providing services to consumers or users (Law No. 842, Law for the Protection of Consumers and Users (Law No. 842)) Therefore, consumers may be able to bring a claim against a parent company where:

- The consumers have a claim related to goods.

- The Nicaraguan distributor's parent company is the company in charge of the production or manufacture, distribution, or commercialization of those goods in Nicaragua. In this case the parent company, and the Nicaraguan distributor, would be a supplier for the purpose of Law No. 842.

### D. Reporting Requirements

Generally, the reporting requirements are as follows:

1. Tax Authority: the following must be provided online:

   - Monthly tax returns for value added tax (VAT).
   - Income tax payments.
   - Minimum definitive payment.
   - Withholding tax payments.

2. Municipal Authorities: the following must be provided:

   - Income municipal tax and certain contribution rates (on a monthly basis);
   - Real estate municipal tax (paid annually in arrears); and
   - Tax returns.

Tax returns and payments are made directly at the Municipal Authority's Headquarters.

## III. Legal Framework

Companies in Nicaragua must comply with a series of rules and regulations depending on their corporate purpose, however, most of them must comply with the following provisions or can use the following to protect their rights and businesses:

### A. Final Beneficiary Declaration

The Final Beneficiary Registry in Nicaragua was created by Law No. 1035, Law of Amendments to Law No. 698, General Law of Public Registries and the Commercial Code of the Republic of Nicaragua, published in The Official Gazette Number 158 of August 25, 2020, it is intended to collect the necessary information for the full identification of the person who exercise control of a company, with the purpose of guaranteeing the international community that the companies operating in the country are not used to cover up illegal activities.

Subsequently, on November 25, 2020, the National Directorate of Registries of the Judicial Power published the "Operating Regulations of the Final Beneficiary of Mercantile Companies Registry" in which the way it will operate, the necessary requirements to make the declaration, the supporting information, the authorized subjects, among others is established. However, the Registry of the Final Beneficiary began operations until April 19, 2021 as provided by DNR Informative Official Communication No. 008-2021.

In the aforementioned Official Communication, it is indicated that in compliance with the provisions of the law, each of the companies operating in Nicaragua must update their basic information before the Mercantile Registry (registered office, data of the legal representative, shareholding composition) and that the following schedule was established for these purposes:

| | |
|---|---|
| **Commercial Companies whose company name begins with the letters A – H** | **Must update their basic information and declare its Final Beneficiary in the period between April 19, 2021 and October 18, 2021** |

| | |
|---|---|
| Commercial Companies whose company name begins with the letters I – Z | Must update their basic information and declare its Final Beneficiary in the period between October 19, 2021 and April 18, 2022. |
| Commercial Companies incorporated after April 19, 2021 | Must declare its Final Beneficiary within 30 days after its incorporation. |

To date the new Final Beneficiary Registry has started operations and, in this article, we mention 12 aspects that you need to consider to do the correct declaration of your company information in order to avoid the imposition of sanctions:

- The declaration is made by filling forms at the online services window on the website of the Integrated Cadastral and Registry Information System.
- The person who, by default, is empowered to create the company business profile and to declare the Final Beneficiary, is the legal representative (Empowered through General Power of Attorney or Generalissimo Power of Attorney).
- The declaration of the Final Beneficiary may be delegated to a third person as long as he has a special power registered in the Public Registry for such purposes.
- To make the declaration, the information of the company must be updated since the Registry of the Final Beneficiary is interconnected with the Commercial Registry.
- Each of the phases of the declaration must be supported with the pertinent documentation in pdf, png or jpg format.
- Supporting documents that come from abroad must be duly certified and apostilled.
- Supporting documents issued abroad will be valid for 60 days.
- Supporting documents that are written in a language other than Spanish must be translated before a Notary.
- In the event that the final beneficiary falls on legal entities such as trusts, investment funds and retirement funds, the requirements may change.

- The information declared in the Final Beneficiary Registry must be updated in an ordinary way once a year and in an extraordinary way each time there is a change in the shareholding composition of the company.
- The administrative sanctions basically consist of publication for non-compliance and the immobilization registry transactions; The first means that any company, bank or other governmental institution will be able to verify that the company has not complied with the declaration of the final beneficiary and the second is that as long as the omissions have not been corrected, the company will not be able to register any kind of contracts, powers of attorney, Board of Directors elections, among others.
- Fines for non-compliance with the provisions of the law and regulations range from US $ 100.00 to US $ 1,500.00.

## B. Intelectual Property

The main IP rights recognized in Nicaragua are patents, trademarks, copyrights and registered designs:

### 1. Patents

Definition and Legal Requirements. A patent is an exclusive right recognised by the state for an invention that offers a new technical solution to a specific problem, consisting of or applicable to a product or a process.

The legal requirements for a patent are:

- Novelty.
- Inventive activity.
- Industrial application.

The main types of patents are:

- Patent of invention.

- Utility model.

Nicaraguan law also protects the following:

- Industrial design.
- Programme-carrying signals transmitted by satellite.
- Layout designs for integrated circuits.
- New varieties of plants.

Registration. The Intellectual Property Office (Registro de la Propiedad Intelectual) is responsible for the registration of patents. The Intellectual Property Office provides information about procedures and the applicable law on its website (www.mific.gob.ni/Propiedad-Intelectual).

