



Doing Business Nicaragua 2026





Preface

Welcome to the edition 2026 of the Doing Business Guide in Nicaragua, 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.

Nicaragua

Nicaragua takes its name from Nicarao, chief of the indigenous tribe that lived in time of the Spanish conquerors. In 1524, Hernandez de Cordoba founded the first permanent Spanish towns, Granada, on Lake Nicaragua, and León.



Nicaragua gained independence from Spain in 1821, becoming a part of the Mexican Empire. After separating from Mexico, in 1823 Nicaragua joined a federation of independent Central American provinces with other Central American countries. In 1838, Nicaragua separated from the federation, which dissolved a month later. In 1845, three years after trying to form a union, Nicaragua went to war with Honduras and El Salvador.

In 1847 there was a new attempt to unite. The history of Nicaragua is marked by tensions between the parties, conservatives and liberals.

The Constitution was ratified in 1858 (to be in effect for 35 years) and Managua was established as the capital city. On November 5, 2006, the presidential election was won by Daniel Ortega of the Sandinista National Liberation Front (FSLN), Current government.

Why invest in Nicaragua?

The foreign investment landscape in the country has been recovering gradually since 2019, even after the pandemic entered the international scene, Nicaragua began to be seen as a desirable destination for foreigners due to the flexible measures of mobilization in the country and the absence of the mandatory isolation experienced in Europe and other countries in the region.

Nicaragua continues constantly improving its infrastructure, with the aim of boosting national and international tourism and creating conditions that encourage and facilitate trade.

For instance, in mid-August 2024, the expansion and modernization works of the Punta Huete International Airport in San Francisco, Managua, officially began. In addition to this, during this same year, multiple road improvement projects, pedestrian bridges, schools, among others, have been carried out.

A characteristic that continues to be attractive for investment is the territorial tax system, which promotes tax incentives for new business initiatives and key industries in the country such as tourism, energy generation, production in Free Zones and innovative businesses that can gain public interest.

The possibility of acquiring properties whether residents or not, is another attraction for investment in Nicaragua. The real estate market has seen a drop in its prices, which in turn has become an incentive for international real estate investors. Private property has the same protection for nationals and foreigners and the registration of real estate in the country is a process of medium complexity and very accessible, provided, of course, that you have the appropriate legal counseling.

If you have considered exploring investment options in Nicaragua, you will be interested to know that the local culture is friendly to foreign initiatives and that the country has a skilled labor force for developing industries such as back-office services (call centers), tourism and construction.

A fact that should not be lost sight of is the legal minimum wage in the country, which compared with the rest of the region is highly competitive. The average monthly minimum wage is US\$235, being the lowest of the Central American countries, followed by Guatemala, which has a monthly minimum wage of US\$440.

Additionally, in 2023 the average salary earned by workers signed on with the social security was approximately US\$382.

It is worth mentioning that employability costs are also accessible due to factors such as the economic opening to the importation and local production of food, which allows Nicaraguans greater purchasing power with fewer resources.

It is expected that during 2023 the local and regional strategy will focus on a more articulated effort by the public and private sectors to achieve social and environmentally sustainable economic revitalization, with the aim to allow the country to enter the new digital and carbon-neutral world.

Furthermore, the latest Report of the Monthly Economic Activity Index issued by the Central Bank of Nicaragua (BCN), reflects an accumulated growth of 3.9 percent, so the growth goal for this year 2024 is between 3.5 and 4.5 percent.

Consulted sources:

<https://www.sica.int/iniciativas/resiliencia>

<http://www.marena.gob.ni/2021/11/09/mensaje-del-gobierno-de-reconciliacion-y-unidad-nacional-de-nicaragua-en-la-cop26/#>

https://www.bcn.gob.ni/sites/default/files/estadisticas/sector_real/mercado_laboral/3-6B06.htm

<https://www.bcn.gob.ni/publicaciones/informe-anual-2022>

Ley 822 Ley de Concertación Tributaria y Ley 987 de Reformas y adiciones a la Ley de Concertación Tributaria.

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Country Overview



Climate

Nicaragua has a predominantly tropical climate, alternating between two seasons: rainy and dry (winter and summer). This is the result of its geographic location between 11 and 15 degrees latitude north and the humidity from both the Atlantic and Pacific oceans, which give it a fairly stable season.

In the central region the rainy season lasts from May to October. The dry season occurs from November through April. During December the weather is more temperate. The warmest months are March, April and May, Nicaragua's "beach season."

The climate along the Caribbean Coast has the highest temperatures and humidity. The temperatures in this region are similar to those in tropical jungles, ranging above 89° F.

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

Area	130,373 km ²
Population	6.916 million inhabitants (2024, ECLAC estimate)
Population per km²	49 hab. /km ²
Population Growth	1.36 % (est. 2024)
Urban Population	57.6%
Political System	Republican democracy
Form of Government	Presidential
Language	Spanish
Currency	Córdoba (NIO)
Administrative division	15 departments, 2 autonomous regions, and 153 Municipalities
Religion	No official religion (Predominant religion is Roman Catholic)
Capital City	Managua

Source: Banco Central de Nicaragua (BCN), ProNicaragua..

Education

Currently, 70.9% of the population is younger than 40 years, according to figures from the Central Bank of Nicaragua. Elementary, high school, and university education are mandatory, the first two being free. There is one Nicaraguan branch of a US University that has been accredited by Southern Association of Colleges and Schools (SACS). The Nicaraguan government is increasing funding to improve educational opportunities in the country, and has promoted increased enrollment for both grammar and high school, as well as for universities.

All schools, including elementary, high school and university, are under the general supervision and regulation of the National Ministry of Education.

Political and legal system



Legal framework

The political and legal framework of Nicaragua is composed of four main branches organized as follow: Executive, • Legislative, • Electoral, and • Judicial

POLITICAL AND LEGAL FRAMEWORK

	Executive	Legislative	Judicial	Electoral
Exercised by the:	The President	National Assembly	Supreme Court of Justice	Supreme Electoral Council
Composed of:	The President	Chamber of 90 Deputies (20 national deputies and 70 departmental deputies) plus 2 more deputies: the former President and the Presidential Candidate who obtained the second place in the previous elections.	16 Judges	7 members, and 3 alternates.
Elected or appointed by:	The President and Vice-President are elected by direct vote every 5 years.	The deputies are elected by direct vote every 5 years.	The judges are appointed by the National Assembly every 5 years.	The judges are appointed by the National Assembly every 5 years.

The Nicaraguan civil framework is based on Napoleonic Code.

The last presidential elections were held in November 2021 and the last Municipal elections were held in November 2022.

