While the U.S. has been the main source of foreign direct investment inflows to the region, other countries are increasing their attention to our region, investing in infrastructure projects that generate new jobs and create optimal conditions to accelerate an economic recovery after the global health crisis.

Our countries are becoming aware and unlocking their potential for sustainable growth and present opportunities for investment in the environment by taking responsibility for better and more efficient use and management of the region’s resources.

This guide is designed to provide the necessary information and direction on regulatory compliance issues and considerations for opening a new business, establishing a branch of a multinational company, or any other type of investment in the region.

We hope this Doing Business gives you the stimulus to build a successful business in this region filled with opportunities. This publication is for general guidance only and should not be construed as professional advice. Should you require further information, our advisors will be happy to assist you on an individual basis.
Thank you very much for thinking of PwC Interaméricas and allowing us to guide your journey through Central America and the Dominican Republic.

It should be noted that this document was prepared as a general guide and that its content is subject to constant changes given the legal and economic environment of the different countries, so due to the complexity of some specific issues, we recommend you rely on the assistance and accompaniment of professionals from our team specialized in tax, legal and regulatory matters, who will gladly support you taking into consideration the specific circumstances and situations of the matter under study.
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.
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Why invest in Nicaragua?
Post COVID 19 economic outlook, in the context of a greener world economy (regional development).

The health crisis caused by COVID-19 has transformed the world at all levels. For Nicaragua, it meant a worsening of the economic recession that had been experienced since 2018.

Of the external measures adopted by other countries to halt the advance of the virus, the ones that have hit the local economy the hardest were the closing of borders and the interruption of international transportation, with serious effects on the tourism industry and exports. The rapid advance of the virus also forced free zone companies and service companies to reduce their production flow and customer service.

In response, the Nicaraguan government decided to take actions to mitigate the effects of the pandemic on the economy and promote a gradual reactivation. The most notable measure was the one adopted for the Free Trade Zone sector, where reductions in working hours, temporary suspensions of work contracts, advance payments of social benefits, food packages, etc., were approved. Taking into account that the largest foreign investments in Nicaragua are concentrated in the Free Trade Zones, it is natural that the first measures were taken to protect this sector.

In parallel, since 2018 the government has maintained policies aimed at promoting access to credit, such as: reduction of the reference rate for repurchase agreements, liquidity injection to banks, release of the legal reserve, relaxation of conditions for the restructuring of loans, among others.

On their part, private companies had to adjust their strategies in different sectors to keep investments resilient to the impact of two consecutive crises, plus the increasingly present effects of climate change. These adjustments range from implementation of working from home as a preventive measure against contagion, at a time when Nicaragua still did not have vaccines against COVID 19, to accelerating digital transformation plans that would allow them to be more competitive in international markets that were much more advanced on the subject before the arrival of the pandemic.

Although local initiatives have not been as notable as in other countries in the region, the last quarter of the year 2021 has seen an increase in the vaccination of the Nicaraguan population against COVID 19, one of the main concerns at the international level.

Achieving a successful mass immunization would open other opportunities for the country within the regional business scenario.

One of the most important lessons that the COVID 19 health crisis has left the planet is that the direct correlation between the vulnerability of the environment and the pandemics that have plagued us throughout history is a fact that cannot be denied. It is everyone’s responsibility to work to
counteract the effects of climate change with an active and practical environmental ethic. Along these lines, Nicaragua maintains a position of economic and environmental resilience by promoting, together with the countries that make up the SICA (Central American Integration System), attention to economically and environmentally vulnerable populations, urban development planning in the second region with the highest urban growth in the world, and financing for climate risk management, which will be key in the short term future to face the global economic recession caused by the pandemic.

This is the official position that Nicaragua maintains in international platforms such as the United Nations Climate Summit (COP 26) held in Glasgow this 2021, which indicates that the opening to business initiatives that contribute to the fight against climate change will have an interesting attention in the country.

**Why invest in Nicaragua? (local development)**

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 to maintain an openness to foreign investment with a process of legal establishment of new businesses with reasonable requirements for both individual investors and established companies. A feature that continues to be attractive for investment is a territorial tax system that promotes fiscal incentives for new business initiatives and key industries in the country such as tourism, energy generation, Free Trade Zone production and innovative businesses that can gain public interest.