Enforcement and Remedies. The patent holder has the exclusive right to prevent others from commercially exploiting the patented invention. Therefore, the patent holder can take action against any person who engages in any of the following acts without their consent:

- Where the patent is a product:
    - producing and manufacturing the product;
    - offering for sale, selling, or using the product; or
    - importing it or storing it for any of the aforesaid purposes.
- Where the patent is a process:
    - using the process; or
    - producing or manufacturing a product obtained directly by means of the process.

(Law on Patents, Utility Models and Industrial Designs (Law No. 354))

The patent holder can bring an action before the competent judicial authority against any person who engages in any act that constitutes an infringement of their rights.

Where patents are jointly owned, any of the joint owners can bring an action for patent infringement without the consent of the other joint owners (unless otherwise agreed).

The action will be notified to all persons who have any registry entries in their favour in relation to the title to which the proceedings relate. Those persons can intervene personally in the action at any time.

Length of Protection. A patent of invention is valid for 20 years from the date of filing of the application. A utility model patent is valid for ten years from the date of filing of the application.

## 2. Trade Marks

Definition and Legal Requirements. Trade marks can consist of, among other things, words or groups of words, advertising slogans and phrases, letters, numbers, monograms, shapes, portraits, labels, coats of arms, designs, cartoons, borders, lines and stripes, and combinations and arrangements of colours, sounds or other perceptible signs (for example, smells). They can also consist of the form, presentation, or packaging of the goods or their containers or wrapping, or the means or place of retail of the related goods or services.

In general, a trade mark can be any visible sign capable of distinguishing goods or services.

Registration. A trade mark application must be filed with the Intellectual Property Office (Registro de la Propiedad Intelectual) and must include:

- A request that includes:
    - name, address, and nationality of the applicant and place of incorporation for legal entities;
    - name and address of legal representative (if applicable). If the applicant has no domicile or establishment in the country they must have a legal representative;
    - the mark for which registration is sought;

- a list of products or services for which registration is sought, grouped by classes according to the International Classification of Goods and Services (WIPO Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks 1957, Tenth Edition), indicating the number of each class; and
- the applicant's or their legal representative's signature.

- A reproduction of the mark in eight copies where the trade mark has a script, shape, or colour, or is a figurative, mixed, or three-dimensional mark (with or without colour). For sound marks, the stave and audio of the sound mark.

- When relevant, the documents or authorisations required in Articles 7 and 8 of the Law of Trade Marks and Other Distinctive Signs (Law No. 380), for instance if the Mark includes a total or partial reproduction of a shield, flag or other emblem, acronym, denomination or abbreviation of the denomination of any State or International Organization, the applicant should be authorized to use it by the State or International Organization otherwise the application will be objected.

- A copy of the ID of the applicant or legal representative (if applicable).

- A document proving legal representation (if applicable).

- Receipt of payment of the prescribed fee.

The Intellectual Property Office provides information about procedures and the applicable law on its website (www.mific.gob.ni/Propiedad-Intelectual).

Enforcement and Remedies. The owner of a registered trade mark has the exclusive right of use of that trade mark, and can take court action against anyone who infringes that right. The owner of a registered trade mark can prevent any third party from carrying out the following acts:

- Apply or place the trade mark on similar or identical goods for which the trade mark is registered, or on products related to services for which it is registered, or on containers, wrappers, packaging, or outfitting of those products. Outfitting means the conditioning of products, include all the operations through which the product is packed and or labelled for its subsequent distribution and / or commercialization, for example the packaging and labelling of products for export.

- Delete or modify the trade mark for commercial purposes after it has been applied or affixed to the products (or it has been applied on containers, wrappers, packaging, or outfitting of those products).

- Manufacture labels, containers, wrappers, packaging, or other materials that reproduce or contain the trade mark and sell or store these materials.

- Refill or reuse for commercial purposes containers, wrapping, or packaging bearing the trade mark.

- Use in trade an identical or similar mark for products or services, when this use may cause confusion or a likelihood of association with the trade mark owner's products or services.

- Use in trade an identical or similar mark to the trade mark for goods or services where this use could cause the trade mark holder unjust economic or commercial damage because of a dilution of the distinctive force or commercial or advertising value of brand, or a misappropriation of the brand or owner's prestige.

- Publicly use an identical or similar mark, even for non-commercial purposes, where this use could weaken the distinctive force or commercial or advertising value of the trade mark or result in unfair exploitation of its prestige.

There is no protection for unregistered trade marks (with exception of well-known trade marks, which do not require registration for protection in Nicaragua).

Length of Protection. The registration of a trade mark will expire ten years from the date of its grant. Registration can be renewed indefinitely for successive periods of ten years.

### 3. Registered Designs

Definition and Legal Requirements. An industrial design will be protected if it is new. It will be considered new if it has not been disclosed publicly before the earliest of either:

- The date of the first public disclosure of the design by the designer or their successor in title or by a third party who has obtained it by any legal means.

- The filing date of the application for registration of the industrial design or, the filing date of the application claiming priority over that registration.

Industrial design is the particular aspect of a product that results from the characteristics of its shape, line, configuration, colour, material, or ornamentation, among other things, and which includes all two-dimensional and three-dimensional industrial designs.

Registration. The Intellectual Property Office is responsible for the registration of industrial designs. However, the Intellectual Property Office's website does not offer information regarding the procedures or the requirements for registration of industrial designs.

Enforcement and Remedies. The owner of a registered an industrial design has the right to prohibit third parties from exploiting it. The owner can take court action against anyone who, without their consent, produces, markets, or uses, or imports or stores for any of those purposes, a product incorporating the registered industrial design, or a product which, by its appearance, gives the same overall impression as the design.