Main political parties

The recent trend has been toward fewer political parties participating in the presidential election, as evidenced by the last two elections.

Currently, the four major political parties are:

Constitutional Liberal Party

(14 seats in the National Assembly).

Nicaraguan Liberal Alliance (2 seats).

National Liberation Sandinist Front (71 seats).

Independent Liberal Party (2 seats).

There are also a number of other small parties which have been in existence for some time and a few that are still relatively young. Attempts to create new political parties are often largely unsuccessful due to the strengths of the larger parties.

The Economy



Gross Domestic Product (GDP)

Despite the effects caused by the COVID 19 sanitary crisis, investments in Nicaragua have managed to establish a recovery process since the first quarter of 2021, maintaining the policies of stimulating private investments and exports, that year there was a notable increase in FDI.

During 2023, FDI inflows were US\$1,230.1 million, which resulted in an increase of US\$716 million compared to the same period of 2021 (US\$ 577.8 million), these inflows were mainly led by new investments in the Energy and Mining sector.

The development of the energy and mining sectors and free trade zones have contributed significantly to increasing the country's productive capacity and boosting the economy.

Nicaragua obtuvo en 2023 un índice de IED como porcentaje del PIB de

14.2%

Inflation

As of December 2023, the Consumer Price Index (CPI) recorded an annual inflation of 5.6 percent (11.6% in December 2022).

GDP (US\$ m)	2019	2020	2021	2022	2023
Nominal GDP (US\$ m)	12,621.2	12,621.2	13,883	15,671.6	17,829.2
Real GDP growth (%)	(2)	(2)	9.9	3.8	4.6
Prices and financial indicators					
Exchange rate: US\$ (end-period)	34.82	34.82	35.48	36.23	36.62
Lending interest rate (avg;%)	11.18	11.18	10	10.3	11.3
Current account (US\$ m)					
Trade balance	(1,559.9)	(1,559.9)	(1,022.8)	(2,790.8)	(2,691.9)
Goods: exports FOB	2,852.0	2,852.0	5,150.3	6,309.7	6,688.3
Goods: imports FOB	4,411.9	4,411.9	6,173.1	(9,100.5)	(9,380.2)
Unemployment					
Unemployment (avg; %)	5.9	4.8	4.3	3.5	3.4

Source: Banco Central de Nicaragua/INIDE.

Economic Data - Year 2023

GDP)	US\$ 17,829.2 millions
Real GDP Growth	4.6%
GDP per capita	US\$ 2,620
Total Export	US\$ 6,688 millions
Foreign Direct Investments (FDI)	US\$ 1,230.1 millions
Foreign Direct Investments (FDI) as GDP percentage	14.2 %
Annual Inflation	5.6 %
Stable Currency	Fixed devaluation of Cordoba with respect to USD equivalent to 1% per year (2022).
International Reserves	US\$ 5,447 millions

Doing business in Nicaragua



Foreign investment legislation grants foreign investors the same rights and responsibilities as domestic investors.

The legal framework for the promotion of foreign investment is composed in principle and in general terms of the following laws:

- Foreign Investment Promotion Law (Law 344 of April 27, 2000)
- Temporary Admission Law for inward processing of export facilitation (Law 382 of April 16, 2001)
- Export Free Zone Law (Law 917 of October 8, 2007)

There are numerous laws, instruments and legal provisions that allow the creation and strengthening of businesses depending on the area of business to be carried out.

Free Trade Agreements and other agreements

Nicaragua, as a member of the World Trade Organization (WTO), has always been present in multilateral, regional and bilateral negotiations (free trade agreements) in order to obtain tariffs and preferential transactions that in turn have become a characteristic and an important component in the liberalization and fluidity of trade by region.

Through a wide range of trade agreements, Nicaragua has achieved preferential access to the world's most important markets, allowing companies operating in the country to establish an export platform for key markets in North, Central and South America, Europe and Asia.

Among the agreements signed by Nicaragua are:

- Central American Common Market (CACM) December 13, 1960: Nicaragua, Honduras, El Salvador and Guatemala have signed an agreement to integrate their economies in order to achieve greater competitiveness in the world market. The union has created a common customs territory between countries that will lead to the free movement of all products, regardless of their origin, and the elimination of customs requirements between countries.
- Free Trade Agreement between Central America - Dominican Republic (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua) April 16, 1998:
 - The objective of this treaty is to stimulate the expansion and diversification of trade in goods and services between parties, promote conditions of free competition within the free trade zone, reciprocally eliminate barriers to trade in originating goods and services.
- Free Trade Agreement between Central America - Dominican Republic (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua) April 16, 1998: The objective of this treaty is to stimulate the expansion and diversification of trade in goods and services between parties, promote conditions of free competition within the free trade zone, reciprocally eliminate barriers to trade in originating goods and services.
- Central America-Panama Free Trade Agreement (Costa Rica, Guatemala, El Salvador, Honduras and Nicaragua) March 6, 2002: The objective of this agreement is to attract investment and open agro-industrial markets.
- Free Trade Agreement with the United States (DR-CAFTA) August 05, 2004: Nicaragua, together with the other four Central American nations and the Dominican Republic, signed a Free Trade Agreement with the United States of America. The implementation of this treaty eliminates duties on most Central American exports to the United States and helps to integrate the Central American economies into a single trading bloc.
- The implementation of this treaty eliminates duties on most Central American exports to the United States and helps to integrate the Central American economies into a single trading bloc.
- Generalized System of Preferences (GSP): The Generalized System of Preferences (GSP) originated with a worldwide effort by industrialized countries to grant preferential market access to developing countries. The GSP grants unilateral tariff preferences to imports from developing countries. Nicaragua benefits from the GSP with Japan, Colombia, the European Union and Canada.
- Preferential Trade Agreement with Venezuela August 15, 1986: The purpose of this bilateral agreement is the granting of tariff preferences and the elimination or reduction of non-tariff

Many transactions are freely and fully conducted in U.S. dollars. Remittances of investment capital, earnings, loans and lease repayments are freely allowed through the private foreign exchange market operated by local financial institutions.

restrictions to strengthen and dynamize their trade flows, in a manner compatible with their respective economic policies, contributing to the consolidation of the Latin American integration process.

- Preferential Commercial Agreement with Colombia August 15, 1986: The purpose of this agreement is to grant tariff and non-tariff preferences that Colombia will grant to Nicaragua, foreseeing that in the future Nicaragua may, when conditions permit, grant preferences to Colombia.
- Partial Scope Agreement between Cuba and Nicaragua March 13, 2014: The purpose is to promote tariff preferences and the elimination of non-tariff restrictions in bilateral trade, with the objective of creating and increasing trade opportunities between the Parties, on a predictable, transparent and permanent basis, through cooperation, complementarity and solidarity.

