



# Doing Business Honduras 2026





## Preface

**Welcome to the edition 2026 of the Doing Business Guide in Honduras, an annual publication prepared by PwC Interamericas. The purpose of this publication is to provide the investors a high-level overview of Central America and the Dominican Republic.**

Certainly, like every country, there are challenges, many of which are being addressed as the governments seeks to simplify regulatory frameworks, market-friendly policies, and improve the overall ease of doing business.

This guide only provides an overview of existing opportunities. Credible advice is at the heart of decision-making, so this information should lead to a more detailed and personalized analysis of the local markets, economic environment, political climate and legislative processes that suit your type of investment. If you need more information, the PwC Interamericas team will be delighted to assist you on an individual basis and walk with you on this journey to explore the opportunities for investments in this territory.

# Honduras

Honduras, the heart of Central America, welcomes investors from around the world. This country is driven by the work and talent of its inhabitants, with one of the youngest labor forces in the region.



Honduras protects and promotes foreign investment through various tax and legal incentives for companies. This country has various trade agreements, which offer direct access to the main world markets, thus increasing competitiveness, access to a diversity of products and services.

As detailed in our Constitution, Honduras is constituted as a free, democratic and independent republic, where justice, freedom, culture and the economic and social well-being of its inhabitants are sought and ensured.

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# Overview of the country



## Climate

The climate in Honduras varies from tropical in the lowlands to temperate in the mountains. The mean annual temperature in the interior is about 21.1° C (70°F). The low-lying coastal regions, however, are warmer, and the humidity is oppressive; the mean annual temperature there averages 30° C (86°F). The dry season lasts from November to May; the average annual rainfall ranges from 1,016 mm (40 inches) in some mountain valleys to 2,540 mm (100 inches) along the northern coast.

### Population, form of government, language, currency, others:

<b>Territorial area</b>	112,492 km <sup>2</sup>
<b>Population</b>	9,892,632 million (July 2024)
<b>Population by km2</b>	87,71 hab. /km <sup>2</sup>
<b>Relative Population Increase</b>	1.47% (approx. 2024)
<b>Urban Population</b>	57.9% (2024)
<b>Political System</b>	Republican Democrat
<b>Type of Government</b>	Presidential
<b>Language</b>	Spanish
<b>Currency</b>	Lempira (L)
<b>Political Division</b>	18 departamentos
<b>Religion</b>	Roman Catholic
<b>Capital City</b>	Tegucigalpa

Source: Dirección General de Estadística y Censos, [www.digestyc.gob.sv](http://www.digestyc.gob.sv).

## Education

The Honduran education system follows the European model of centralized control through the Ministry of Public Education, and consists of the following levels:

- Initial level  
(for children up to 5 years old).
- Basic level – Elementary  
(starts after initial level is finished and lasts 9 years).
- Middle level – High School  
(starts after basic level is finished and lasts from 2 to 3 years, according to the educational modality).
- Superior level (starts after the middle level is finished and last 4-5 years).

Basic and middle levels are officially free. All years of the basic level are mandatory. At the superior level (i.e. college) the National Autonomous University of Honduras (Universidad Autónoma de Honduras), the country's national public university, is the leading institution.

Likewise, there are private schools and colleges and 12 private universities nationwide. It is important to note that in the northern region there are approximately 310 bilingual schools.

# Political and legal system



## Legal framework

The political and legal structure of Honduras comprises three main branches – Legislative, Executive and Judicial – organized as follows:

	Executive	Legislative	Judicial
<b>Exercised by the</b>	President	Unicameral Congress	Supreme Court of Justice (*) Courts of appeal District courts Small claims courts (*) The highest of all judicial bodies
<b>Composed of:</b>	The President and the Presidential appointees	Chamber of deputies 128 deputies (1 deputy elected for every 64,000 inhabitants).	The Supreme Court of Justice is composed of 15 permanent magistrates and 6 substitutes. The number of Courts of Appeal, District Courts and Small Claims Courts, and the number of judges sitting on them are determined by law.
<b>Elected or appointed by:</b>	The President is elected by direct vote every 4 years, and the Presidential Appointees are designated by the President	The deputies are elected by direct vote every 4 years.	The magistrated are appointed by the National Congress with a period of 7 years.

## Main political parties

The last presidential and congressional elections were held on November 2021 and the representative of the Freedom and Refoundation Party, Xiomara Castro, was elected as president. The next elections will be held in November of year 2025.