Where designs are jointly owned, any of the joint owners can bring an action for patent infringement without the consent of the other joint owners (unless otherwise agreed).

The action will be notified to all persons who have any register entries in their favour in relation to the title to which the proceedings relate. Those persons can intervene personally in the action at any time.

Length of Protection. Registered industrial designs are protected for five years from the filing date of the application. The registration of an industrial design can be renewed for two additional periods of five years. The renewal fee should be paid before the date on which it becomes due. However, on payment of a surcharge, there is grace period of six months following the due date. The registration will remain in full force during the grace period.

### 4. Unregistered Designs

Definition and Legal Requirements. Any person who has the right to the protection of an industrial design. It is acquired by the first public disclosure of the industrial design, by any means and in any place in the world, by the designer, their successor in title, or a third party who has obtained the design as a result of any legal act performed by any of them.

Enforcement and Remedies. The owner of an unregistered design can prohibit third parties from copying or reproducing it. They can take court action against anyone who, without their consent, produces, sells, offers for sale or uses, or imports or stores for any of those purposes, a product incorporating the copied or reproduced industrial design.

Length of Protection. Unregistered designs are protected for three years from the date of the public disclosure.

### 5. Copyright

Definition and Legal Requirements. The copyright in a literary, handicraft, artistic, or scientific work belongs to its creator by the mere fact of its creation. Copyright has both a moral and economic dimension, giving the creator full control and an exclusive right to exploit the work.

Registration. There is no mandatory formal registration. The registration and deposit of copyright works is optional and declarative. Non-registered and non-published works are protected from their creation. The Intellectual Property Office is responsible for copyright registration.

Enforcement and Remedies. The owners of a copyright (whether the original owners or those who have derived rights or assigned rights) can request the cessation of any unlawful activity and demand compensation for any moral or economic loss caused as a result of copyright infringement. They can also request the adoption of interim protective measures (which are regulated by the Law on Copyright and Related Rights).

The cessation of the infringing activity can include:

- Prohibition on carrying out the infringing acts, including, among others, prohibiting the illegal imported goods from entering commercial channels immediately after these goods are released from customs, or preventing their export.

- Withdrawal from circulation of the illegal copies, or their destruction, or with the consent of the copyright holder, their donation for charitable purposes.

- Seizure and destruction of the materials and tools used in the production, creation or marketing of the illegal goods (except in cases where they are donated for charitable purposes with the consent of the copyright holder). The destruction or donation for charitable purposes of the materials and equipment will take place without any compensation to the infringer. When considering requests for the destruction of equipment, the judicial authorities will take into consideration the seriousness of the infringement, and the interests of third parties, holders of real rights, holders of rights of possession, and holders of a contractual or guaranteed interest (among other things).

- Seizure of any documentary proof relating to the infringement.

Length of Protection. Moral rights do not have a specific time limit, and the creator has moral rights for their entire life. On the death of the creator, these rights are passed to their heirs.

Economic rights last for the lifetime of the creator plus 70 years after their death (or after a declaration of their death, or a respective declaration of absence).

Where works are created under a pseudonym, anonymous, or collective works, the economic rights last 70 years from their publication, unless the name of the creator is identified before the expiration of this period.

In the case of a joint work, the term of the economic rights will be calculated from the death of the last surviving co-creator.

Nicaragua is signatory and member of different treaties and Conventions, among others:

1) General Inter-American Convention on Protection of Trademarks and Trade Names;

2) Universal Copyright Convention;

3) Brussels Convention Relating to the Distribution of Programme-Carrying Signals Transmitted by Satellite;

4) Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement);

5) Paris Convention for the Protection of Industrial Property;

6) Berne Convention for the Protection of Literary and Artistic Works;

7) Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations;

8) Convention for the Protection of Producers of Phonograms against Unauthorized Duplication of Their Phonograms;

9) International Convention for the Protection of New Varieties of Plants (UPOV Convention);

10) Patent Cooperation Treaty (PCT);

11) WIPO Copyright Treaty (WCT);

12) WIPO Performances and Phonograms Treaty (WPPT);

13) Lisbon Agreement for the Protection of Appellations of Origin and their International Registration;

14) Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure;

15) Trademark Law Treaty.

### C. Environmental

In Nicaragua, regulations on environmental issues can change depending on the corporate business. Companies' commercial activity is regulated by the laws of the sector in which they are engaged. Decree 20-2017 regulates the environmental evaluation of permits and authorisations to promote the sustainable use of natural resources.

Companies that want to carry out any construction or renovate a building must obtain an Environmental Endorsement from the municipality and formal permits.

The main specific legal framework on environmental matters is found in Law No. 217 "Natural Resources and Environment General Law", its Amendments (Law No. 647) and its Regulations (Decree 9-96); which contains norms for the conservation, protection, improvement and restoration of the environment and natural resources, ensuring its rational and sustainable use[9].

Such legal framework adopts the constitutional principle that establishes the natural resources as national patrimony[10]; creating, therefore, the legal provisions aimed to protect this patrimony through institutions such as MARENA, which is the one empowered to issue environmental permits for projects that may involve the use of national resources[11], which is a requirement that must be fulfilled prior to starting activities related with the project.

In order to obtain the environmental permit, investors must prepare and conduct an environmental impact assessment and file it with MARENA for approval. It is also important to mention that natural resources may only be given to investors, foreign or nationals, by means of permits, licenses or concessions for a determined period, depending on the project and the natural resources involved. Every activity in connection with natural resources and environment is executed under the control and regulations of MARENA and the specific authority for the specific natural resource affected, which are entitled to supervise the activities and to impose sanctions against those in breach of environmental laws and regulations.