On November 17, 2023, the Free Trade Agreement between the Government of the People's Republic of China and Nicaragua (FTA) was published in La Gaceta Diario Oficial, No. 209, which is expected to result in new investments and an increase in job creation. This FTA would come into force in 2024.

Foreign investment

The foreign investment law has the objective of facilitating the establishment and placement of foreign capital in Nicaragua, in such a way that foreigners may enjoy tax benefits, banking opportunities and access to all transactions and formalities that allow them to

operate as if they were a nationalized entity.

The law for the promotion of foreign investment establishes equal treatment for local and foreign investors, the elimination of restrictions on the ways in which foreign capital enters the country and the recognition of the right of foreign investors to own and use their property without limitations.

The law also stipulates, among many other provisions:

- Free currency convertibility.
- Free realization of: Foreign investors are guaranteed the enjoyment of related transfers of funds abroad, remission of profits, dividends, profits, payments for foreign debts, income, among others.
- No minimum or maximum investment amount (except for free zones)
- 100% international ownership allowed. There is no discrimination against foreign investors, both for owners and shareholders.
- Accelerated depreciation of capital assets
- Equitable treatment for local and foreign investors
- Access to financing available in local banks, according to their terms and conditions of approval.
- Protection of Property and Security: Nicaraguan law recognizes and guarantees the rights of the national and foreign investor, the protection of their property and the right to free disposal of assets, capital and profits.

Destination of foreign investment

Foreign investments have been centralized on Telecommunications, Energy, Manufacturing, Tourism and Services.

Restrictions of foreign investment

There are no restrictions in Nicaragua on converting or transferring funds associated with investments.

Many transactions are freely and fully conducted in U.S. dollars. Remittances of investment capital, earnings, loans and lease repayments are freely allowed through the private foreign exchange market operated by local financial institutions.

Temporary Admission Law:

In Nicaragua the Law of Temporary Admission for the Temporary Admission of Improvement of Assets to facilitate exports, promotes regulating the facilities required in the temporary admission for inward processing, as well as those required for the re-export of compensating products outside the national territory, including sales to the Industrial Free Zones of Exports in their different modalities.

Law of Free Zones:

The Law of Export Free Zones, aims to establish the legal regime of the export free zones, with the purpose of maintaining and attracting foreign direct investment that complements the national investment effort and promotes exports, to achieve the social and economic development of the country.

Establishing a business

Business activities, as well as the forms of incorporation of a company in Nicaragua are governed as a general rule by the Commercial Code and the Civil Code. Its regulation is established by entities such as:

Public Registry of Real Estate and Mercantile Property.

National Directorate of Public Registries

Centralizing General Directorate of Information and Prevention.

Ministry of Industry and Commerce

On the other hand, financial trading companies are subject on regulation of Prevention of Money Laundering, Financing of Terrorism and Financing of the Proliferation of Weapons of Mass Destruction therefore they must submit periodic reports to governmental entities such as:

- Superintendency of Banks and other financial institutions (SIBOIF).
- National Microfinance Commission (CONAMI)
- Financial Analysis Unit (UAF)

The classification of legal entities does not exclude the operation and functioning of atypical entities or social contracts. As is the following case:

Joint venture (Partnership in fact).

This type of business structure is regulated in articles 329 to 332 of the Code of Commerce. Basically, the terms and clauses must be negotiated in the Joint Venture Agreement.

Registration procedure

In order to register a branch the following documentation must be filed before authorities.

- Name of the entity establishing the branch and the mailing address of its main office; country or state of organization or incorporation; business to be conducted by the branch; certificate from appropriate agency of the country or state of organization or incorporation, indicating it is duly registered and authorized to do business; copy of articles of incorporation or equivalent on file with the authorities of the country or state as applicable.
- Certified copy of the resolution of the appropriate body approving the incorporation of a branch in Nicaragua and also granting a local representative power to obtain the authorized domicile, as it is mandatory to appoint a local representative to file the request.

However, in addition to the requirements listed above, in 2019 the General Directorate for Centralization of Information and Prevention was created, whose purpose is to regulate, supervise and train nationwide the Lawyers and Notaries Public as Regulated Entities, in relation to their obligations of prevention, detection and reporting of activities potentially related to Money Laundering, Financing of Terrorism and Financing of the Proliferation of Weapons of Mass Destruction and predicate offenses associated with Money Laundering. This new regulation has a direct impact on the operation of commercial companies, since it obliges them to comply with a fundamental requirement to allow registration traffic

and to be able to carry out transactions in a transparent manner before other state institutions:

Declaration of the Ultimate Business Owner (UBO)

The Supreme Court and the National Directorate of Public Registries has been in charge of formulating and implementing regulations, which specifically demand compliance with these diligences for the prevention of regulation of prevention of money laundering, financing of terrorism and proliferation of weapons of mass destruction.

The circulars issued by the DNR in relation to this matter have been:

- Circular 008-2021: Instructs to perform corporate information update and beneficial owner registration for commercial companies. (establishes deadlines)
- Circular 009-2021: Establishes the regulation to declare the beneficial owner of corporations whose shareholders are national or foreign companies.
- Circular 014-2021: Establishes the period for the registration of the beneficial owner.
- Circular 020-2021: Establishes the call for registration and penalties for non-compliance (corporations whose corporate name begins with the letter “A” through “H”).
- Circular 021-2021: Establishes the call for registration and penalties for non-compliance (companies whose corporate name begins with the letter “I” through “Z”).

Banking system



Central Bank of Nicaragua

Banco Central de Nicaragua (the Central Bank of Nicaragua) was created by Article 148 section 19 of the Constitution of 1950 through legislative decree no. 525 dated July 28, 1960.

It began operations on January 1, 1961 as a government institution with operational autonomy, indefinite duration, independent funding and legal identity. It is governed by Article 99 of the current Constitution, which establishes that “The Central Bank is the regulator of the monetary system of Nicaragua”.

In 2010, the legal framework of the bank was

modernized through Law 732 “Organic Law of the Central Bank of Nicaragua”, which defines it as an autonomous, decentralized institution of the Government, technical in nature, of indefinite duration, legal identity, independent funding and complete capacity to enter into legal contracts. The bank’s main office is in the city of Managua.

On December 13, 2024, the BCN published on its website the “Circular for the application of the provisions on payments in the national currency, the cordoba”, which will come into force on January 1, 2025. This circular states that all agents offering their goods and services in Nicaraguan territory must indicate prices in national currency. In turn, it details the goods and services that must be expressed and paid for in cordobas and those that may be expressed in foreign currency, with the option of payment in foreign currency or in cordobas.