- National Party  
Partido Nacional de Honduras PNH
- Liberal Party  
Partido Liberal de Honduras PLH
- Social Democrats  
Partido Innovación y Unidad-Social Demócrata (PINU-SD).
- Social Christians  
Partido Demócrata-Cristiano de Honduras DC
- Democratic Unification  
Partido Unificación Democrática UD
- Anti-Corruption Party  
Partido Anti Corrupción PAC
- Patriotic Alliance  
Alianza Patriótica AP
- Broad Front Political Electoral in Resistance  
Frente Amplio Político Electoral en Resistencia FAPER
- Go Solidarity Movement  
Vá Movimiento Solidario VAMOS
- Freedom and Refoundation Party LIBRE
- New Route Party of Honduras  
Partido Nueva Ruta de Honduras
- Salvador Party of Honduras  
Partido Salvador de Honduras
- Democratic Liberation Party of Honduras  
Liberación Democrático de Honduras
- We Are All Honduras  
Todos somos Honduras

# The Economy



The economy in Honduras has continued to grow slowly. The national economy shows an accumulated growth of 4.7% in the first semester of 2024, and 3.2% year-on-year.. Honduras is banking on expanded trade under the US-Central America Free Trade Agreement (CAFTA) and on debt relief under the Heavily Indebted Poor Countries (HIPC) initiative.

Honduras is the fastest growing remittance destination in the region with inflows representing more than a quarter of its Gross Domestic Product (GDP), equivalent to twice the exports. The economy relies heavily on a narrow range of exports, notably bananas and coffee, making it vulnerable to natural disasters and shifts in commodity prices. However, investments in the maquila industry and non-traditional export sectors are diversifying the economy. There has been an increased in foreign investments due to the establishment of Call Center companies in Honduras.

Growth remains dependent on the economy of the U.S., its largest trading partner, and on a reduction in the high crime rate and maintaining investment.



## Inflation

For October 2024, the Consumer Price Index (CPI) obtained a monthly variation of -0.05% showing a monthly reduction for the first time since August 2022. With this result, interannual inflation stood at 4.05%; meanwhile, accumulated inflation so far this year reached

# 3.29%

In the first month of 2023, national production grew 0.9%, according to the Monthly Index of Economic Activity (IMAE), -in its original series- when compared to the same month of 2022. The production performance was explained -in terms of contribution-, mainly due to the activities of: financial intermediation, telecommunications, hotels and restaurants, trade, private construction, agriculture, livestock, forestry, fishing, transport and storage.

	2018	2019	2020	2021	2022	2023
<b>GDP (US\$ m)</b>						
Nominal GDP (US\$ m)	24,021(*)	25.09(*)	23.83(*)	28.45(*)	31.69(*)	34.30(*)
Real GDP growth (%)	3.5	2.7	-9.0	12.5	4	3.6%
<b>Prices and financial indicators</b>						
Exchange rate Ps: US\$ (end-period)	24.51	24.82	24.32	24.18	24.63	24.72
<b>Current account (US\$ m)</b>						
Goods: exports fob	8,643.6	8,787.8	7,683.4	10,216	12,172	5,816.8
Goods: imports fob	12,461.5	12,148.6	10,241.3	15,072.6	17,583.1	16,040.2
Family Remittances in Balance Transfer (US\$ m)	4,759.9	5,384.5	5,573.1	7,184.4	8,464.9	8,946.3
Current account Deficit in the Balance of Payments	-1,581.8	-223.9	161.5	-308.9	170.5	45.3

Source: Central Bank of Honduras (\*) Approximate figure.

# Doing business in Honduras



## Government attitude toward foreign investment

Government policies have been friendly towards foreign private investment. The government is emphasizing the promotion of tourism and has implemented laws in order to attract foreign investment to the sector.

Foreign investment is generally accorded the same rights as domestic investment. Government authorization is required for foreign investment in sectors such as basic health services, telecommunications, air transport, fishing and hunting, exploration for and exploitation of minerals, forestry, and private education.

The current government promotes a tax reform project that seeks to create two new tax exemption regimes aimed at developing the national industry and attracting foreign investment, designed under the criteria of best international practices.

Including the change in the principle of land rent to world rent.

## Free trade agreement and other agreements

CAFTA is a regional trade agreement signed by the U.S. and five Central American countries: Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica. The Dominican Republic (in the Caribbean) has also joined the agreement. The comprehensive agreement maintains the general principle of duty-free, quota-free access for farm commodities and addresses other trade measures in both the region and the U.S.

The agreement should help foster economic growth, improve living standards, and create higher paying jobs in the U.S. and CAFTA countries by reducing and eliminating regional barriers to trade and investment. The agreement creates improved market opportunities for U.S. commodities and other goods and services.

CAFTA is expected to expand a two-way trade relationship in, textiles, farm, food, and fishery products, among other sectors. CAFTA will provide U.S. agro-exporters the same or better access to CAFTA consumers as its competitors, providing promising new opportunities to a regional market where U.S. exports currently total nearly US\$1.5 billion.

**Tariffs:** Under the agreement, over half of U.S. farm goods presently exported to the four CAFTA countries were protected by duty-free treatment immediately upon implementation. Tariffs on other products were to be phased out over the course of 5, 10, 12, or 15 years (18 years in the case of rice and chicken parts, and 20 years in the case of dairy products).