Furthermore, the Nicaraguan Criminal Code has gathered in a specific chapter the Environmental and Natural Resources Crimes; punishing with prison and pecuniary sanctions the behavior of those committing criminal acts against the environment (such as, pollution of soil, subsoil, waters and atmosphere; breach to provisions contained in environmental impact assessments; illegal use of natural resources; among others.). A special unit of the District Prosecutor Office (Environmental Division) is currently in charge to investigate and prosecute this kind of crimes.

### D. Anti-Bribery and Corruption

Anti-bribery and corruption is regulated as follows:

- Law No. 737 regulates the government's administrative contracting and establishes a set of sanctions for companies and public workers who offer or accept bribes or engage in corrupt practices. Companies that supply the government can be suspended from participating in public tenders for three years if they provide gifts or money, directly or through another person, to officials involved in an administrative contracting procedure (Article 105, Law No. 737).

- Law No. 641, Criminal Code punishes the crime of bribery with a penalty of three to six years in prison and three hundred to five hundred fine-days.

### E. Competition

The main competition authority in Nicaragua is the National Institute for the Promotion of Competition (Instituto Nacional de Promoción de la Competencia) (Procompetencia) (www.procompetencianic.org), which provides guidance on the competition law rules. Competition-related matters concerning the regulated sectors are resolved by the corresponding regulatory entities, and Procompetencia' s scope for providing guidance in these sectors is limited.

#### 1. Restrictive Agreements and Practices

Law No. 601, the Competition Promotion Law (Law No. 601) prohibits acts, conduct, agreements, covenants, or contracts between competitor and non-competitor economic agents (whether express or tacit, written, or verbal) which are aimed at:

- Limiting or restricting competition.
- Preventing access to, or eliminating from the market, any economic agent.

Competitor Economic Agents (PCA). Law No. 601 expressly forbids certain practices between PCA. The following PCA acts are forbidden:

- Covenants and agreements to fix, increase, concert, or manipulate prices, or other sale or purchase conditions of goods or services in any way, which are offered or demanded in markets, or exchange information with the same object or effect.
- Covenants and agreements to divide, distribute, designate, or proportion or segment an actual or potential market of goods and services, by means of clients, sellers, suppliers, by kind of sold products, times of sale, and determined or determinable spaces, or by any other means.
- Covenants and agreements to eliminate other entities from the market, or limit access to the market by other entities, purchasers, or sellers of determined products.
- Covenants and agreements to fix or limit production amounts, establishing an obligation to produce, process, distribute, or commercialise only a restricted or limited amount of goods, or restricting the volume or frequency of services.
- Establishing, agreeing, or co-ordinating bid fixing, restraining, or limiting prices in auctions or in any other bidding form (with the exception of an offer filed jointly by economic agents which is clearly identified as such in the document filed by bidders).

Agreements between national producing agents and external purchasing agents which set out more favourable conditions for national producers will not be construed as limiting the free market and will not be contravention of competition law.

Non-Competitor Economic Agents (PNCA). Certain practices between PNCA are forbidden by Law No. 601 where the following criteria are met:

- The alleged responsible party for the practice has a dominant position in the relevant market.

- The practice is related to goods or services corresponding or related to the relevant market.

- The practice prevents, limits access to, or removes competitors from the market and, in any event, causes harm to the interests of consumers.

Where these criteria are met, the following practices between PNCA (whether express or tacit, written or verbal) are in breach of Law No. 601:

- Any unjustified agreement for the exclusive distribution of goods or services between non-competitor economic agents, wholesale suppliers, or distributors of one product only to sell those goods or services under the condition that retail purchasers do not buy or distribute competitor products.

- Imposing prices and/or other conditions which distributors or retailers must observe when supplying goods or services to buyers.

- Selling goods on the condition that the buyer acquires other goods or services or providing services on the condition that the buyer acquires other goods or services.

- Selling or buying goods on the condition that the goods or services of a third party are not used.

- Refusing to sell to, supply, or purchase from a specific economic agent, where those goods or services would ordinarily be available to sell, supply, or purchase and there are no alternative suppliers operating in the relevant market.

- Applying unequal conditions for equivalent performance, resulting in some competitors being placed at a disadvantage compared to others.

- Any agreement among several economic agents to put pressure on clients or suppliers with the purpose of dissuading them from certain conduct or obligating them to act in a specific manner.
- Using any form of predatory practices.

The provisions of Law No. 601 that prohibit any act or conduct which may harm, limit, or affect free competition also apply to foreign entities doing business in Nicaragua.

### 2. Criminal Penalties.

Under the Nicaraguan Criminal Code, pecuniary sanctions and a term of imprisonment (between two to six years), along with disqualification from carrying out a professional activity for the same period, can be imposed on those that breach competition law by exercising any of the following practices:

- Imposing (directly or indirectly) prices or other conditions of sale or purchase on goods or services or exchanging information in order to create the same effect.
- Imposing limitations or restrictions on the production, processing, distribution, and commercialisation of goods or services.
- Impeding or obstructing the entry into the market, or the permanency, of other economic agents, or excluding them from the market.

### 3. Unilateral Conduct

There are no specific provisions which cover unilateral conduct. However, depending on how PCA and/or PNCA activities are conducted or carried out (for example, one economic agent imposing anti-competitive conditions over others) it is possible to have one economic agent conducting unilateral anti-competitive practices. Much will depend on the practice's structure and how it is implemented, and actions will be reviewed on a case-by-case basis.

