

INTERNATIONAL GUIDE TO DOING BUSINESS NICARAGUA

I. THE COUNTRY AT A GLANCE

A. What languages are spoken?

Spanish is the official language; however, English is widely spoken. On the Atlantic Coast the indigenous population speaks English and Miskito.

B. What is the exchange rate for the U.S. dollar, the Euro?

The official currency is the Cordoba; however US dollars are widely accepted. The official exchange rate as of April 18th, 2006 was C\$17.39 Cordobas per US dollar, and C\$20.71 Cordobas per Euro.

C. Describe your country's geography, proximity to other countries and climate.

Nicaragua is strategically located in the heart of the Americas: it is located at the center of the Central American isthmus that forms a land bridge between North and South America. It is bordered on its eastern and western shores by the Atlantic and Pacific oceans, respectively; to the north lies Honduras, and to the south Costa Rica. It is the largest country in Central America with a territory of approximately 130,600 square kilometers.

This privileged location, only two hours and thirty minutes by air and three days by sea from the United States, facilitates access to the world's largest market. Its location and cost structure also positions Nicaragua as an ideal export platform for the important markets of Mexico, Central and South America.

Nicaragua is a country of unspoiled natural landscapes: it offers virgin beaches on the Pacific Ocean along the Caribbean coast, an amazing volcanic chain, the largest lake in Central America, cloud forests in its northern region and magical colonial towns in the Pacific region of western Nicaragua. Granada, the oldest city on the American continent, is a case in point. The

combination of a natural paradise and intriguing history make Nicaragua a unique destination in the Americas.

Nicaragua also offers abundant natural resources, a competitive and productive labor force, and generous investment incentive laws. Nicaragua is also a very safe country: it boasts the lowest crime rate in Central America and among the lowest in the Western Hemisphere.

D. Are there cultural influences or prohibitions on the way business is conducted?

No, there are no cultural influences or prohibitions on the way business is conducted.

E. Are there religious influences or prohibitions on the way business is conducted?

There are no religious influences or prohibitions on the way business is conducted, as the Constitution provides for freedom of religion and this right is respected by the government and the people.

F. Explain your country's infrastructure . Be sure to explain which cities have airports, railroad systems, ports, and public transportation.

Nicaragua has a 19,000 km road network connecting the capital, Managua, to all major towns. The Pan American Highway traverses the country from north to south. It is 370 km long and connects Nicaragua with Honduras and Costa Rica. According to Ministry of Transportation and Infrastructure projections, an estimated US\$ 90 million will have been invested in road infrastructure during 2005.

Nicaragua has a six maritime ports, among which are the Pacific coast ports of Corinto and Puerto Sandino, which have the capacity to handle international container traffic. A modernization and construction project was recently completed

at the port of El Rama, which will provide access to international traffic. Nicaragua also has access to Puerto Cortés in Honduras and Puerto Limón in Costa Rica, both of which are at a day's distance by truck. Projections made by the National Port Authority indicate that an estimated US\$ 35 million will have been invested in port infrastructure by late 2006.

There are approximately seven internationally known shipping lines operating in Nicaragua, i.e. Maersk, Crowley, Seaboard Marine, APL, Chiquita Logistics, and Republic Shipping.

The main international airport (Augusto C. Sandino) is located eleven kilometers from Managua's urban center. It handles all international passenger and freight traffic to and from Nicaragua, and is considered one of the safest airports in Central America. A recent \$50 million investment has made it the most modern airport in the region. Another \$100 million in airport infrastructure modernization is currently being invested in the country.

G. Explain the communication system.

ENITEL, the national telephone system operator and provider of fixed-line services, was privatized in 2001. It is connected to all major international operators. The two current providers of mobile phone services are Telefónica and América Móvil. International calls can be dialed from any point in the country. There are public telephones throughout the country, and in rural areas where these are not available one can find operator assisted phones.

Nicaragua also has several Internet providers of data transport services using fiber-optic and submarine cables.

H. Describe the public services – i.e. water, electricity, gas . Are they publicly or privately owned?

Water is a public service which has not been privatized.