The possibility of being able to acquire 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 factor that should not be overlooked, is the legal minimum wage in the country, which when compared to the rest of the region is highly competitive. The average monthly minimum wage is US$186, being the lowest among Central American countries, followed by Guatemala, which has a monthly minimum wage of US$341. The average salary earned by workers under the social security system was approximately $364 in 2021. It is worth mentioning that employability costs are also accessible due to factors such as the economic opening to imports and local food production, which allows Nicaraguans a greater purchasing power with fewer resources.

It is expected that during 2022 the local and regional strategy will bet on a more articulated effort of the public and private sectors to achieve a socially and environmentally sustainable economic reactivation, which will allow the country to insert itself in the new digital and carbon-neutral world.

**Consulted sources:**

- https://www.sica.int/iniciativas/resiliencia
- https://www.pronicaragua.gob.ni/en/setting-up
- Law 822, Tax Concertation Law and Law 987 on Amendments and Additions to the Tax Concertation Law.
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.

Education

Currently, 76.1% of the population is younger than 40 years and 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.

<table>
<thead>
<tr>
<th>Población, forma de gobierno, idioma, moneda, otros:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Area</strong></td>
</tr>
<tr>
<td><strong>Population</strong></td>
</tr>
<tr>
<td><strong>Population per km2</strong></td>
</tr>
<tr>
<td><strong>Population Growth</strong></td>
</tr>
<tr>
<td><strong>Urban Population</strong></td>
</tr>
<tr>
<td><strong>Political System</strong></td>
</tr>
<tr>
<td><strong>Form of Government</strong></td>
</tr>
<tr>
<td><strong>Language</strong></td>
</tr>
<tr>
<td><strong>Currency</strong></td>
</tr>
<tr>
<td><strong>Administrative division</strong></td>
</tr>
<tr>
<td><strong>Religion</strong></td>
</tr>
<tr>
<td><strong>Capital City</strong></td>
</tr>
</tbody>
</table>

Sources: Central Bank of Nicaragua (BCN), ProNicaragua.
Legal framework

The political and legal framework of Nicaragua is composed of four main branches as follows: Executive, Legislative, Electoral, and Judicial.

<table>
<thead>
<tr>
<th>POLITICAL AND LEGAL FRAMEWORK</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Exercised by the:</strong></td>
</tr>
<tr>
<td>EXECUTIVE</td>
</tr>
<tr>
<td>The President</td>
</tr>
<tr>
<td>LEGISLATIVE</td>
</tr>
<tr>
<td>National Assembly</td>
</tr>
<tr>
<td>JUDICIAL</td>
</tr>
<tr>
<td>Supreme Court of Justice</td>
</tr>
<tr>
<td>ELECTORAL</td>
</tr>
<tr>
<td>Supreme Electoral Council</td>
</tr>
</tbody>
</table>

| **Composed of:**              |
| EXECUTIVE                    |
| The President                |
| LEGISLATIVE                  |
| Chamber of 90 Deputies (20 national deputies and 70 departmental deputies) plus 2 more deputies: the former President and the Presidential Candidate who obtained second place in the elections. |
| JUDICIAL                     |
| 16 Judges                    |
| ELECTORAL                    |
| 7 Judges and 3 Deputies       |

| **Elected or appointed by:** |
| EXECUTIVE                    |
| The President and Vice-President are elected by direct vote every 5 years. |
| LEGISLATIVE                  |
| The deputies are elected by direct vote every 5 years. |
| JUDICIAL                     |
| The judges are appointed by the National Assembly every 5 years. |
| ELECTORAL                    |
| The judges are appointed by the National Assembly every 5 years. |

The Nicaraguan legal framework is based on Napoleonic Code.

The last presidential elections were held in November 2021 and the last Municipal elections were held in November 2017.