Commercial banks

Banking entities established in Nicaragua provide a full range of services that include, among others, credit cards; loans for the purchase of vehicles; loans for personal expenses; leasing operations; mortgage loans; saving accounts; checking accounts; investments through deposit certificates; short and long term loans; management of letters of credit; document collections; industrial credit; factoring; and sale and purchase of foreign currency. The Superintendent of Banks and Other Financial Institutions (SIBOIF) is the public entity that supervises banks, and financial and insurance entities.

List of banks

- The Central Bank of Nicaragua.(BCN)
- Banco Avanz, S.A. (AVANZ).
- Banco de la Producción, S.A. (BANPRO).
- Banco FICOHSA Nicaragua, S.A. (FICOHSA)
- Banco LAFISE Bancentro, S.A. (LAFISE BANCENTRO).
- Banco de América Central, S.A. (BAC).
- Banco de Finanzas, S.A. (BDF).
- Banco de Fomento a la Producción (Banco PRODUZCAMOS)
- Banco Atlántida Nicaragua, S. A. (BANCO ATLANTIDA). Authorized as of September 2019.

Representation offices of foreign banks

- Banco de Desarrollo Económico y Social de Venezuela (BANDES).
- Tower Bank International, Inc.
- LAAD Americas N.V
- Banco Centroamericano de Integración Económica (BCIE)



Labor and social security



Unemployment rate as of December 31 for the years 2019 - 2023

	2019	2020	2021	2022	2023
Unemployment rate	6.2	5.9	4.8	4.3	3.5

Source: Código del Trabajo de Nicaragua y de la Seguridad Social

Labor law requirements

The regulation of the Nicaraguan work relationships are based on the country’s labor code, the highest law regarding employment matters. This law is intended to protect employees and employers and specifies their rights and obligations.

Profit sharing

Under the Nicaraguan Labor Code, profit sharing is not mandatory for companies.

Below is a summary of the most important requirements of the Labor Law:

Wages and salaries

The minimum wage in force in 2024 (captured in Cordoba C\$) applicable as of March 2024, which is shown below, is derived from the resolution issued by the National Minimum Wage Commission of the Ministry of Labor on February 29, 2024:

Industry	Monthly C\$	USD Equivalent
Agriculture *	5,721	156
Fishing	8,699	238
Mining	10,275	281
Manufacturing	7,693	210
Micro and small craft Industries and national tourism	8,746	239
Industry subject to fiscal regime	6,028	165
Electricity, gas and water, commerce, restaurants and hotels, transportation, warehousing and communications	10,494	287
Construction, Insurance and Financial Institutions	12,803	350
Community, social and personal services	8,020	219
Central and municipal government	7,135	195

Christmas bonus

At the end of each calendar year, the employee is entitled to an additional month of salary (bonus). If the worker has not completed a year of continuous work, the additional month of salary is calculated proportionally to the months worked during the year. Payment is due within the first ten days of December.

Complementary benefits

Costs for the Employer	% of Ordinary Gross Salary
Vacations	8.33%
Christmas Bonus – 13th Month	8.33%
Severance Payment	8.33%
Holidays	3.05%
Social Security	21.5% (employers with 50 or less employees) 22.5% (employers with more than 50 employees) effective February 2019.
INATEC (National Technological Institute)	2.00%
Total	51.54% (employers with 50 or less employees) 52.54% (employers with more than 50 employees)

Source: Código del Trabajo de Nicaragua y de la Seguridad Social



Vacations

After each continuously worked year, employees are entitled to thirty days of paid vacation.

Severance payment

Whatever the cause may be for the termination of a contract, the employer is obliged by law to pay the employee the proportional part of his benefits, such as vacation, Christmas bonus and work compensation. Also, when the employer rescinds an open-ended contract without just cause, he must pay the employee the equivalent of the following:

- One month of salary for each of the first three years of work,
- 20 days of salary from year four through six.

In no case shall the payment be less than one month or greater than five months. Any fractions of years will be compensated proportionally.

Technical education tax

National Technological Institute (INATEC): Employers must pay the equivalent of 2% of the employee's monthly gross salary. This fund is available for training for workers from the contributing company.

Foreign personnel

Under Nicaraguan Labor Code, Section 14, all companies are required to employ a workforce that is at least 90% from Nicaraguan citizens, with a maximum 10% of foreign personnel. As an exception

and for technical reasons only, the Ministry of Labor can approve a higher percentage to hire foreign personnel.

Social Security

The Nicaraguan Social Security System is conducted and regulated by the Nicaraguan Institute of Social Security (INSS) according to Decrees 974 and 975, Decree 06-2019 on Reforms to the Social Security Law.

The Social Security regime, as stated in the before mentioned law, is composed of four insurance systems:

- Disability.
- Retirement age.
- Death.
- Occupational Hazard Insurance.

For Social Security taxes, the employer social security contribution from February 1st, 2019 is 21.5% (employers with 50 or less employees) or 22.5% (employers with more than 50 employees) calculated on the employees gross salary, and the employee social security contribution is 7% of its gross salary. From February 2019 the taxable salary is the whole compensation paid, in 2018 was up the amount of C\$ 88,005.78 (approximately USD 2,722).

Accounting and audit requirements and practices



Accounting

The Institute of Public Accountants of Nicaragua (CCPN) is the regulatory body of the accounting profession. On May 10, 2010, this Institute established mandatory adoption of International Financial Reporting Standards (IFRS) or International Financial Reporting Standards for the Small and Medium Size Entities (IFRS for SME) for accounting periods beginning on or after July 1, 2011.

Financial institutions, regulated by the Superintendence of Banks of Nicaragua, must use as accounting framework The Unique Accounting Manual. This manual, along with additional regulatory standards are issued by Superintendence of Banks of Nicaragua.

Statutory audit requirements

According to the income tax law (Law 822), the accounting period should be calendar year, except for companies, that due to the nature of their operating cycle requests to and obtain from the Fiscal Authorities a special tax period.

Statutory audit is not required in Nicaragua. However, regulations by Superintendence of Banks of Nicaragua requires financial institutions to obtain audited financial statements from debtors for loans greater than US\$750,000.

Financial institutions regulated by the Superintendence of Banks must have audited financial statements, which should be submitted to such Superintendence 90 days after calendar year

end. Additionally, financial institutions are required to publish in newspapers of national distribution its annual audited financial statements at least 120 days after calendar year end. With reference to Microfinance Institutions (MFI), they must have the reports available to CONAMI within ninety days following the close of each fiscal year. The audited financial statements approved by the Board of Directors of the MFI must be published on the MFI website.