In most cases, eliminating these tariffs will create preferences (or equal footing) for U.S. exporters over third country suppliers, helping to expand the U.S. market share. Certain sensitive products will be subject to tools and mechanisms provided for by CAFTA, including tariff-rate quotas, long-term tariff phase-outs, nonlinear tariff reductions, and the application of import safeguards.

## Exports

Exports of goods totaled USD11,348.2 million,

showing a year-on-year drop of USD898.7 million (7.3%). This behavior is mainly explained by the 12.0% drop in exports of goods produced in the manufacturing industry (maquila), linked to the drop in international demand for textile products.

As of the second quarter of 2024, total exports reached US\$5,755.8 million (a 5.3% year-on-year decrease), while imports totaled US\$9,665.5 million (an increase of 2.4%). Thus, the trade balance registered a deficit of US\$3,909.7 million, which represented an increase of 16.1% compared to the same period in 2023.

The main exports consist of: coffee, shrimp, bananas, palm oil, fruit, lobster and wood.

## Imports

Honduras is highly dependent on imports of machinery and transportation equipment, industrial raw materials, chemicals, fuels, and food. The country's main trading partners are the US, Guatemala, Mexico and Colombia.

CIF imports of goods totaled USD19,327.4 million in 2023, registering a decrease of USD1,372.0 million (6.6%) compared to the figure reported at the end of 2022. This decrease is mainly attributed to the drop of USD1,170.5 million (26.7%) in imports of goods destined for transformation (maquila), mainly textile materials. Likewise, a contraction of USD201.4 million (1.2%) is observed in imports of general merchandise, especially industrial supplies and fuels.

Regarding the accumulated CIF imports of goods, it totaled US\$9,665.5 million as of June 2024,

Direct Foreign Investment has been focused on telecommunications, the manufacturing industry, maquila, services and recently, production of energy with renewable resources.

US\$223.8 million (2.4%) higher than that observed in June 2023; This trend is explained by the 2.5% increase in purchases of general merchandise – mainly transportation equipment and fuels – as well as goods for transformation (maquila) by 1.6%.

Purchases of general merchandise totaled US\$8,020.4 million as of June 2024, revealing a 2.5% increase compared to the figure obtained a year ago; as a result of the year-on-year increase of US\$170.9 million in imports of transportation equipment, its parts and accessories.

#### Other free trade agreements currently in effect

- Free Trade Agreement with United States of Mexico and the Republics of Honduras, El Salvador and Guatemala.
- Free Trade Agreement between Central America and the Dominican Republic.
- Free Trade Agreement between Central America and Chile.
- Free Trade Agreement between Central America and Panamá.
- Free Trade Agreement CE3 (Honduras, El Salvador and Guatemala) and Colombia.
- Free Trade Agreement with Peru and Canada.
- Free Trade Agreement with the European Union.

For industrial and commercial real estate investments, most foreign investment is in San Pedro Sula, considered the industrial capital of Honduras.

With the same objective of promoting foreign investment, local Government made some amendments to Law for Promotion of Electricity Generation with Renewable Resources through decree 138-2013 dated July 1st, 2013 and published on August 1st, 2013 in the Official newspaper “La Gaceta”.

#### Direct Access to Key Markets

- An Association Agreement with the European Union.
- Observer member of the Pacific Alliance.
- Honduras applied for official inclusion in the Trans-Pacific Partnership.
- Negotiations for a free trade agreement with Korea.
- Negotiations for a free trade agreement with China.
- Through DR-CAFTA, with: the United States, Costa Rica, El Salvador, Nicaragua, Guatemala and the Dominican Republic.

#### Destination of foreign investment

Direct Foreign Investment has been focused on telecommunications, the manufacturing industry, maquila, services and recently, production of energy with renewable resources.

#### Restrictions on foreign investment

There are only a few constraints, common in most countries:

- Disposal of toxic, dangerous and radioactive garbage not produced in the country.

- Activities affecting public health and the country’s environmental equilibrium.
- Production of materials and equipment directly linked to national defense and security, except with the express authorization of the Chief Executive.

#### Establishing business in Honduras

Business structures

- General partnership (sociedad en nombre colectivo).
- Ordinary limited partnership (sociedad en comandita simple).
- Joint-stock company (sociedad en comandita por acciones).
- Limited liability Company (sociedad de responsabilidad limitada (-S.DE R.L.-)).
- Stock company (sociedad anónima (-S.A.-)).
- Cooperative company (sociedad cooperativa).
- Unipersonal company (sociedad unipersonal)

Foreign investors may establish their businesses through any of the legal forms contemplated by domestic legislation. Local companies with foreign capital can access domestic credit with the same rights and under the same conditions as local companies with domestic capital.

The Limited Liability Company and the Stock Company are the models most frequently used by both locals and foreigners, other than the branch.