Electricity- generation is privately own by different foreign companies. Energy transmission is state owned. And the provision of energy to the final consumer is privately owned by Union Fenosa.

II. GENERAL CONSIDERATIONS

A. Investment policies

1. Does the country generally welcome investment? Are there governmental or private agencies devoted to the promotion of investment?

Nicaragua welcomes foreign investment. ProNicaragua is the Nicaraguan Investment Promotion Agency, established in 2002. It is a not-for-profit, public-private institution whose mission is to generate economic growth and job creation in Nicaragua by attracting high-quality foreign direct investment. It provides free support services to qualified investors seeking investment opportunities in our country.

Nicaragua's Foreign Investment Law provides: a) equal treatment of foreign and domestic investment; b) eliminates restrictions on the way in which foreign capital can enter the country, and c) recognizes the foreign investor's right to own and use property without limitation, and in the case of a declaration of eminent domain, to receive proper indemnification. The law makes no distinction between acquisition, merger, takeover, or green-field 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, loan repayments and lease repayments are freely allowed through the private foreign exchange market operated by local financial institutions.

On-going reforms of the judicial system and administrative procedures are expected to continue to improve the business climate and help attract increasing amounts of foreign

investment into Nicaragua. Recent government actions have included successful performance under an IMF program that required a significant reduction in the budget deficit and provided new resources and debt relief; opening a "one-stop shop" for foreign investors in the Ministry of Development, Industry, and Trade (MIFIC), and completion of a decade-long privatization program.

Nicaragua has signed and ratified bilateral investment agreements with Mexico, Spain, Taiwan, Denmark, the United Kingdom, the Netherlands, Korea, Ecuador and the Dominican Republic. The U.S.-Central America Free Trade Agreement (CAFTA), includes investment protection obligations that supersede provisions of traditional bilateral investment agreements.

2. What is the rate of inflation?

The inflation rate for 2003 was 6.5 and for 2004 was of 9.3.

3. Explain any sector exceptions, incentives or restrictions on foreign investment

Nicaragua has various incentive laws for priority sectors, such as the Tourism Incentive Law and the Free Trade Zones Law (for light manufacturing and contact centers). According to international agreements with 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

Free Trade Zone Incentives Law

In 1991, the Government of Nicaragua approved a series of laws aimed at supporting the Export Processing Zones. These laws are currently being modified to provide even more benefits to the companies governed by this program, however they currently provide:

- Total tax exemption on income and property taxes

- Total exemption on municipal taxes
- Total exemption on taxes for machinery, equipment and raw material, and on transport and support services for the Free Trade Zones
- Total tax exemption on value added tax
- All permits can be obtained in less than six week

According to the rules of the World Trade Organization (WTO), Nicaragua will be one of the few countries able to offer fiscal incentives granted to exporters by the free trade zone laws after 2008.

Tourism Investment Incentives Law

- Qualified tourism projects can receive the following tax benefits under Law #306, the Tourism Investment Incentive Law:
 - 80% to 90% income tax (IR) exemption
 - Property tax exemption for 10 years (IBI)
 - 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 General Value Tax (I.G.V.) for the local purchase of construction materials and fixed building accessories.
- Tax incentives can be extended if project undergoes extensive expansions
- Over 300 projects have been approved to benefit from this law since 1999.

4. Describe de facto restrictions on investment, if any, such as bureaucratic discretion.

There are no de facto restrictions that affect investments activities.

5. What are the sizes of the different markets?

Export Processing Zones: National and foreign investors alike have taken advantage of the exceptional conditions offered by Nicaragua under the Free Zone (Export Processing Zone) regime for textile manufacturing, apparel, auto parts, and medical product assembly operations, among others.

Since approval of the Free-trade Zones Law in the early 1990s, this sector has shown strong growth, from five companies operating in 1992 to an estimated 100 by mid-2005.

There currently are 33 industrial parks, most of which provide services to businesses in the textile and apparel sector. Overall, exports from these companies have increased by almost 70% between 1998 and late 2004. In 2004 alone, they grew by over 30%.