## 4. Transactions Subject to Merger Control and Turnover Tests

Law No. 601 (and its regulations and amendments) provides that the following transactions constitute a concentration:

- When formerly independent economic agents embark on contracts, agreements, or treaties with the purpose of acquiring, consolidating, integrating, or combining their businesses so that they will no longer be independent entities.

- When one or more economic agents who already control at least other economic agents, acquire by any means the direct or indirect control of all, or a portion, of another economic agent, or agents.

- Any other agreement or act which tacitly or legally transfers to an economic agent the assets of another or grants a right of control of another's business.

In general terms, the above forms of concentrations are permitted provided that their effect does not limit, harm, or restrain free economic competition in equivalent, similar, or substantially related goods or services. These provisions do not apply to mergers carried out with insolvent economic agents.

However, if a concentration meets either of the following thresholds, it must be notified to and approved by the Competition Authority:

- When as a result of the concentration, a market share equal to or greater than 25% in the relevant market is acquired or increased.

- Where economic agents involved in the concentration have a combined income equal to or greater than 642,857 minimum salaries.

The regulations to Law No. 601 provide that the calculation of the income test includes all of the assets and income received and accrued by the economic agents during their last fiscal term (in a periodic, eventual or occasional way), whether:

- Acquired in cash, goods, and compensations coming from sales or profits derived from manufactured, produced, treated, or purchased goods.
- Acquired in Nicaragua or abroad.
- Acquired through the rendering of services, leasing, subleasing, works, compensated activities of any nature, earnings or profits produced from real estate properties, movable assets, or capital earnings, and any other income of any nature (before tax deductions).

## F. Employment

The main governing law regulating employment relationships in Nicaragua is the Labour Code. It applies to all employees working in Nicaragua, whether they are nationals or foreign nationals. Immigration law establishes the rules applicable to a non-resident worker, who must obtain a work permit in order to work in Nicaragua. The Labour Code is a law of public order, and the provisions under the Labour Code apply over any choice of law stipulated in the employment contract. Any provisions in the employment contract, which contradict the provisions of the Labour Code are inapplicable. Provisions under the Labour Code cannot be waived.

The Law of Vested Rights also regulates employment relationships. This law provides in general terms that all the benefits and rights granted to the employees through a contract or contained in any law or regulations must be considered as acquired rights and cannot be diminished or reduced against the employee. In practice, the Labour Ministry has also stated that those benefits granted by custom would be considered as vested or acquired rights.

**Employees Working Abroad**

Although the Labour Code stipulates that the Labour Ministry of Nicaragua must validate contracts with Nicaraguans to provide services or perform tasks abroad, in practice, a legally valid contract is sufficient. If a Nicaraguan employer hires an employee to work in Nicaragua or abroad, the provisions of the Nicaraguan Labour Code will apply, and the tax and social security obligations. If an employee is hired by a foreign employer to work abroad, the employment relationship will be governed by the law of the employer's jurisdiction.

### 1. Employment Contract

The Labour Code establishes that only certain labour contracts can be made verbally. Verbal labour contracts can be made only for the following types of work:

- Fieldwork.
- Housekeeping work.
- Temporary or occasional work that does not exceed ten days' duration.

In all other cases labour agreements must be written. The main terms to be included in a labour agreement, among others, are as follows:

- Date and place of the agreement.
- Identity and domicile of the parties.
- Description of the work and the place of performance.
- The duration of work (for the day, and for the week).
- Whether the work is completed in the daytime or the nighttime (or a mixture of the two).
- Whether it is a fixed-term or indefinite period agreement.
- Compensation payable, and the form and place of payment.
- Signatures of the parties.

Implied Terms

There are certain rights implied in a labour relationship even though they are not expressly included in the labour agreement, for example (among others):

- The right of employees to earn no less than the minimum wage.

- The right to labour benefits, for example, severance, vacations, 13th month payment, and any additional benefits granted by employers to employees deemed as acquired labour rights under the applicable law.

## 2. Collective Agreements

Collective agreements can apply, provided that they are properly issued and approved by the Labour Ministry.

## 3. Work permits

Foreign employees must have either a temporary work permit or a working residency card to be able to work in Nicaragua. Timing and procedures can vary on a case-by-case basis; but in general it takes between two to six months for permits to be issued. The following documents (among others) will need to be supplied to the Immigration Authority and the Labour Authority, as required in the application:

Birth and health certificates.

Criminal record.

Passport (with no less than six months' validity).

Labour contract (for review and approval).

The main governmental authorities responsible for issuing permits are the Immigration Authority and the Labour Authority.

### 4. Termination

Depending on the type of labour contract signed with the employee, they can be terminated.

Definite labour contracts (types of contracts that provide a specific term of duration of the contract) cannot be terminated unilaterally before the date of termination stipulated in the contract, except for justified cause.

Indefinite labour contracts (types of contracts that do not provide a specific term of duration of the contract) can be terminated as follows.

### 5. Fair Dismissal

These are dismissals where the employer is justified in dismissing the employee, and can include the following where the employee:

- Commits a serious offence endangering life and/or the physical integrity of the employer or their co-workers.
- Violates the terms of the employment contract.
- Makes a slanderous expression against the employer, which either discredits the company, or causes economic damage.

Justified dismissals must be approved by the Labour Ministry prior to the dismissal being made.

### 5. Unfair Dismissal

These are dismissals where the employer has no justifiable cause to dismiss the employee. Unjustified dismissal triggers the payment of severance pay (which can be up to five months' salary and can include other labour benefits).