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 Sandinista 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.
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 2021, FDI inflows captured were US$577.8 million, which resulted in an increase of US$371.6 million compared to the same period of 2020 (US$206.2 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.

| Source | Pronicaragua/Central Bank of Nicaragua/INIDE/FMI. |
The economy

Inflation
As of December 2021, the Consumer Price Index (CPI) registered a year-on-year inflation of 7.21 percent (2.93% in December 2020). Meanwhile, cumulative inflation to September 2021 stood at 3.49 percent (0.63% in September 2020) and year-on-year inflation stood at 5.86 percent (2.81% in September 2020). In terms of marginal contribution to year-on-year inflation the largest impulses came from the food and beverages and transportation divisions accounting for about 63 percent of year-on-year inflation.

Economic Data - 2020

<table>
<thead>
<tr>
<th>Economic Indicator</th>
<th>2020 Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>US$ 13,883 millions</td>
</tr>
<tr>
<td>Real GDP Growth</td>
<td>9.9%</td>
</tr>
<tr>
<td>GDP per capita</td>
<td>US$ 2,203</td>
</tr>
<tr>
<td>Total Export</td>
<td>US$ 5,150.3 millions</td>
</tr>
<tr>
<td>Foreign Direct Investments (FDI)</td>
<td>US$ 632.1 millions</td>
</tr>
<tr>
<td>Foreign Direct Investments (FDI) as GDP percentage</td>
<td>9.3%</td>
</tr>
<tr>
<td>Annual Inflation</td>
<td>6.5%</td>
</tr>
<tr>
<td>Stable Currency</td>
<td>Fixed devaluation of Cordoba with respect to USD equivalent to 2% per year.</td>
</tr>
<tr>
<td>International Reserves</td>
<td>US$ 4,046.6 millions</td>
</tr>
</tbody>
</table>

Source: Central Bank of Nicaragua.
Government attitude towards foreign investment

- **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 the countries that will result in the free circulation of all products, regardless of their origin, and the elimination of customs requirements between the countries.

- **Central America - Dominican Republic Free Trade Agreement (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua)** April 16, 1998: The objective of this agreement 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, eliminate reciprocal barriers to trade in goods and services of origin.

- **Central America - Dominican Republic Free Trade Agreement (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua)** October 18, 1999: The objective of this agreement is the improvement of the free trade zone, the stimulation of the expansion and diversification of trade in 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.

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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.

- **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 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.

**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:

- Freedom to repatriate all capital and profits.
- No pre-established minimum or maximum investing amount.
Doing business in Nicaragua

• 100% international ownership permitted; there is no restriction against foreign investors, whether in total ownership of the company or as shareholders.
• Accelerated depreciation of capital goods.
• National loans accessible through local banks, according to their terms of approval. Property protection and security. Nicaraguan law recognizes and guarantees the legal rights of national or international investors, their property rights and the right to dispose freely of the goods, capital and the profits of the company (all as established under the law).
• Equal treatment for foreign and local investors.

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.

General 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 (SIBOF).
• National Microfinance Commission (CONAMI)
• Financial Analysis Unit (UAF).
• Additionally, they must have a Compliance Officer in charge of applying and supervising all prevention of money laundering, financing of terrorism and proliferation of weapons of mass destruction regulations.

The types of companies allowed in Nicaragua are:

General Partnership
(Sociedad en Nombre Colectivo)

Simple Limited Partnership
(Sociedad en Comandita Simple)

Limited Partnership by Shares
(Sociedad en Comandita por Acciones)

Limited Liability Company
(Sociedad Anónima)
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 General Directorate for Centralization of Information and Prevention through 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”).
Central Bank

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.

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

- Central Bank of Nicaragua
- 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)

Representation offices of foreign banks

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

The General Law of Banks, Law No. 561 enacted on November 2005, modernized the banking business.
Labor and Social Security

Labor Supply

Unemployment 2016-2020

<table>
<thead>
<tr>
<th>Year</th>
<th>Unemployment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>3.3</td>
</tr>
<tr>
<td>2018</td>
<td>6.2</td>
</tr>
<tr>
<td>2019</td>
<td>5.9</td>
</tr>
<tr>
<td>2020</td>
<td>4.8</td>
</tr>
<tr>
<td>2021</td>
<td>4.3</td>
</tr>
</tbody>
</table>

Source: Central Bank of Nicaragua/INIDE.