Tourism: Since the Tourism Incentive Law was passed, this sector has become a significant factor in the Nicaraguan economy. Approximately 300 projects have benefited from this law. This has allowed for absorbing the annual 16% increase in visitors. Income from tourism has risen more than 300% over the past ten years and the sector captured US\$ 167 million in 2004, thus becoming the main source of income for the country.

Agriculture, fisheries and forestry: this sector represented 19% of Nicaragua's GDP in 2004. Agricultural activities registered a 5.4% growth rate, particularly in exports of coffee, sugar cane, and sesame seed. The fisheries and aquatic sector grew by 2.6% as a result of lobster fishing activities (11.4%) and shrimp farming (9.5%).

Construction and mining: the construction sector grew by 10% despite a rise in world metal prices. This growth resulted essentially from the various public infrastructure projects.

The added value of mining activities rose by 19.7 % as a result of vigorous gold (28.1%) and silver (44.3%) mining activity. Investments in technology made in late 2003 led to an increase in metal mining.

Services: the services sector, which includes transportation, energy, water, financial services, restaurants and hotels, contributed 42.6% of GDP. A fast-growing segment of the services industry is the **Contact Center and BPO** industry, an export-oriented segment which has discovered Nicaragua as an ideal location due to its labor availability, cost structure, and telecom infrastructure.

6. What types of businesses are conducted in the country?

Traditionally Nicaragua has been an agriculture driven country, although the economy has experienced a significant diversification over the last few years. Textile and apparel, tourism and services are now very active sectors, and exports have been growing. Light manufacturing and assembly is also a growing sector.

B. Diplomatic Relations

1. Explain any established diplomatic relations your country may have.

2. Give addresses, telephone numbers for the embassies or consulates in your country?

EMBAJADA DE LA REPUBLICA FEDERAL DE ALEMANIA	Dirección..... : De la Rotonda El Güegüense 1 1/2 c. al lago, contiguo Optica Nicaragüense. E-mail..... : alemania@ibw.com.ni Telf : 2663917, 2663918, 2667500, 2667944 Fax..... : 2667667 Ap.Postal..... : 29 Horario..... : Lunes a viernes: 09:00 hrs. a las 12:00 hrs. (miercoles cerrado al publico) Sitio Web..... : www.managua.diplo.de
EMBAJADA DE LA REPUBLICA DE ARGENTINA	Dirección..... : Semáforos Villa Fontana, del Club Terraza 2 cuadras Abajo, 1 cuadra al Sur, 1 cuadra Abajo. E-mail..... :

	<p>Telf : 270-2341 / 270-0693 Fax..... : 270-2343 Ap.Postal..... : Horario..... : Sitio Web..... :</p>
EMBAJADA DE LA REPUBLICA DE AUSTRIA / OFICINA DE COOPERACION PARA EL DESARROLLO	<p>Dirección..... : De la Rotanda El Güegüense 1 c. al lago, mano izquierda frente a Embajada de Italia E-mail..... : Coopaustrica@turbonett.com.ni Telf : 2660171, 2663316 Fax..... : 2663424 Ap.Postal..... : - Horario..... : Lunes a viernes de 8:00 a.m. a 12:00 m y de 1:30 p.m. a 5:00 p.m. Sitio Web..... :</p>
EMBAJADA DE LA REPUBLICA FEDERATIVA DEL BRASIL	<p>Dirección..... : Km. 7 3/4 Carretera Sur, Quinta Los Pinos E-mail..... : ebrasil@ibw.com.ni Telf : 265-2679 / 265-0035 / 265-1681 Fax..... : 265-2206 / 265-3604 Ap.Postal..... : Horario..... : Sitio Web..... :</p>
OFICINA DE LA EMBAJADA DE CANADA	<p>Dirección..... : De los Pipitos 2c. al oeste, Calle Nogal # 25. Bolonia, Managua. E-mail..... : Telf : 268-0433 / 268-3323 Fax..... : 268-0437 Ap.Postal..... : 25 Horario..... : Sitio Web..... :</p>
EMBAJADA DE LA REPUBLICA DE CHILE	<p>Dirección..... : Reparto Los Robles, de la Entrada Principal 1 cuadra Abajo, 1 cuadra al sur, 20 varas Abajo E-mail..... : Telf : 278-0619 / 270-1103 Fax..... : 270-4073 Ap.Postal..... : Horario..... : 09:00 - 12:00 Horas - Lunes a Viernes Sitio Web..... :</p>
EMBAJADA DE LA REPUBLICA DE COLOMBIA	<p>Dirección..... : 2da. Entrada Las Colinas, 1 cuadra Arriba, 1/2 cuadra al Lago, Casa No. 97, contiguo al Supermercado De Todo un Poquito E-mail..... : manemcol@ibw.com.ni Telf : 276-2149 / 276-0864 Fax..... : 276-0644 Ap.Postal..... : Horario..... : Sitio Web..... :</p>