### Formation procedure

- Celebration of incorporation in a public instrument before a notary public or through the website [empresaaenlinea.org](http://empresaaenlinea.org)
- Publication of the notice of incorporation in a newspaper with the largest circulation.
- Registration of the instrument in the Mercantile

Registry and the corresponding Chamber of Commerce and Industry.

- Processing of the National Tax Registry (RTN).
- Processing of the municipal operating permit.

### Branch and/or permanent establishment

After a legal reform issued on 15 July 2011 by

Decree 51-2011, a company established abroad can incorporate a branch in Honduras once its existence in the country of origin is certified before the Public Registry of Commerce. This can be accomplished by filing the following documentation:

- Apostilled copy of the certificate of registration in the country of origin.
- Shareholder's Agreement appointing a permanent Honduras resident to be the company's legal representative.
- Incorporation statutes, if any.

Once all the documentation is filed, the Public Registry of Commerce should proceed to the incorporation of a branch issuing a resolution within a week.

The branch's business is directed by the person appointed by the parent company who must be a Honduras resident, to which powers of attorney are granted and registered in the Public Registry. Such power may be revoked only by the parent company or by the holder of an overriding power of attorney in Honduras.

The scope of the representative's power of attorney may vary according to the parent company's policy but should be sufficiently extensive to allow for adequate representation in Honduras. It is advisable to permit delegation of certain powers, such as the signing of checks.

There is no regulation requiring filing of the parent company's financial statements in Honduras, but there are tax information exchange treaties.

# Banking system



## Central Bank

The banking system is controlled by the Honduras Central Bank (Banco Central de Honduras). International banks operate through branches or special purpose offices. The Central Bank is responsible for supervision through the National Banking and Insurance Commission (Comisión Nacional de Banca y Seguros) of the member banks and enforcement of the respective banking laws.

Generally, the central bank is responsible for setting interest rates as guidance for the private banking system and enforcing exchange controls and similar regulations.

## Commercial banks

The banking system in Honduras is well developed, composed of a number of private institutions that are regulated by the Central Bank and by the superintendence of banks.

## List of banks

### Central bank

- Banco Central de Honduras

### Commercial banks

- Banco de Honduras, S.A.
- Banco Atlántida, S.A.
- Banco de Occidente, S.A.
- Banco de los Trabajadores, S.A.

- Banco Financiera Centroamericana, S.A.

- Banco Hondureño del Café, S.A.

- Banco del País, S.A.

- Banco Financiera Comercial Hondureña, S.A.

- Banco Lafise Honduras, Sociedad Anónima

- Banco Davivienda Honduras, Sociedad Anónima

- Banco Promerica, S.A.

- Banco de Desarrollo Rural Honduras, S.A.

- Banco Azteca de Honduras, S.A.

- Banco Popular, S.A.

- Banco de América Central Honduras, S.A.

## State banks

- Banco Nacional de Desarrollo Agrícola
- Banca de Segundo Piso
- Banco Hondureño para la Producción y la Vivienda (BANHPROVI)



# Labor and social security



## Labor supply

Employment statistics, according to the last National Survey of Workforce:

### Economically active population and unemployment

Year	Total	Employed	Unemployed
2015	3,935,335	3,647,600	287,735
2016	3,944,800	3,653,800	291,000
2017	4,093,474	3,819,978	273,496
2018	4,336,378	4,089,204	247,174
2019	8,200,056	7,959,523	240,533
2020	8,427,028	8,181,302	245,726
2021	9,500,257	9,151,399	348,858
2022	9,597,739	9,241,311	356,428
2023	9,701,532	9,419,548	281,984

Source: Instituto Nacional de Estadística (INE) Encuesta Permanente de Hogares de propósitos múltiples.

## Labor law requirements

Labor relations between an employer and employee in Honduras are regulated by the Honduran Labor Code, which applies to all companies operating in Honduran territory. Consequently, companies operating under special laws like the Export Processing Zones, Free Zones and RIT are also regulated by this Code.

The Honduran Institute of Social Security is the government agency responsible for controlling and monitoring the social benefits that assist the Honduran employee: Disability, Old Age and Death (IVM) and Sickness and Maternity (EM).

Below there is a summary of the most important requirements of the Labor Code.

#### **Wages and salaries**

Minimum wage is the lowest salary that can be agreed upon in an employment contract. Minimum wages are established by the government every year..

#### **Christmas bonus**

The employer is obliged to pay the worker in the month of December a Christmas bonus consisting of one ordinary monthly salary earned by the worker in the calendar year.

#### **14th Month bonus**

The employer is obliged to pay the worker in the month of June a bonus consisting of one ordinary monthly salary earned by the worker in the calendar year.

#### **Fringe benefits**

The employer has the option to provide some fringe benefits to its employees and executives; in general, these types of benefits will be taxed for income tax purposes, with some exceptions.