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.

Wages and salaries

The minimum wage in force in 2021 (captured in Cordoba C$) applicable as of March 2021, which is shown below, is derived from the resolution issued by the National Minimum Wage Commission of the Ministry of Labor on February 25, 2021:

<table>
<thead>
<tr>
<th>Industry</th>
<th>Monthly C$</th>
<th>USD Equivalent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture *</td>
<td>4,414.91</td>
<td>126.36</td>
</tr>
<tr>
<td>Fishing</td>
<td>6,713.01</td>
<td>192.14</td>
</tr>
<tr>
<td>Mining</td>
<td>7,929.01</td>
<td>226.94</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>5,936.34</td>
<td>169.91</td>
</tr>
<tr>
<td>Micro and small craft Industries and national tourism</td>
<td>4,651.47</td>
<td>133.13</td>
</tr>
<tr>
<td>Industry subject to fiscal regime **</td>
<td>6,926.99</td>
<td>198.26</td>
</tr>
<tr>
<td>Electricity, gas and water, commerce, restaurants and hotels, transportation, warehousing and communications</td>
<td>8,097.84</td>
<td>231.77</td>
</tr>
<tr>
<td>Construction, Insurance and Financial Institutions</td>
<td>9,880.17</td>
<td>282.79</td>
</tr>
<tr>
<td>Community, social and personal services</td>
<td>6,189.23</td>
<td>177.14</td>
</tr>
<tr>
<td>Central and municipal government</td>
<td>5,505.57</td>
<td>157.58</td>
</tr>
</tbody>
</table>

(*) Wage plus food  (**) Since January 2018 Source: Ministry of Labor. Source: Ministerio del Trabajo
**Labor and Social Security**

**Beneficios complementarios**

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

**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.

**Source:** Nicaraguan Labor Code and Social Security law
Doing Business in Nicaragua

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).

Labor and Social Security

Work shifts
The maximum working hours for a daytime shift are 8 hours daily, and should not exceed 48 hours per week. For a nighttime shift the maximum is 7 hours daily, and should not exceed 42 hours per week. For mixed shifts (daytime and nighttime shifts), the maximum is 7.5 hours daily and should not exceed 45 hours per week.

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.
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.

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).

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.

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 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 Institute 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.
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 tax of 50 Cordobas per liter of alcohol.
- 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:

<table>
<thead>
<tr>
<th>Product</th>
<th>Taxable base on imports and first local sale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alcohol beverages, wines and beers</td>
<td>Retail price for the ad-valorem of Annex I of Law 822 and Reforms, and a flat tax of C$50 for each liter of alcohol</td>
</tr>
<tr>
<td>Soda, Juice and energetic drinks Cigarettes</td>
<td>Retail price. Millar or its equivalent per unit.</td>
</tr>
<tr>
<td>Cigars and tobacco</td>
<td>Weight in Kilograms</td>
</tr>
<tr>
<td>Sugar</td>
<td>Producer or manufacturer selling price (*)</td>
</tr>
<tr>
<td>Cement</td>
<td>CIF value</td>
</tr>
<tr>
<td>Phosphorus</td>
<td>CIF value</td>
</tr>
<tr>
<td>Other taxed products</td>
<td>CIF value</td>
</tr>
</tbody>
</table>

(*) 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 entitled 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 subject to annotation before the public registry office, the Capital Gain tax will be paid through a withholding tax, which will be calculated on the sales price according the following tax rates:

<table>
<thead>
<tr>
<th>Equivalent in Cordobas of the value of the property in Dollars</th>
<th>Applicable rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.01</td>
<td>50,001.00</td>
</tr>
<tr>
<td>50,001.00</td>
<td>100,000.00</td>
</tr>
<tr>
<td>100,001.00</td>
<td>200,000.00</td>
</tr>
<tr>
<td>200,001.00</td>
<td>300,000.00</td>
</tr>
<tr>
<td>300,001.00</td>
<td>400,000.00</td>
</tr>
<tr>
<td>400,001.00</td>
<td>500,000.00</td>
</tr>
<tr>
<td>500,001.00</td>
<td>To more</td>
</tr>
</tbody>
</table>

Municipal sales and service tax
A monthly 1% tax is levied on all sales of the month of goods and provision of services payable to the municipalities of the city in which the service is provided or the goods are sold. Exemption applies to exports of goods and services, as well as the following sells of goods and services: livestock, eggs, milk, cheese and meat (unprocessed), and financial services.