## G. Tax Incentives

Nicaragua offers a wide variety of incentives for important sectors (i.e., exports, manufacture, free trade zones, energy, tourism, agriculture, etc.). Upon a strong legal framework adequate to the current economic needs, Nicaragua has developed a platform of incentives that makes investors choose Nicaragua to carry out their business and expand the opportunities to create more and new productive businesses. The following are some of the economic sectors with their respective investment incentives.

### 1. Special Law on Exploration and Exploitation of Mines (Law 387).

- Exemption of import tariffs on machinery, materials, instruments, tools and other effects related to the mining activity.
- Exemption from taxes imposed on company property, within the perimeter of the mining concession.
- Exemption from taxes or tax burden directly or indirectly applied on the minerals before extraction, on the right to extract them, on the extracted mineral, cartage, benefits, transportation or storage of the minerals, as well as its sale or export (though payment of some royalties may apply).
- Zero percent (0%) for exports, applicable to exports in general.

### 2. Free Zones Incentives Law (Decree 46-91)

Nicaragua offers tax incentives under the free zone regime for companies interested in establishing export-oriented operations of Textile and Apparel Industries, Manufacturing, Agribusiness and Contact Centers and BPO:

- 100% exemption from Income Tax during the first 10 years of operation, and 60 percent from the 11th year onwards. This exemption does not include personal income taxes, wages, or salaries paid to Nicaraguan or foreign workers.

- Exemption from taxes on transfers of real estate including earnings of capital tax, if any, whether the company closes its operations and the property continues to be part of the free zone regime.

- Tax exemption from the set-up, transformation, fusion and reforming of the company, as well as on stamp duties.

- Exemption from all taxes, customs and consumption duties related to imports of supplies, raw materials, equipment, machinery, dies, or spare parts, samples, molds and accessories designed to empower the company for its operations, as well as taxes applicable to the equipment needed for installation and operation of cost-effective dining halls, health services, health care, childcare, leisure, and any other benefits that tend to satisfy the needs of the personnel of the company.

- Exemption from customs taxes on transport equipment, including vehicles used for cargo, passengers or service intended for normal use of the company.

- In case of selling such vehicles to purchasers outside the Zone, customs taxes will be charged, with respective discounts applied due to the time of use, similar to those for diplomatic missions or international organism.

- Full exemption from indirect, selective-sales or consumption taxes.

- Full exemption from municipal taxes.

- Full exemption from export taxes to products processed within the zone.

- Exemption of all taxes on local purchases

### 3. Tourism Industry Incentives Law (Law 306)

The incentives offered by this Law are considered the most generous and competitive in the region. It provides incentives and rewards for investment in housing services, food and beverage, tour operators, tour transport, airlines, among others. The incentives include:

Qualified tourism projects can receive the following tax benefits:

- 80% to 100% income tax exemption (IR) for a period of ten years.
- Real Property tax (IBI) exemption for 10 years.
- Import tax and value-added tax exemption on the purchase of accessories, furniture, or equipment.

Tax exemptions related to project implementation:

- Value-added tax on design/engineering and construction services.
- Exoneration of import duties and taxes and value-added tax for the local purchase of construction materials and fixed building accessories.
- Tax incentives can be extended if project undergoes extensive expansions.

In case of reinvestment, if at the end of the ten years incentive regime the investor decides to reinvest at least 35 percent of the original investment value approved, he can receive all the benefits for ten additional years.

### 4. Conservation, Promotion and Sustainable Development of the Forestry Sector Law (Law 462)

For the sector of Forestry, this law and its regulations allow to benefit from different tax incentives which were extended by the Tax Concertation Law until December 31, 2023.

- 50% of municipal taxes on sale of land.
- 50% of profits.
- Real Property taxes in the case of forest plantations and areas under forest management.

On the other hand, there are also the following incentives:

- Companies investing in plantations may reduce 50% of the amount invested as costs.
- Exemption from import duties for companies of secondary transformation and third transformation that import machinery, equipment and accessories excluding saw mills.
- 100% percent deduction of income tax when land is destined to reforestation projects or forest plantations.

5. **Renewable Energy Generation Law (Law 532)**

- Exemption of customs duties on the importation of machinery, equipment, material and raw material necessary for all construction of stations, including sub transmission lines necessary for energy transportation from the generation facility to the National Interconnected System.

- Exemption of the Value Added Tax (VAT) levied on machinery, equipment, material and raw material utilized during pre-investment stage, construction of structures, including the construction of the sub transmission lines necessary to transport energy to the National Interconnected System. For “isolated systems” with their own generation facilities, this exoneration covers pre investment, construction and all the investment made in distribution grids associated with the project (i.e. panels and solar batteries for solar energy).

- Exemption of income tax (IR) for a maximum period of seven years from the entry into business or commercial operation of the project, except for geothermal projects, for which the exemption is for ten years. During this same period, the income derived from the sale of carbon dioxide bonds will also be exempted.

- Exemption of all the Municipal Taxes on real estate, sales and registrations during the construction of a project, for a period of ten years to be applied in the following manner: exoneration of 75% during the first three years; 50% the five following years and, 25% for the last two years. Fixed investment in machinery, equipment, and hydroelectric dams will be exempted from all taxes and duties for a period of ten years.

- Exemption of taxes on the exploitation of natural resources for a maximum period of five years after the beginning of operations.

- Exemption of Stamps Tax incurred by the construction or operation of the project or expansion of a project for a period of ten years.