#### **Hours worked**

Maximum Labor hours are 8 hours daily and should not exceed 44 hours a week. There are other special shift arrangements allowed by the labor law.

#### **Vacations time**

Vacations are determined as follows:

- After 1 year of continuous service, 10 consecutive working days.
- After 2 years of continuous service, 12 consecutive working days.
- After 3 years of continuous service, 15 consecutive working days.
- After 4 or more years of continuous service, 20 consecutive working days.

#### **Notice of termination of employment**

In case of termination of employment, employers must provide a notice of dismissal one month in advance when the employee has served between one and two years; two months when he or she has served more than two years.

#### **Severance payment**

Severance pay is generally payable in the event of unfair dismissal, corresponding to one month's salary for each year of uninterrupted service up to 25 years.

However, the employee will be entitled to 35% severance pay after fifteen years of continuous employment or more, when the employee voluntarily decides to terminate an employment contract.

#### **Technical education contribution**

A payroll-based contribution is imposed on employers toward the financing of a program for the technical instruction and training of workers. The contribution

for employers is 1% of total monthly payroll; employees do not contribute.

#### **Foreign personnel**

Other things being equal, Honduran workers will have preference over foreign workers. Prohibiting employers from employing less than 90% of Honduran workers and paying them less than 85% of the total salaries earned in their respective companies.

Both proportions are modifiable in exceptional cases determined by law.

#### **Social security**

The Honduran Institute of Social Security is the government agency responsible for controlling and monitoring the social benefits that assist the Honduran employee: Disability, Old Age and Death (IVM) and Sickness and Maternity (EM).

The contribution ceiling is L11,336. for IVM and L11,109.30 for Sickness and maternity. The employee pays 2.5% of each regime and the employer pays 5% for sickness and maternity, 3.5% for IVM and 0.20% for professional risk.

The provisions provide that for the calculation of these percentages must be considered the first HNL 11,109.30 monthly wages of each employee.

The payments are made by the company monthly and must be withheld from the employees' salary weekly, bi-monthly or monthly depending on the way employees are paid.

The National Training Institute (INFOP) and Social Housing Fund (RAP) are also public institutions in charge of training programs for employees and housing finance. Employees pay 1.5 % of gross salary to RAP, which must be deducted from the monthly salary. The employer's contribution is 1.5% of each employee's gross salary. The contribution to the INFOP represents 1% of the total company's payroll and is paid only by the company.



# Accounting and audit requirements and practices



## Accounting

The Law of the Accounting and Audit Rules (Decree Number 189- 2004) creates the regulatory framework for the adoption and implementation of these international principles (IFRS or IAS), in order to obtain adequate preparation, presentation, review and certification of accounting and financial information that will guarantee the transparency and comparability, thereby generating the necessary national and international confidence in this information.

All of the above is aimed at Honduras' adoption and proper application of the International Financial Reporting Standards (IFRS) and International Auditing Standards (IAS).

The amounts and notes of the financial statements will be expressed in the local currency (Lempira). However, for financial situations and results of operations, companies may have alternative records adjusted to another currency.

The financial statements must be prepared annually and in a similar way to that of the previous period.

## Statutory audit requirements

Only financial institutions are required to prepare audited consolidated financial statements that must be published. In addition, they are required to publish their annual financial statements and submit to the regulators a semi- annual financial statement accompanied by a review.

## Books and records

Accounting records should be kept in Spanish and Lempiras. By specific requirement of the Honduran Accounting Law, they should include three bound books of account, a General Ledger, a Daily Ledger and an inventory and balance ledger. These books must be stamped annually, and records kept for at least five years. In practice, records are kept in a variety of ways, both computerized and in hard copy. These methods meet the Honduran Accounting law formal requirements.

## Accounting profession

Licenses to practice as a Certified Public Accountant (Contador Público Autorizado - CPA) are issued by the Public Accountants Board. Candidates must have obtained a degree in accounting, auditing or finance from a Honduran university.

## Auditing standards

The International Auditing Standards issued by the International Auditing and Assurance Standards Board are followed in Honduras.



# Tax system



Such taxes will be recollected and administered by the Honduran Government through the tax authority (known as Servicio de Administración de Rentas-SAR, before Dirección Ejecutiva de Ingresos-DEI), which was approved by the Executive Power under Executive Decree number PCM-084-2015, published in the Official Newspaper La Gaceta, on February 27 2016.

## Tax on corporate income

The corporate income tax rate for residents is 25% of the net income of the fiscal period of the company, plus a surtax of 5% called solidarity contribution applicable to the excess of HNL 1 million of the net taxable income.

Likewise, there is a 1.0% rate applicable to individuals or companies whose gross income is higher than ONE THOUSAND MILLION HNL (L 1,000,000,000.00). This 1.0% applicable to the income is compared with the result of applying the 25% rate to the net taxable income, and the greater amount must be paid as income tax. The rate will be reduced to 0.50% for the following sectors: production, distribution or sale of cement, steel and its derivatives for construction, which does not include the sale of scrap or the activity of the mining industry; public services provided by state companies; medicines and pharmaceutical products for human use, at the producer, importer or marketer level; and production, marketing or export of coffee.