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.
Tax system

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 306)
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.

Qualified tourism projects can receive the following tax benefits under Law No. 306:
- 80% to 90% income tax exemption:
  - Property tax exemption for 10 years.
  - Import tax and value-added tax exemption on the purchase of accessories, furniture, or equipment.
- Tax exemptions related to project implementation:
  - Value-added tax on design/engineering and construction services.
  - Exoneration of import duties and taxes and of the value added tax (VAT) for the local purchase of construction materials and fixed building accessories.
- Tax incentives can be extended if project undergoes extensive expansions.
Forestry Incentives Law (Law 462)
The Forestry Incentive Law of August 2003 provides significant tax incentives for forestry plantations:
• Tax exemption up to year 2023, on:
  - 50% of municipal income tax.
  - 50% of profits.
  - The payment of taxes on real estate in the case of forest plantations and areas under forest management.
• Companies investing in forest plantations can reduce 50% of the amount invested as costs.
• Exemption from import duties for companies producing wood and paper products (excluding saw mills), on imports of machinery, equipment and accessories.
• All Government institutions must give priority in their acquisitions, to goods made from certified wood. Government agencies are permitted to pay 5% more for certified wood products than for non-certified products.
• Up to 100% deduction of income tax when is destined 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:
• 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).
• 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).
• 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).
• 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.
Doing Business in Nicaragua

Tax system

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

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.
**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:

<table>
<thead>
<tr>
<th>Category</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>3, 5, 10</td>
</tr>
<tr>
<td>Vehicles</td>
<td>12, 20, 33</td>
</tr>
<tr>
<td>Plant and equipments</td>
<td>10, 14, 20, 50</td>
</tr>
</tbody>
</table>
**Tax system**

**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 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 higher annual incomes than C$160 millions (approximately US$4.95 millions), classified as major taxpayers by the tax administration.
- 2% for taxpayers with annual incomes between C$60 and C$160 millions (between US$1.86 and US$4.95 millions), classified as principal taxpayers by the tax administration.
- 1% for other taxpayers, whose annual incomes are less than C$60 millions (approximately US$1.86 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
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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 an 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:

<table>
<thead>
<tr>
<th>Taxable income in US$ *</th>
<th>Applicable Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>From</td>
<td>To</td>
</tr>
<tr>
<td>US$ 0.00028</td>
<td>US$ 2,818</td>
</tr>
<tr>
<td>US$ 2,818.48</td>
<td>US$ 5,636.97</td>
</tr>
<tr>
<td>US$ 5,636.97</td>
<td>US$ 9,964.71</td>
</tr>
<tr>
<td>US$ 9,964.71</td>
<td>US$ 14,092</td>
</tr>
<tr>
<td>US$ 14,092</td>
<td>to more</td>
</tr>
</tbody>
</table>

*Approximated based on the average exchange rate in effect in 2021 of C$ 35.52 = 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 to 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$100,000 (approximately US$ 2,818).
- 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$ 14,092); 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 on education, health or professional services 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$100,000 (approximately US$ 2,818). The taxpayer should submit the Annual Income Tax Return through Form IR-106, within 90 days after year-end.
The year 2015 marked the beginning of a new era on the international scene in the quest to unify the development goals of nations. 193 member countries of the United Nations signed the 2030 Agenda that gave life to the Sustainable Development Goals (SDGs). The 2030 Agenda represents a roadmap towards sustainable development that puts people at the center, from the perspective of inclusion. Implementing the 2030 Agenda brings challenges that vary in each region and country, however, there are megatrends such as population growth and population aging, growth of cities, technological innovations, weakening of the credibility of institutions, geopolitics, among others that have a global impact. As a region, Central America and the Dominican Republic present structural challenges to be solved, despite the efforts led by the Central American Integration System (SICA), there is still no unified strategy for SDG implementation and each country presents different levels of progress, with different approaches, institutions and legislation, which adds complexity. According to the SDG compliance index included in the Sustainable Development Report 2021 (1), Costa Rica is the best-ranked country in the region, occupying 50th position out of a total of 165 nations considered and achieving a score of 73.6 out of a possible 100 points. The first place in the ranking is occupied by Finland with a score of 85.9 and in the last place appears the Central African Republic with a score of 38.3.