### 6. Temporary Admissions System (Law 382)

This system allows both the entry of merchandise into the national customs territory, and the local purchase of goods or raw material without paying any kind of taxes or duties. This merchandise must be re-exported after being subjected to a process of transformation, repair or alteration. The company must request a suspension of duties and tariffs to competent authorities.

To be eligible for this regime, companies must export directly or indirectly, at least 25% of its total sales and an export value can´t be less than US$ 50,000.

Regarding procedures and requirements, the following, among others, are the common documents that may be required:

1. Articles of Incorporation and Bylaws of the company / branch, registered at the Public Registry of Commerce.
2. POAs registered.
3. Taxpayer Identification Card.
4. Taxpayer Registration Certificate.
5. Environmental Impact Assessment (depending on the sector).
6. Environmental Permit (depending on the sector).
7. Concessions, licenses, permits, certificates (mining, forestry, energy, tourism, etc.).
8. Technical Information on the project.
9. Economic/financial information on the project.
10. Project's Drafts/plans.
11. Construction permits, licenses.

The abovementioned documents are requested and obtained at the corresponding authority involved (Tax Authority, Public Registry, Natural Resources and Environmental Regime, Tourism Ministry, Transport and Infrastructure Ministry, Energy and Mining Ministry, Forest and Agricultural Ministry, etc.); and procedures may take from 2 to 6 weeks, approximately.

Goods qualifying under this regime are:

- Intermediate goods and raw materials and any merchandise incorporated to the final export product.
- Capital goods directly involved in the production process.
- Material and equipment that will be integral and indispensable part of the facilities required for the production process.

## IV. Fiscal System

In February 27, 2019, Nicaraguan National Assembly approved Law No. 987 "Law on Amendments and Additions to Law No. 822 Tax Concertation Law", published in February 28, 2019 in the Gazette No. 41 enforceable as of February 28, 2019 establishing material changes to the current income tax framework for both corporations and individuals. In addition to Nicaraguan nationals and residents, the changes impacted foreign corporations and individuals with business and investments in Nicaragua.

Additionally, Decree No. 01-2013 "Regulations to Tax Concertation Law" dated January 15, 2013 and published on January 22 was issued by the Nicaraguan Government in order to regulate Law No. 822. Both, Law No. 822 and Decree No. 01-2013 are the main fiscal regulations in Nicaragua.

## A. Fiscal year

The fiscal year for all taxpayers is from January 1 to December 31 of each year. Consequently, and in accordance with Article 300 of the Law No. 822, each tax payer must settle a balance sheet at December 31st of the concerning fiscal year, submitting and paying the Income Tax Return (IR) no later than on January 31st of the immediate following fiscal year.

## B. Classification of Income

The new conceptualization of income tax includes
- Labor income / Personal Taxes
- Income from economic activities, and
- Capital income, capital gains and capital losses.

### 1. Labor income / Personal Taxes

The taxable base of work labor income is the net income, which is the result of deducting from gross non-exempt or taxable income, the deductions allowed by the Tax Concertation Law. The taxable base of allowances is the gross amount received. The taxable base of nonresidents work income is the gross income. Income perceived in kind will be valued at the standard market price of the good or service received in kind.

Law No. 822 establishes a method to calculate the amount of income tax to pay for work income based on the following progressive rate:

| **Annual Income** | | **Tax Base** | **Applicable percentagerate** | **Over** |
|---|---|---|---|---|
| From C$ | To C$ | C$ | % | C$ |
| 0.01 | 100,000.00 | 0.00 | 0.0% | 0.00 |
| 100,000.01 | 200,000.00 | 0.00 | 15.0% | 100,000.00 |
| 200,000.01 | 350,000.00 | 15,000.00 | 20.0% | 200,000.00 |
| 350,000.01 | 500,000.00 | 45.000.00 | 25.0% | 350,000.00 |
| 500,000.01 | or more | 82,500.00 | 30.0% | 500,000.00 |

## 2. Income from economic activities

The taxable base is the net income. Taxpayers have to pay an aliquot equivalent to 30% of the net income from economic activities. From 2016, this aliquot will be reduced by one percent per year for the next five years.

It is important to highlight that the Tax Concertation law establishes a parallel system with a differentiated aliquots for taxpayers with annual gross income less than or equal to twelve million Cordobas (C$ 12,000,000.00). Net income for such taxpayers will be determined as the difference between incomes and cash outflows; therefore, the total value of any acquired asset that is subject to depreciation will be deducted from income when the acquisition occurs.

| **Annual Net Income** | | **Applicable Percentage ofthe net income (%)** |
|---|---|---|
| From C$ | To C$ | |
| 0.01 | 100,000.00 | 10% |
| 100,000.01 | 200,000.00 | 15% |
| 200,000.01 | 350,000.00 | 20% |
| 350,000.01 | 500,000.00 | 25% |
| 500,000.01 | or more | 30% |

### 3. Capital Income and earnings and loss of capital

Law considers as a capital income the income earned or received in cash or kind from the exploitation of assets or transfer of rights, which is to say, comes from wealth itself, rather than any specific production or direct work. Earnings and loss of capital are changes in the value of the assets of the taxpayer as a result of sale of goods, or assignment or transfer of rights. Furthermore, income from gambling, betting, donations, heritages and bequest, and any other similar income.