Books and records

Under Nicaragua's Code of Commerce, Section 28, companies are required to:

- Keep an inventories ledger and balance sheets (not used in practice).
- Keep Journal and General Ledgers.
- Keep a Corporate Stock Ledger.
- Keep a ledger for letters and telegrams (not used in practice).

All ledgers must be kept in Spanish except the ledger of letters and telegrams. If there is any legal ledger in a foreign language, this should be translated it into Spanish. The books also need to be bound and each page must bear the stamp of the Nicaraguan Department of Commerce registration office.

Accounting profession

The accounting profession is regulated by Law No. 6, Accounting Public Exercise Law, issued in the official

newspaper: La Gaceta No. 94 of April 30, 1959. The Society of Public Accountants of Nicaragua (CCPN) is the regulatory body of the accounting profession.

Auditing Standard

CCPN has established The International Auditing Standards (ISA) as the auditing standards for Nicaragua. Superintendence of Banks also requests such standards to audit financial institutions. The SIBOIF and CONAMI request the use of these standards for the external audit of Financial Institutions (CD-SIBOIF-1129-2-SEP10-2019) and Microfinance (CD-CONAMI-008-02APR15-2013).

Tax system



Nicaraguan Tax System is regulated by the Law 562 “Nicaraguan Tax Code”, Law 822 “Tax Law” and reforms from 2014 and February 2019, Decree 01-2013 “Law 822

Regulation” and reforms from March 2019.

Law 822, effective as of January 1, 2013, establishes among other important aspects, the following:

- Tax resident definition.

- Tax haven definition.
- Rules of permanent establishment (PE).
- Transfer pricing rules.
- Introduction of a dual tax system, segregating the taxation of personal income, economic activities, and capital gain or losses.

Nicaragua has a territorial tax regime. The four major sources for tax and social security collection are administered by the following government agencies:

- General Incomes Services - DGI (Dirección General de Ingresos).
- General Customs Services - DGA (Dirección General de Servicios Aduaneros).
- Nicaraguan Social Security Institute - INSS (Instituto Nicaragüense de Seguridad Social).
- Municipalities – Alcaldías Municipales.

Tax on corporate income

Income taxes are levied only on domestic-sourced income at whichever is higher of the following rates:

- 30%, applied to net taxable income (gross taxable income less allowed deductions by law);
- Definitive Income Tax payment based on the gross income obtained during the fiscal year, as follow:
 - 3% for taxpayers with higher annual incomes than 160 millions Cordobas (approximately US\$4.95 millions), classified as large taxpayers by the tax administration.

- 2% for taxpayers with annual incomes between 60 and 160 million Cordobas (approximately US\$1.86 and US\$ 4.95 millions), classified as principal taxpayers by the tax administration.
- 1% for other taxpayers, whose annual incomes are less than 60 million Cordobas (approximately US\$1.86 millions).

The law establishes exceptions to the definitive minimum tax, regulated as follows:

- During the first three fiscal periods of recently incorporated entities.
- Taxpayers whose sales are controlled by Government.
- Taxpayers that ceased operations by ‘force majeure’.

The fiscal year shall be January 1 to December 31 of each year, notwithstanding, taxpayers may request a different fiscal year to the Tax Administration according to their economic activity among others.

Excise tax

Goods that are deemed non-essential, as well as sugar, cement, phosphorus, among others, are subject to excise tax, which is an indirect tax applicable on imports and first local sale. Between this non-essential products are:

- Rum, wine, beer, and other alcoholic drinks. These products are subject to the excise tax rate according to the tariff lines stated in Appendix II of the Law 822 and its reforms, plus a flat fee of 60 cordobas per liter of alcohol from 2023.



- Soda, juice, energetic drinks, tobacco, cigar, and cigarettes. These products are subject to the tax rate according with the tariff lines stated in Appendix I and II of the Law 822 and its reform.

The taxable base of the aforementioned products are:

Product	Taxable base on imports and first local sale
Alcohol beverages, wines and beers	Retail price for the ad-valorem of Annex I of Law 822 and Reforms, and a flat fee of C\$60 for each liter of alcohol
Soda, Juice and energetic drinks Cigarettes	Retail price. Millar or its equivalent per unit.
Cigars and tobacco	Weight in Kilograms
Sugar	Producer or manufacturer selling price (*)
Cement	CIF value
Phosphorus	CIF value
Other taxed products	CIF value

(*) In practice, taxable base on imports is CIF value.

Tax on branch income

Income received is subject to corporate income tax.

Free Trade Zone tax

The Free Trade Zone Law – Law 917, relates to export-oriented industries, manufacturing, agribusiness and contact centers.

According to international agreements with World Trade Organization (WTO) members (Doha Article VII), Nicaragua will be one of the few countries in the region able to provide free zone and other tax incentives to exporters after 2008.

In August of 2004, as part of the incentive for DR-CAFTA (Dominican Republic and Central America Free Trade Agreement), Nicaragua was granted a special one-for-one provision (to a limit of 50,000 square meters of fabric) for free trade zone companies. This benefit, known as Tariff Preference Levels (TPL), was granted for a ten- year period that ended on December, 2014.

The tax benefits and exemptions provided by the Free Trade Zone are:

- Tax exemption on corporate income and property taxes.
- Tax exemption on municipal taxes.
- Tax exemption on customs taxes for the importation of capital goods such as machinery, equipment and raw material, and transport and support services for the Free Trade Zones.
- Tax exemption on value-added tax.
- Export Processing Zone Tenant shall be entitle to: 10 years exemption of corporate income regulated as follow:
 - 100% exemption for the first ten years, renewable for another ten years prior approval of the National Free Trade Zone Commission (CNZF by its acronym in Spanish).
 - 60% exemption from the eleventh year onwards.

Tax on dividend

Natural person, corporate and economic unit, resident or not in the country, will be subject to a withholding tax of 15%; this tax rate is effective from March 1st, 2019.

Tax on Capital Gain

As general rule, capital gains are subject to a 15% definitive withholding tax rate. In addition, in case of the capital gain arising from the sale of property, which is

VAT credits are applicable or allowed when related to goods/services subject to VAT. VAT paid on transactions to generate non-taxable income for VAT purposes are not allowed as VAT credits but may be proportionally applied.

Municipal registration tax

An annual 2% tax is levied on the average gross income received during the last trimester. In the case of the incorporation of new establishment or enterprise, municipal registration tax is 1% of the capital invested.

Property Tax

This annual tax is levied at a rate of 1% on 80% of cadastral/surveyed value, as recorded by the government.

Value-added tax (VAT)

VAT is imposed at 15% general rate on the:

- Supplies of goods;
- Supplies of services;
- Importations of goods

Export of goods and services are subject to a 0% VAT rate.

