



HONDURAS – 2009 BUSINESS ENVIRONMENT

Currency: Honduran Lempiras (HNL)

Foreign exchange control: The exchange rate is subject to a “crawling band” regime, with the rate determined daily in foreign exchange auctions. The Honduras Central Bank is responsible for the exchange auctions and for setting monetary policies.

Accounting principles/financial statements: IAS. Financial statements must be prepared annually.

Principal business entities: These are the corporation, limited liability company, general and limited partnership and branch of a foreign company.

Every company doing Business in Honduras should be Registered in the Directorate-general for taxation to obtain the RTN (NATIONAL REGISTRY TAX NUMBER), which should be listed in several documents such as: invoices, contracts, cts and income tax returns.

The RTN Includes only numbers. If it Belongs to a physical person, the numbers will be related to their Identity Number and if it belongs to a company, they will be related to the property registry.

TAX ID NUMBER

RTN (Unique Taxpayer Registry Number)

Physical person: 14 digits / Legal entity: 14 digits (fixed)

*There used to be a RTN with fixed codes (4EN-09ZX - numbers and letters: total characters: 7), it is no longer used, Now the system has changed for new companies as follows:

Example:

RTN: 11 22 1975 0175 52

11: (the first 2 digits) from 01 to 18 are territorial department codes to whom the company or person belongs.

22: (third to fourth digits), delegation's codes to whom the company or person belongs. It holds numbers from 01 up to the number of delegations the country may have.

1975: (fifth to eighth digits) figure that represents the year of Birth/establishment of the company.

0175: (nine to twelve digits) random digits per order of inscription.

52: (last 2 digits) verification figures or digits. Also represents the turn of paying taxes.

The RTN of 14 digits is the only actual taxpayer registry in all the country and it lasts only with the tax payer.

Although RTN of 7 alphanumerical figures is still being used, it is going to disappear soon.

Corporate taxation:

Residence – A company is resident in Honduras if is incorporated according the Honduran Commercial Code.

Basis – Resident companies are taxed on worldwide income; nonresident companies are taxed only on Honduran-source income.

Taxable income – Taxable income for corporate income tax purposes includes all income and gains that increase the taxpayer's net worth, less deductions for expenses related to the production of income.

Taxation of dividends – Dividends are not subject to tax and are not included in taxable income.

Capital gains – Capital gains are taxed as ordinary income at a rate of 10%.



HONDURAS – 2009 BUSINESS ENVIRONMENT

Losses – Tax losses generally may not be carried forward or back. However, tax losses for manufacturing, agribusiness and tourist companies may be carried forward for 3 years.

Rate – The rate is 25%, plus a 5% temporary social contribution tax.

Surtax – No

Alternative minimum tax – No

Foreign tax credit – No

Participation exemption – No

Holding company regime – No

Incentives – The tourism sector and companies operating in free zones are subject to favourable tax treatment, as are mining companies.

Withholding tax:

Dividends – Dividends are not subject to withholding tax.

Interest – Interest paid to a nonresident is subject to a 5% withholding tax.

Royalties – Royalties paid to a nonresident are subject to a 25% withholding tax.

Branch remittance tax – No

Other taxes on corporations:

Capital duty – No

Payroll tax – No

Real property tax – Real property tax is levied annually by the local governments, with the rates depending on

the location of the property.

Social security – Employers must pay 7% of salaries for state welfare.

Stamp duty – No

Transfer tax – A transfer tax equal to 1.5% of the transfer value is levied.

Other – District and municipal governments impose various levies.

Anti-avoidance rules:

Transfer pricing – No

Thin capitalisation – While there are no thin capitalisation rules per se, interest paid to shareholders is not deductible for corporation tax purposes.

Controlled foreign companies – No

Other – No

Disclosure requirements – No

Administration and compliance:

Tax year – The tax year corresponds to the calendar year, but a different accounting year may be authorised by the Honduran tax authorities.

Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.

Filing requirements – The tax return and payment must be made within the first 4 months of the year following the tax year. Alternatively, 3 advance payments may be made during the tax year (in June, September and December), with any balance due paid before 30 April of the year following the tax year. Excess tax paid will be credited against the next fiscal period's tax liability.



HONDURAS – 2009 BUSINESS ENVIRONMENT

Penalties – Various penalties apply for failure to file a tax return.

Rulings – No

Value added tax:

Taxable transactions – Honduras imposes a sales tax on the provision of goods and services.

Rates – The rate is 12% on goods and services and 15% on alcoholic beverages and tobacco. Farm produce, basic food products and pharmaceuticals are exempt.

Registration – No

Filing and payment – The sales tax return must be filed by the 10th of each month.

Source of tax law: Tax Code

Tax treaties: Honduras has a tax information exchange treaty with the U.S.

Tax authorities: Direccion Ejecutiva de Ingresos (Executive Directorate of Revenue)

International organisations: WTO, World Customs Organisation

For further information about this issue, please contact: info@crlacorp.com

✚ CREDIT REPORT through the years:



1994



2004



2007

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