| **Value in Cordobas** | | **Applicable Percentage** |
|---|---|---|
| From C$ | To C$ | |
| 0.01 | 50,000.00 | 1.00% |
| 50,000.01 | 100,000.00 | 2.00% |

| | | |
|---|---|---|
| 100,000.01 | 200,000.00 | 3.00% |
| 200,000.01 | **300,000.00** | 4.00% |
| 300,000.01 | **400,000.00** | 5.00% |
| 400,000.01 | **500,000.00** | 6.00% |
| 500,000.01 | Or more | 7.00% |

| Concept | Tax rate |
|---|---|
| **Income for activities** | |
| Transaction with tax Haven | 30 % |
| Reassurance | 1.5 % |
| Insurance prime and bond, guarantee | 3 % |
| Maritime vessel and aircraft | 3 % |
| International telephonic communications | 3 % |
| Other income | 20 % |
| Agricultural transactions, rice and ride milk | 1 % |
| Primary agricultural goods | 1.5% |
| Other agricultural goods | 2 % |
| Investments funds | 5% |

| Concept | Tax Rate |
|---|---|
| **Capital income, capital gain and capital losses** | |
| Trust | 15% |
| Others capital income for resident and non-resident | 15% |

| | |
|---|---|
| Alienation of immovable properties, from US$1 to US$ 50,000.00 | 1% |
| Alienation of immovable properties, from US$ 50,000.01 to US$ 100,000.00 | 2% |
| Alienation of immovable properties, from US$ 100,000.01 to US$ 200,000.00 | 3% |
| Alienation of immovable properties, from US$ 200,000.01 to US$ 300,000.00 | 4% |
| Alienation of immovable properties, from US$ 300,000.01 to US$ 400,000.00 | 5% |
| Alienation of immovable properties, from US$ 400,000.01 to US$ 500,000.00 | 6% |
| Alienation of immovable properties, from US$ 500,000.01 or more | 7% |
| Transaction in stock market | 0.25% |
| Investment Funds | 5% |

## C. Tax resident

According to the Nicaraguan law, an individual who stay within the country for more than 180 days in a calendar year, whether continuously or not is considered a tax resident. Additionally, a legal entity will be deemed as a resident, if its principal office or operations are in the country, unless such entity proves that its residency or tax domicile is in other country.

## D. Tax Haven

According to Law No. 822 it will be consider as a Tax Haven a country or territory where the income tax is levied at a low rate or not at all as the Nicaraguan Income Tax. The Ministry of Treasure (Ministerio de Hacienda y Crédito Público) is authorized, through a special regulation or Decree, to define or to appoint a country as a Tax Haven. As of now, Nicaragua will need to enter into treaties to avoid double taxation, and to prevent tax evasion.

### E. Stamp Tax

This tax levies different documents an operations based in a tables from C$1 to C$10,000.

### F. Transfer Pricing Rules

The Law establishes the Transfer Pricing rules, including the general comments and suggestions of the OECD. However, Transfer Pricing rules will be enforceable starting on January 1, 2016. Some of the most important characteristics are as follows.

1. Methods Includes all five OECD methods, namely:

- Uncontrolled Comparable Price;
- Resale Price;
- Cost plus;
- Profit Split method; and
- Transactional Net Margin Method.

2. Voluntary Studies:

Transfer price studies conducted by taxpayers are voluntary, however, the requirement to keep all supporting documents relative to the methods used remains unchanged.

3. Adjustments made by the Taxing Authority:

Under the new provisions, the Tax Authority may introduce any adjustments deemed necessary when taxpayers are not able to produce evidence that operations were made at regular market prices, values or profits.

To date, although there is a general legal framework, there are no specific regulations and the way in which the authority manages or applies the transfer pricing is unknown.

## V. Inmigration Regulations

In Nicaragua, Law 761 "Immigration and Foreign Status General Law", approved on March 31, 2011 and published in The Gazette No. 125 and 126 on 6 and 7 July 2011, along with its Regulations, are intended to regulate the entry and stay of foreign nationals to the national territory.

The following are the most relevant aspects:

- Foreigners enjoy the same rights recognized for Nicaraguans in the Political Constitution (excepting political rights).

- Free movement of foreigners among the republics of El Salvador, Guatemala, Honduras and Nicaragua, under the Law of the Central American Single Visa.

- There are a series of migratory categories and special permits of permanence, for instance 1. Diplomats 2. Guests 2. Residents and 4. Nonresidents.

- For residency status, some of the common applicable requirements are: Original Passport valid for six month minimum; two passport size photos: Birth Certificate or Naturalization, if the case, Certificate of Health; Criminal record certificate; Employment contract or marriage Certificate (if the spouse applies to the Nicaraguan residence). Some other specific requirements may apply depending on the specific immigration category.

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Disclaimer: This guide is only for general reference, it does not constitute an advice on any particular matter and should not be taken as such. Before starting any business or transaction within the country, please request your lawyer advice.

## CONTRIBUTORS

**Dra. Gloria María Alvarado | Managing Partner**

gmalvara@alvaradoyasociadoslegal.com

Corporate and IP Departments

**Norma Carolina Jaen Hernández | Associate**

njaen@alvaradoyasociadoslegal.com

Corporate Department

**Karol Irene Cuadra Castillo | Associate**

kcuadra@alvaradoyasociadoslegal.com

Corporate Department

**Claraliz Oviedo Maglione | Senior Associate**

coviedo@alvaradoyasociadoslegal.com

Corporate Department

**Francisco José Alvarado Añez | Senior Associate**

falvarado@alvaradoyasociadoslegal.com

IP Department

**Yury Fernando Cerrato Espinoza | Senior Associate**

ycerrato@alvaradoyasociadoslegal.com

Labour Department