The positions of the countries in the region are as follows:

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>50</td>
<td>Costa Rica</td>
<td>73.6</td>
</tr>
<tr>
<td>67</td>
<td>República Dominicana</td>
<td>70.8</td>
</tr>
<tr>
<td>88</td>
<td>Panamá</td>
<td>68.0</td>
</tr>
<tr>
<td>89</td>
<td>El Salvador</td>
<td>67.9</td>
</tr>
<tr>
<td>99</td>
<td>Nicaragua</td>
<td>66.3</td>
</tr>
<tr>
<td>112</td>
<td>Honduras</td>
<td>62.5</td>
</tr>
<tr>
<td>121</td>
<td>Guatemala</td>
<td>59.9</td>
</tr>
</tbody>
</table>

Source: Sustainable Development Report 2021, Tabla 2.1, pag. 10-11

But the 2030 Agenda also represents an important opportunity for the region as it includes priority issues such as the eradication of extreme poverty, the reduction of inequality in all its dimensions, inclusive economic growth with decent work for all, sustainable cities and climate change, among others (ECLAC).
After the end of the armed conflicts in most of the countries of the region, there was an economic improvement due to the implementation of strategies aimed at greater insertion in the world market and strengthening of the service sector. However, social progress is still needed and it is difficult to turn economic progress into wellbeing for everyone, which still maintains high rates of migration of inhabitants, mainly to northern countries. Environmentally, it has a great diversity of environmental resources in its territory, with a forest cover of 39% of the surface area (greater than the world average), has a great biodiversity potential of 12% of the planet’s total (ERCA, 2016) and has other resources such as water (2). The latter provides the region with global relevance, gives visibility to it at a very important moment in history, where a level of attention and awareness of the importance of the fight against climate change has been achieved. Embracing the green agenda and installing the necessary mechanisms and institutional infrastructure to receive sustainable investments has become a priority for our region. According to a report issued by Climate Bonds Initiative in March 2021 and sponsored by CABEI, the green bond market is still very incipient, only 6 issues have been made so far (including CABEI’s), however there is potential for more growth in green bonds in key sectors such as sustainable infrastructure, agriculture and blue economy. Diversifying projects and investing in climate compatible infrastructure to meet the emission reduction targets of the Paris Agreement are other opportunities identified in the report, in this regard there are key sectors such as renewable energy, low carbon transport, water cycle management and waste management.

Climate change is perhaps the greatest challenge humanity has ever faced, we are currently experiencing a global momentum where business owners and governments are increasingly aware, in our region each country has addressed this issue in different ways and has introduced policies and initiatives aimed at supporting the fight against climate change. The following is a summary:

(Disposition in the order of the SDGs Compliance Index presented above)

Source: Report published by Climate Bonds Initiative, March 2021

**Costa Rica**

As part of its Nationally Determined Contributions (hereafter NDCs) under the Paris Agreement, Costa Rica has defined a mitigation target of
44% reduction in emissions versus business as usual operations by 2030. Costa Rica issued the National Decarbonization Plan, launched by the Ministry of Environment and Energy in February 2019, this plan includes goals such as:

• Achieve and maintain a 100% renewable energy grid.
• 70% of buses and taxi cabs will be zero-emission and passenger trains will be 100% electric.
• 100% of new commercial, residential, and institutional buildings designed and built with low-emission, climate-resilient systems.