The Honduran Constitution states that the National Congress is the only body empowered to levy taxes.

According to the publication of the new Honduras Tax Code (Decree 170-2016) in La Gaceta on 28 December 2016, Honduras is governed by the principle of territorial income, which is why company's resident in Honduras are taxed for their territorial income. For their part, non-resident companies are subject to income tax only on income derived from Honduran sources.

## Corporate residence

The place of incorporation is regarded by Honduran authorities as the corporate residence. Non-resident companies are those incorporated/registered outside of Honduras. However, income taxes on corporations are levied on local income regardless of the place of incorporation. In addition, any person or company resident in Honduras is subject to tax on both local and foreign income.

## Net assets tax

It is a tax of 1% of the net value of the assets of the company. The values paid under this concept, will constitute a credit against the value of the Income Tax to be paid. If, in the taxable year to which the payment corresponds, the legal person has learned an amount equal to or greater than the tax to be paid in concept of total net assets as Income Tax, the obligation derived from the latter shall be understood as fulfilled. In the event that the amount paid for Income Tax is less than the amount to be paid for tax on net assets, the difference will be the tax to be paid on total net assets.

## Capital gain tax

A 10% tax is applied on capital gains, regardless of whether or not you are a resident. The rate is reduced to 4% when the company operates within the free tourist zone (ZOLITUR).

In the event that the sale of goods or property rights and securities is carried out by a non-resident, the purchaser must proceed to withhold 4% of the value of the transfer of the property on account of the capital gains tax with the order to pay within the following ten days of the transaction.

## Sales tax

The sales tax is charged on all purchase and sale transactions of goods and services carried out in Honduran territory. The tax rate is 15%. It applies to most goods and services, with the exception of machinery and equipment, basic grains, pharmaceutical products, raw materials for the production of non-taxable goods, petroleum products and school supplies.

The import and sale of beer, other alcoholic beverages, cigarettes and other tobacco products are subject to 18% sales tax.

There is an 18% tax rate levied on first and business class airline tickets.

## Municipal taxes

Companies that operate in Honduras are also subject to the rules and regulations of the corresponding

municipality. Municipal tax obligations are regulated by the Municipalities Law and the “Municipal Excise Plan”. These include:

- Industry, commerce and service tax – Based on sales volume per year.
- Personal municipality tax – (individual tax).
- Public service tax – Tax paid for services such as waste management.
- Real estate – Tax on asset and asset gains.
- Sign tax – Taxation on public advertising.

**National Security Regulation**

The Regulation of the Population Security Law determines the application of the norms established in the Population Security Law. The application of special tax and contribution rates were established as described below:

- Special tax levied on the financial system for bank accounts transactions and renewal of credit cards memberships;
- Special contribution on cell phone companies taxed with a 1% rate on monthly gross income (i.e. air time);
- Special contribution on the mining sector taxed with a 2% rate on the FOB value for exports;
- Special contribution on food and beverage companies taxed with a 0.5% rate on their monthly gross income;

- Special contribution on casinos and slot machine companies taxed with a 1% rate on their monthly gross income; and,
- Special contribution on the cooperative sector taxed with a 3.6% rate on their net annual surplus.

**The following table summarizes other significant taxes**

Type of taxes	Rate %
Customs duties	1% to 20%
Payroll taxes or contributions, paid by employers	Social security 8.7% with a ceiling cap of HNL 11,336.32 INFOP 1% RAP/FOSOVI 1.5%
<b>Municipal Taxes:</b>	
Real estate tax; imposed on companies and individuals owning real estate	HNL 1.50 to HNL 5.00 for every thousand calculated on the cadastral value (consult the corresponding Municipal Tax Plan).
Industrial trade and municipal service taxes payable monthly for income from business operations; rates vary according to annual production, income or sales.	Various
Up to HNL 500,000	0.0003%
From HNL 500,001 to HNL 10,000,000	0.0004%
From HNL 10,000,001.00 to HNL 20,000,000.00	0.0003%
From HNL 20,000,001.00 to HNL 30,000,000.00	0.0002%
Over HNL 30,000,000.00	0.00015%



### Corporate deduction

#### Allowed deductions

The net taxable income of an enterprise is determined by deducting all the ordinary and necessary expenses incurred in the creation of income, including amortization and depreciation; municipal taxes; donations made in favor of the State, the Central District, the Municipalities, and legally recognized educational institutions, charities and sporting facilities; mandatory employer-employee contributions to the social security system; and “reasonable” charges for royalties and management services.

There are some expenses that should be considered “non-deductible”, even if they have been perfected by generating income, for example: a) interest paid to owners or shareholders; b) capital losses.