VAT liquidation is determined by subtracting, VAT debit (sales of goods or provision of services), from VAT credit paid on transactions needed to generate taxable income for VAT purposes. VAT credits are applicable or allowed when related to goods/services subject to VAT. VAT paid on transactions to generate non-taxable income for VAT purposes are not allowed as VAT credits but may be proportionally applied.

VAT exceptions include:

- Medicine and medical equipment.

- Real estate transfer.
- Sales of used goods.
- Basic food products.
- Financial instruments.
- Education services.
- Textbooks and educational supplies.
- Crude oil, partially refined oil.

Other tax regimens

Tourism Investment Incentives Law (Law 1211)

Tourism is a very dynamic industry in Nicaragua, due to the country's plentiful breathtaking natural resources and the fiscal incentives offered to investments in this industry.

This law regulates the tax incentives to be granted, on a one-time basis, to natural and legal persons who carry out tourism development projects that meet a minimum investment. Qualified tourism projects may receive the following exemptions as tax benefits:

- CIT (up to 10 years)
- Property tax (up to 10 years)

Exemption from VAT and import taxes on the import of construction materials, furniture and equipment, and fixed building accessories and other equipment, during the investment stage, from the beginning to the completion of new infrastructure works.

- VAT on local purchases of goods and related services, including professional services.

Forestry Incentives Law (Law 462)

The Forestry Incentive Law of August 2003 provides significant tax incentives for forestry plantations:

The Forest Incentive Law of August 2003 offers generous tax incentives for forest plantations:

1. Tax exemption until 2023:
 - 50 percent of municipal sales taxes.
 - 50 percent of the profits derived from the use of the plantation; 50 percent of the investment expense and up to 100 percent of the IR payment.
 - For the payment of taxes on real estate of forest plantations and areas under forest management.
2. Companies that invest in forest plantations can reduce 50 percent of the amount invested as costs.
3. Exemption from import duties for companies producing wood and paper articles (except sawmills) on imports of machinery, equipment and accessories.
4. All State institutions must give priority in their acquisitions to products made from certified wood. State agencies are allowed to pay up to 5% more for price difference within the tender for certified wood products.
5. Deduction of up to 100 percent of income tax when it is allocated to reforestation projects or forest plantations.

Renewable Energy Incentives Law (Law 532)

The Law for the Promotion of Energy Generation from

Renewable Sources promotes the development of new projects, expansion of existing ones, and biomass and biogas energy sources. Fiscal, economic and financial incentives are granted to this effect:

1. 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 Grid (SIN).
2. Exemption of the Value Added Tax (VAT) levied on machinery, equipment, material and raw materials utilized during pre-investment stage, construction of structures, including the construction of the sub-transmission lines necessary to transport energy to the National Interconnected Grid (SIN).
3. For “isolated systems” with their own generation facilities, this exoneration covers pre investments, construction and all the investments made in distribution grids associated with the project (i.e. panels and solar batteries for solar energy generation).
4. Exemption of the corporate income tax IR for a maximum period of seven years. During this same period, the income derived from the sale of carbon dioxide bonds will also be exempted.
5. 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. Investments in machinery, equipment, and hydroelectric dams will be exempted from all taxes and duties, for a period of ten years.

6. Exemption of taxes on the exploitation of natural resources for a maximum period of five years after the beginning of operations.
7. Exemption of Fiscal Seals Tax incurred by the construction, operation or expansion of a project for a period of ten years.

The deadline to apply for the tax benefits of this law ends on January 1, 2023. Projects authorized before that date shall maintain the approved incentives.

Special Law on Exploration and Exploitation of Mines (Law 387)

- Allows companies to apply to the Temporary Admission System and other schemes to promote exports as established by the legislation for purposes of exemption or suspension of customs taxes.
- 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.

This Law was amended in February 2019; the reform established that the extraction fee is not deductible for Corporate Income Tax purposes.

Law of Reform and Addition to Law 532, Law for the Promotion of Electricity Generation with renewable sources and its reforms: (Law 1027 September 08, 2020): The reform is based on the implementation of a transitory provision, which benefits current power generators to avail themselves of the income tax exemption for five years. This exemption applies to suppliers that have a contract for more than three years. This benefit applies to geothermal generators but only for a period of two years.

The law also permanently modified a provision referring to the price to be paid per Kwh in the commercialization outside the contracts with the Distributor.

Special Law for the Development of the Central Puerto Sandino Project for the generation of electricity based on natural gas (Law 1043, October 29, 2020): This special law is focused on regulating and establishing the legal basis for the development of the project for the generation of electricity based on natural gas, which includes storage, transportation of LNG and natural gas, regasification and generation of electricity, which will be developed by an investor.

Temporary Admissions System (Law 382)

Companies that directly or indirectly export at least 25% of total production (no less than US\$50,000 per year) may apply to the Temporary Admission System. 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.

If the company cannot apply for the suspension due to tax management reasons, it may later apply for a tax refund, as long as it re- exports the merchandise that was temporarily admitted into the country. This system is managed by the National Commission for Export Promotion (CNPE).

