



## NICARAGUA – 2009 BUSINESS ENVIRONMENT

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**Currency:** Nicaraguan Cordoba Oro (NIO)

**Foreign exchange control:** There are no foreign exchange controls, and no restrictions are imposed on the import or export of capital. Repatriation payments may be made in any currency. Both residents and nonresidents may hold bank accounts in any currency.

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

**Principal business entities:** These are the public and private limited liability company, partnership, sole proprietorship and branch of a foreign corporation.

### TAX ID NUMBER

**RUC: Registro unico de contribuyente** - Registry of Taxpayers (RUC).

All people that perform any economic activities, are information agents or are related to any taxes established in the country must be registered: Big, medium, small contributors and the ones called "flat payers".

Example:

RUC number: **040593 - 9509**

Structure: The RUC number has 10 digits; it has no letters nor special characters.

040593: The first six digits indicate the date of birth/established of the registered person/company in public registry (May 4<sup>th</sup> 1993 in this case)

9: The seventh digit indicates sex when concerning persons (male 0,2,4,6,8 – female 1,3,5,7). If concerning companies we will see always a number 9 which indicates it is a company.

50: (it goes from 01 up 99) Discriminative number in order to avoid repetitive series per registered file.

9: The tenth digit (last one) is the check digit for both cases (persons and companies).

The RUC number is unique in the whole country and lasts alongside the registered life.

### Corporate taxation:

**Residence** – A corporation is resident if it is incorporated in Nicaragua, has its effective management in Nicaragua or has activities in Nicaragua and is owned mainly by Nicaraguan residents.

**Basis** – Residents are taxed on worldwide income; nonresidents are taxed only on Nicaraguan-source income. Branches are taxed in the same manner as subsidiaries.

**Taxable income** – Corporate tax is imposed on a corporation's profits, which consist of business/trading income, passive income and capital gains. Normal business expense may be deducted in computing taxable income.

**Taxation of dividends** – Dividends are not taxed upon distribution to shareholders, except when the company does not pay income tax.

**Capital gains** – Capital gains are treated as ordinary income.

**Losses** – Losses may be carried forward 3 years to offset profits. The carryback of losses is not permitted.

**Rate** – 30%

**Surtax** – No



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**Alternative minimum tax** – An AMT is imposed at the rate of 1% on the value of a taxpayer's total assets.

**Foreign tax credit** – No

**Participation exemption** – No

**Holding company regime** – No

**Incentives** – Reduced tax rates are available to companies operating in the tourism and energy sectors.

### Withholding tax:

**Dividends** – Dividends paid to residents and nonresidents are exempt from tax if the company has paid income tax.

**Interest** – Interest paid to nonresidents and non-financial institutions is subject to a 22.5% withholding tax.

**Royalties** – Patent royalties are subject to a 21% withholding tax.

**Branch remittance tax** – No

### Other taxes on corporations:

**Capital duty** – No

**Payroll tax** – Payroll tax must be withheld at progressive rates, ranging from 10% to 30%.

**Real property tax** – Municipalities levy a 1% tax on the value of real estate.

**Social security** – Companies are required to contribute 15% of their employees' gross salaries to social security.

**Stamp duty** – Stamp duty is levied on certain types of

documents issued in Nicaragua or abroad that produce effects in Nicaragua.

The amount varies depending on the transaction.

**Transfer tax** – No

**Other** – No

### Anti-avoidance rules:

**Transfer pricing** – No

**Thin capitalisation** – No

**Controlled foreign companies** – No

**Other** – No

**Disclosure requirements** – No

### Administration and compliance:

**Tax year** – The standard tax year is 1 July to 30 June. Alternatively, a taxpayer may request permission to adopt one of the following tax periods: April-March, October- September or January-December.

**Consolidated returns** – No

**Filing requirements** – The tax return must be filed within 3 months of a corporation's year end.

**Penalties** – Penalties apply for late filing, failure to file or tax avoidance/evasion.

**Rulings** – A taxpayer may request a ruling on the tax consequences of a particular transaction affecting the applicant.

### Value added tax:

**Taxable transactions** – VAT is levied on the sale of goods and the provision of services.



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Rates – 15%

**Registration** – All traders carrying out activities in Nicaragua must be registered.

**Filing and payment** – The VAT return must be filed in the month following the tax period, and any VAT due must be paid at that time.

**Source of tax law:** Law No. 562, Tributary Code of the Republic of Nicaragua; Law No. 453, Tax Equity Law.

**Tax treaties:** Nicaragua does not have any income tax treaties in force.

**Tax authorities:** *Dirección General de Ingresos* (Internal Revenue Service)

**International organisations:** None

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For further information about this issue, please contact: [info@crlacorp.com](mailto:info@crlacorp.com)

✚ CREDIT REPORT through the years:



1964



1994

2004



2007

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