Inventories are generally valued using the first-in, first-out (FIFO), last-in, first-out (LIFO) and weighted-average cost method. However, after the adoption of the International Financial Reporting Standards on 2012, the only two methods accepted will be the FIFO and weighted-average cost method.

Provisions for contingent liabilities, such as severance pay, are not deductible for tax purposes; actual payments for those liabilities are considered to be deductible expenses.

#### Depreciation and depletion

Depreciation may be calculated using the straight-line method. Businesses can also obtain authorization from the tax authorities to use other depreciation methods. However, after a company selects a depreciation method, it must apply it consistently thereafter. The following are the applicable straight-line method rates for some common assets:

Class	Rate %
Buildings	2.5 to 10
Plant and machinery	10
Vehicles	10 to 33
Furniture and office equipment	10
Tools	25

Companies engaged in agriculture, manufacturing, mining and tourism may carry forward losses from three years if the tax authority so authorizes. Losses may not be carried back. Some restrictions apply.

Capital losses are not deductible to determine the net taxable income. Capital losses can only be netted against capital gains. Capital gains are subject to a tax rate of

**10%**

With the exception of the solidarity tax, net asset taxes, income tax and sales tax, taxes and contributions paid to district or municipalities are deductible expenses when determining taxable income.

Capital losses are not deductible to determine the net taxable income. Capital losses can only be netted against capital gains. Capital gains are subject to a tax rate of 10%.

**Net operating losses**

The carry forward of losses of individuals or legal entities engaged with agricultural, agro- industrial, manufacturing, mining and tourism activities, can be used to offset profits up to the third period following the period in which the losses were generated, with a maximum amortization of 50% in each period.

**Group taxation**

No provisions exist for group taxation.

**Withholding tax (WHT)**

The WHT on income obtained from Honduran source by non-residents are detailed as follows:

<b>Class</b>	<b>Rate %</b>
Income from Movable Property and Real Estate.	25
Royalties from mining operations and other natural resources.	25
Salaries, commissions, or any other remuneration for rendering services within national territory or abroad.	25
Income or obtained profits by foreign companies through subsidiaries, affiliates, agencies.	10
Income, profits, dividends or any other profit sharing, of individuals or companies.	10
Royalties.	25
Interest on commercial operations, bonds, credit instrument and other type of obligations.	10
Income from operations of airplanes, ships and vehicles	10
Income from operations of telecommunication companies	10
Insurance and bonds premium	10
Income obtained from public shows	25
Films and video tapes for cinema, TV, video clubs and cable TV	25
Any other income not mentioned previously	10

### Tax incentives

Companies operating under a special tax regime are exempted from income tax, sales tax, customs duties and some municipal taxes. These special tax regimens are:

- Free Trade Zones.
- Temporary Import Regime (“Regimen de Importación Temporal” (RIT)).
- Companies under the Tourism Incentive Law.
- Companies established in Bay Islands and under the Law of the Free Tourism Zone of the Bay Islands. (“Ley de la Zona Libre Turística de las Islas de la Bahía”).
- Law promoting the generation of electric energy with renewable resources. (“Ley de Promoción de la Generación de Energía Eléctrica con Recursos Renovables”). There are tax exemptions for projects generating 50MW and over.

The fiscal year runs from January 1 to December 31. However, taxpayers may request authorization from the SAR to opt for a special fiscal year. Companies must declare and pay annual income tax. Additionally, mandatory partial advance payments are payable every quarter, determined based on the income tax paid in the previous fiscal year.