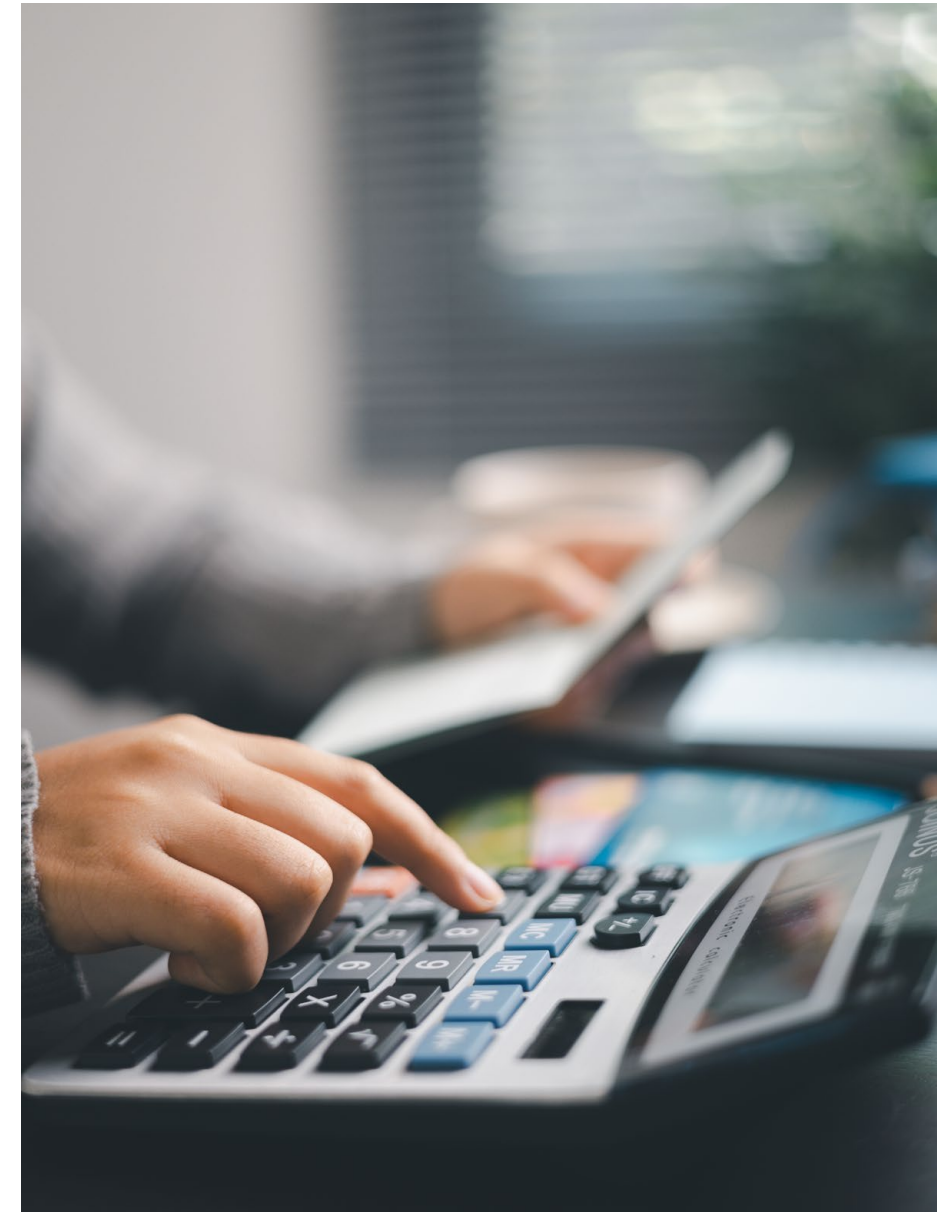
International treaties to avoid double taxation Currently, Nicaragua does not have any signed agreement or treaty with any country, to avoid double taxation.

Corporate deduction

Depreciation and depletion

Depreciation must be computed by the straight-line method. Depending on the type of construction and the estimated useful lives of fixed assets, annual rates for depreciation are as follows:

Buildings	3, 5, 10
Vehicles	12, 20, 33
Plant and equipments	10, 14, 20, 50



Losses are deductible on a stand-alone basis per year; therefore they cannot be aggregated and deducted in one single year.

Alternative method of depreciation

Taxpayers under the Temporary Admission for Active Processing (TAP) regime could, at their convenience, request a different depreciation rate (accelerated depreciation) to tax authority.

Net operating losses

The carry forward of tax losses are deductible during the following three fiscal periods in which they were incurred. Losses are deductible on a stand-alone basis per year; therefore they cannot be aggregated and deducted in one single year.

Taxes

Payments of services provided by foreign related entities are subject to 20% withholding tax and deductible for income tax purposes provided the requirements below are met:

- The expense is necessary to generate taxable income.
- The expense is duly supported (agreement, invoices, payments receipts).
- The expenses are incurred within the fiscal period.
- The withholding tax is applied and paid to Tax Authorities.

Limitations: income tax expense is not deductible for corporate income tax purposes. Municipal or local taxes (property tax, municipal monthly income tax, annual registration tax) are deductible for corporate income tax. Many types of penalties or charges

made by tax, customs, Social Security or municipal authorities are not deductible for income tax purposes.

Group taxation

Group taxation is not allowed.

Capital Incomes

- Dividends, distribution of profits, Royalties, Interest, Software Programs paid to residents and non-residents are subject to 15% withholding tax. Effective since February 28, 2019.
- Lease of property assets and similar are subject to 15% withholding tax for payments made to residents and non-residents (with 20% deduction). Effective since February 28, 2019.
- Lease of fixed assets is subject to 15% withholding tax for payments made to residents and non-residents (with 30% deduction.). Effective since February 28, 2019.

Interest paid to International Lending Institutions and Development Institutions founded by foreign governments are exempt of withholding tax. Furthermore, interest paid to international Banks with investment grade are subject to a 10% withholding tax.

Capital Gains

In general, capital gains are subject to 15% withholding tax on net income. Net income is the difference between the selling price and acquisition value, applicable to residents and non-residents. Non-residents are not allowed offset capital losses.

- Sale of assets not subject to annotation before the public registry office is subject to 15% of net income.
- Sale of shares of a Nicaraguan company is subject to 15% withholding tax applicable to net income for residents and non-residents, even though the sale is carried out between non-residents.
- When the taxpayer has difficulty to prove its acquisition cost, the withholding tax is levied to the 60% of the selling price.

Transfer pricing ruling

According to the Tax Law No. 822, effective as of January 1, 2013, incorporated transfer pricing rules, are effective as from June 30, 2017.

Tax incentives

Investment

Under present law and on a case-by-case basis, new companies with tourism activities may request and the Government may grant, during the construction phase of the asset, total exemption of custom duties and, for income tax purposes, partial or total exemption for a maximum period of 10 years.

The renewable energy sector is covered by a special law that provides benefits or exemptions in corporate income tax, VAT, customs duties and municipal tax.

Free Trade Zone industries also have a special law with tax benefits or exemption in tax and custom duties in imports and corporate income tax, VAT and municipal taxes.



Corporate Tax Compliance

Returns

With some exceptions, corporations and individuals are required to file tax returns for a fiscal year within the following two months after the fiscal year ends, which is usually on December 31; however, companies can obtain authorization from tax authorities in order to change or have a different year-end.

Payment of tax

Corporations must pay fiscal-year income tax through monthly advanced payments. The monthly payable amount is calculated on the gross income as follow:

- 3% for taxpayers with annual incomes higher than C\$160 millions (approximately US\$4.4 millions). They are classified as large taxpayers by the tax administration.
- 2% for taxpayers with annual incomes between C\$60 and C\$160 millions (between US\$1.86 and US\$4.4 millions).
- 1% for other taxpayers, whose annual incomes are less than C\$60 millions (approximately US\$1.6 millions).

Year-end dates established by the Nicaraguan tax law

Section 50 of Law 822, states that the Nicaraguan ordinary tax year-end is calendar year, from January 1 to December 31. Additionally taxpayers can request to the Tax Administration a special tax year-end that could be as follows:

- From April 1 to March 31 of the following year.
- From October 1 to September 30 of the following year.
- From July 1 to June 30 of the following year.