Dominican Republic
The Dominican Republic has defined a mitigation target of a 25% reduction in base year GHG emissions by 2030 under its NDCs. While the government does not have specific targets for the sector, it has several climate policies and initiatives in place, such as:

• Carbon tax, introduced in 2012
• Increased hydroelectric biodiesel capacity.
• Established a forestry working group to improve sustainability in the forestry sector.

The Dominican Republic’s government is also seeking to phase out fossil fuel-generated electricity, which currently accounts for 90.5% of the country’s installed capacity.

Panama
Under its NDCs, Panama has specific sectoral climate targets, which focus primarily on increasing carbon sinks, renewable energy, and sustainable forestry:

• Increase renewable energy capacity by 15% by 2030 and 30% by 2050 compared to the base year of 2014
• Increase reforested areas by 1 million hectares by 2030. In addition to these targets, Panama plans to continue implementing the following climate policies:
  • Participate in international emissions trade
  • Boost investment in renewable energy sources such as solar, wind and biomass.

El Salvador
El Salvador aims to establish a National Climate Change Policy Plan, which includes several regulatory framework goals within its NDCs:

• Strengthening the institutional and legal framework of the National Climate Plan by 2019.
• Establish a sectoral climate plan at the national level, including agriculture, water and infrastructure.

El Salvador’s climate goals included in its Five-Year Development Plan (2014-2019) include the following:

• Reduce economic losses caused by climate variability in the agricultural sector by one percentage point of GDP.
Sustainable Development Goals in Central America and the Dominican Republic

- Increase the number of municipalities at risk from early warning systems by 20%.
- Restore 10,000 hectares of salty forest and surrounding ecosystems.
- Renew 30% of coffee plantations, thus ensuring their resilience to climate change.
- Reduce the number of threatened or endangered species by 10%.
- Reduce the consumption of ozone-depleting substances by 25%.

Nicaragua
Nicaragua has defined the following goals in its NDCs:
- Achieve 60% renewable energy by 2030.
- Increase forest absorption capacity by 20% by 2030.

Nicaragua's National Climate Change Policy is currently in the discussion stage. It will outline the country's plans and will include the following aspects:
- Increasing agricultural resilience.
- Creating a low-carbon development strategy.
- Solutions for human resettlement due to climate change.
- Developing green infrastructure.
- Achieving forest conservation and restoration.
- Promoting knowledge, research and funding for climate change mitigation and adaptation.

Honduras
Honduras has the following climate targets as part of its NDCs:
- Reduce national GHG emissions by 15% by 2030.
- Achieve 80% of electricity supply from renewable sources by 2038.

In the context of the country's NDC commitments, the Honduran government aims to continue its progress towards the creation of a climate policy framework, which includes:
- Developing a national climate change investment plan.
- Focusing on water resources, risk management, agriculture, forestry and biodiversity, and infrastructure and renewable energy projects, which are core priorities of the National Climate Change Agency.

Guatemala
As part of its NDCs, Guatemala has defined targets of 11.2% (unconditional) to 22.6% (conditional) reduction in GHG emissions by 2030 compared to the usual scenario. These targets are incorporated into Guatemala's national development plan known as the K'atun 2032 National Development Plan.
The specific objectives included in the plan are:
- Achieve 80% of electricity from renewable energy by 2027.
Doing Business in Nicaragua

- Improve energy savings by 25% in the industrial and commercial sectors by 2027 compared to the 2013 baseline
- Reduce industrial wood fuel use by 15% by 2027 compared to 2013 baseline

Finally, COVID-19 came to delay the SDG implementation process, yet globally the climate, biodiversity and pollution crisis persisted, despite the pandemic (as highlighted by Mr. Liu Zhenmin in the 2021 Sustainable Development Goals report). Concentrations of key greenhouse gases continued to rise despite temporary emission reductions in 2020 linked to confinements and other measures in response to COVID-19. The effects of the pandemic include increases in unemployment rates impacting poverty rates, in addition to the anticipated significant impact on the educational deficiencies of a generation and the long-term impact on the productive capacity of countries. But it is also important to highlight that COVID-19 tested the capacity for adaptation, collaboration, innovation and resilience of human beings and this adds optimism that we will be able to face the challenges of the 2030 Agenda successfully.

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