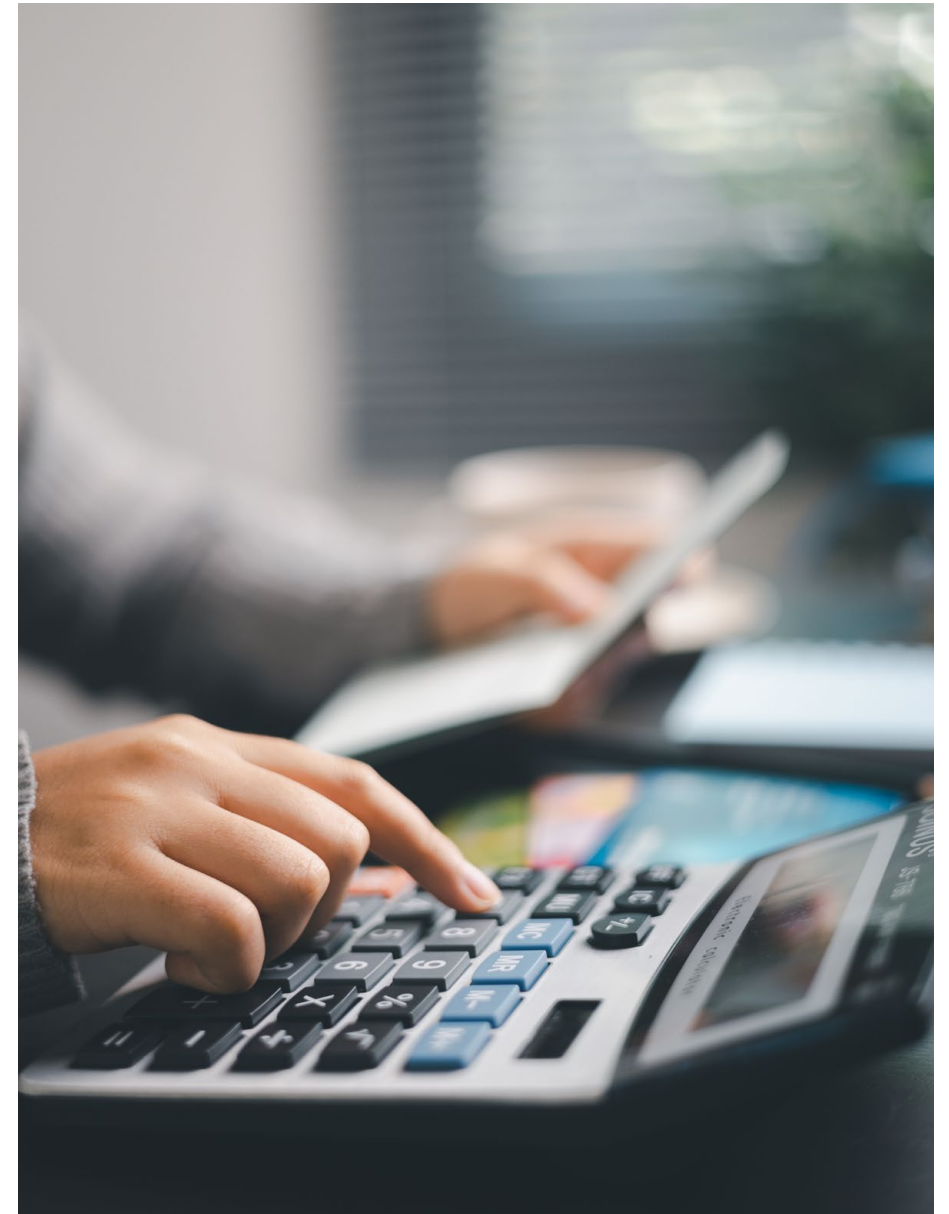
### Income Tax Declaration

Companies must declare and pay income tax on April 30 of each year. In the case of a special fiscal year notified to the SAR, the declaration and payment is made 3 months after the fiscal closing. Tax affidavits are based on self-assessment and can be submitted in electronic forms or paper forms provided by the Tax Administration.

### Payment of taxes

As of January 1, 2017, Honduras is governed under the principle of territorial income for the determination of the tax base of income tax, that is, Honduran citizens are subject to income tax on their income, from Honduran source only.

In addition, foreign citizens are subject to income tax on their Honduran source



Individuals are entitled to an annual deduction for medical expenses of L 40,000.00.

income. For tax purposes, a person will be considered a resident of Honduras, if he/she stays more than 90 days in the country during a fiscal year, continuously or not.

### Individual deductions

#### Current deductions/credits

Donations to legally recognized state, municipal, educational, and sports institutions are allowable deductions.

### Tax obligations of individuals

#### Declarations

The spouses are obliged to present separate income tax declarations, covering their respective income. Individuals are required to submit a statement when wages, salaries and bonuses come from different sources (where the employer makes the corresponding tax withholding) or when they are not included in the local payroll.

#### Tax Payment

Employers are required to withhold tax on wages, salaries, and bonuses. The Christmas bonus and the fourteenth salary are exempt when they do not exceed 10 minimum wages. In accordance with the Honduran labor code, contributions to Social Security, severance pay and severance pay are not subject to income tax.

#### Current tax rates

Individuals who earn salaries equal to or less than L 20,780.80 per month will not pay Income Tax during the 2024 tax period.

The following table is in force and effect:

#### Progressive Income Tax Scale (acronym in Spanish - ISR)

From	Up to	Rate%
L. 0.01	L. 199,039.47	Exempt
L. 199,039.48	L. 303,499.90	15%
L. 303,499.91	L. 705,813.76	20%
L. 705,813.77	Onward	25%

#### Transfer pricing

The Transfer Pricing Law is in force in Honduras as of January 1, 2014 through Decree 232-2011, establishing as its scope of application all transactions of natural or legal persons residing in Honduras with related natural or legal persons residing in the abroad or within a special regime. Additionally, the regulation published in La Gaceta on September 18, 2015 in Agreement 027-2015, expanded the application of the regulation to transactions between related companies residing in Honduras.

Additionally, an interpretation of Article 113 of the Honduran Tax Code was published, excluding entities covered by special regimes, since they enjoy tax benefits within operations that determine tax obligations related to transfer pricing.



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