Individual taxation summary

Nicaragua taxes its citizens and all residents and non-residents on their income originating in Nicaragua. Taxable income that originates in Nicaragua obtained by non-residents or non-domiciled persons is determined as a percentage of gross income, depending on the nature of the income.

Income from work:

Are those coming from every kind of compensation and remuneration, whatever their denomination or nature, money or kind, that derive of the personal work rendered on behalf of others, such as: salaries, variable salaries, seniority bonds, bonuses, allowances, performance recognition and any other remuneration derived from work. There are no concessions of any kind to foreigners. Total personal gross income can be estimated ex officio by the fiscal authorities.

Tax residence:

For tax purposes, a resident is defined as the person who meets any of the following conditions:

- Nationals or foreigners from abroad that with a stay in the country for more than 180 days, whether continuously or not. Non-residents deemed as tax residents must register before Tax Administration,



otherwise, the Tax Administration could proceed with the registration and claim on the corresponding tax, based on a estimation; the taxpayer may prove different in case of a wrong estimation of the tax assessed.

- When the main center of economic interest is located within the country, unless the taxpayer proves its residence or tax domicile in another country through the corresponding certificate issued by the competent tax authorities. This will not apply when the country is treated by the Tax Authorities as a tax haven.

Residents are subject to the income tax according the progressive tax rates as shown below:

Taxable income in US\$ *		
From	To	Applicable Rates
US\$ 0.00028	US\$ 2,730	Exempt
US\$ 2,730	US\$ 5,460	15% from the excess of US\$ 2,730
US\$ 5,460	US\$ 9,556	US\$ 410 plus 20% from the excess of US\$ 5,460
US\$ 9,556	US\$ 13,652	US\$ 1,230 plus 25% from the excess of US\$ 9,560
US\$ 13,652	To more	US\$ 2,250 plus 30% from the excess of US\$ 13,650

*Approximated based on the average exchange rate in effect in 2024 of C\$ 36.6243 = US\$ 1.00.

Non-residents, whether domiciled or not, that perceive Nicaraguan source income are subject to a 20% definitive withholding tax.

Individual tax exemptions

The following deductions will be effective as of year 2017:

Educational expenses, health and professional services, up the amount of C\$20,000 (approximately US\$ 563).

The employee's social tax (7%) of the gross income.

From February 28, 2019, the contributions from employees to saving funds and/or pension, other than social security, are no longer deductible for income tax calculation purposes.

Tax exemptions

The following income from work is tax exempt:

- Up to the first C\$100,000 (approximately US\$ 2,730).
- The Christmas Bonus (1 month of salary) in accordance with the labor code.
- Compensation of up to 5 months of salaries and wages received by employees or their beneficiaries. The additional compensation (over 5 months) will also be exempt up to an amount of C\$ 500,000 (approximately US\$ 13,650); any excess will be taxed at 15%.
- Benefits in kind agreed in labor union agreements.
- Compensations granted by the social security regime.
- The benefits paid by the savings funds and/or pension, if duly authorized by the corresponding authority.

- The means and services necessary to carry out the assignment, such as: travel expenses, telephone, vehicles, fuel, depreciation expenses, vehicle maintenance, representation expenses and reimbursement of expenses, as long as such benefits are not considered a simulation or concealment of income from work.

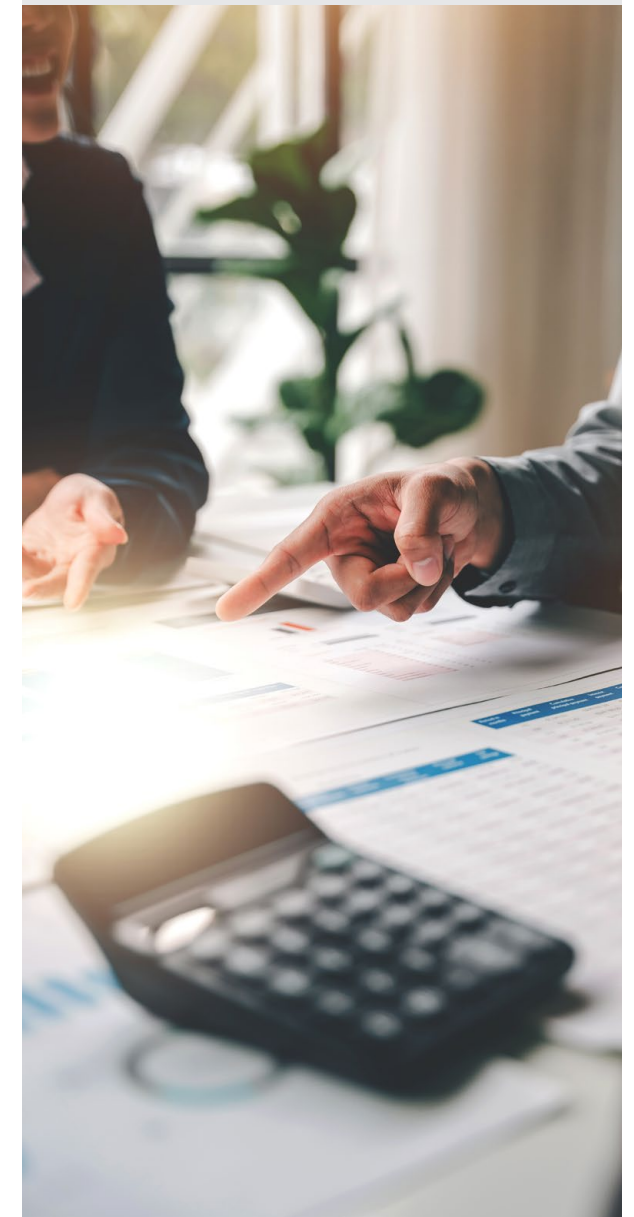
Individual tax compliance:

There are 2 mechanisms for individuals to pay taxes on their Nicaraguan source income:

- Withholding (Form IR-122): Mandatory system for taxpayers that obtain income from single employer and do not benefit from the deduction for expenses mentioned in the previous section. The employer through the payroll is responsible to withhold and pay the income tax on a monthly basis through withholding income tax return Form IR-122. Social charges should also be withheld.

Remark. The employer must submit the Annual Income form Work within 45 days after year-end.

- Annual individual income tax return (Form IR-106): This is applicable for taxpayers that obtain income from two or more employers that in the aggregate exceed an annual income of C\$100,000 (approximately US\$ 2,730). The taxpayer should submit the Annual Income Tax Return through Form IR-106, within 90 days after year-end.





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