<p>EMBAJADA DE LA REPUBLICA DE COSTA RICA</p>	<p>Dirección..... : Km. 4 1/2 Carretera a Masaya, del Pollo Tip Top, Los Robles, 25 Varas Abajo, mano derecha, Edificio CAR, 3er. piso. E-mail..... : embarica@cablenet.com.ni Telf : 270-3779 Fax..... : 270-3780 Ap.Postal..... : Horario..... : 08:00 - 16:00 Horas - Lunes a Viernes Sitio Web..... :</p>
<p>EMBAJADA DE LA REPUBLICA DE CUBA</p>	<p>Dirección..... : Carretera a Masaya, 3era. Entrada de las Colinas 400 Varas al Este E-mail..... : embacuba@embacuba.net.ni Telf : 276-2307 / 276-0742 / 276-2285 Fax..... : 276-0166 / 276-2299 / 276-2271 Ap.Postal..... : Horario..... : 08:00 - 13:00 Horas - Lunes a Viernes Sitio Web..... :</p>
<p>EMBAJADA DEL REINO DE DINAMARCA</p>	<p>Dirección..... : Bolonia Plaza España 1c. Abajo, 2c al lago y 1/2c. Abajo E-mail..... : Telf : 268 - 0250 al 55 Fax..... : 266 8095 Ap.Postal..... : 4942 Horario..... : Lunes a Jueves 9:00am - 16:00pm y Viernes 9:00 a 13:00 h. Sitio Web..... :</p>
<p>EMBAJADA DE LA REPUBLICA DE ECUADOR</p>	<p>Dirección..... : Km. 14 1/2 Carretera Sur E-mail..... : ecuador@ibw.com.ni Telf : 268-1098 Fax..... : 266-8081 Ap.Postal..... : Horario..... : 08:00 - 14:00 horas - Lunes a Viernes Sitio Web..... :</p>
<p>EMBAJADA DE LA REPUBLICA DE EL SALVADOR</p>	<p>Dirección..... : Km. 9 1/2 Carretera a Masaya, reparto Las Colinas, Avenida del Campo y Pasaje Los Cerros No. 142 E-mail..... : Telf : 276-0712 Fax..... : 276-0711 Ap.Postal..... : Horario..... : Sitio Web..... :</p>
<p>DELEGACIÓN DE LA UNION EUROPEA</p>	<p>Dirección..... : Carretera Masaya del Colelgo Teresiano 1c.Arriba, frente a la Clínica Tiscapa E-mail..... : Telf : PBX - 270 4499 Fax..... : 270 4484</p>

	Ap.Postal..... : Horario..... : Sitio Web..... :
EMBAJADA DEL REINO DE ESPAÑA	Dirección..... : Avenida Central #13 - Las Colinas E-mail..... : Telf : 276 0966 - 276 0967 Fax..... : 276 0937 Ap.Postal..... : 284 Horario..... : Lunes a Viernes de 8:00am - 13:30 hrs. Sitio Web..... :
EMBAJADA DE LOS ESTADOS UNIDOS DE AMERICA	Dirección..... : Km. 4 1/2 Carretera Sur E-mail..... : Telf : 266-6015 7 266-6018 7 266-6010 Fax..... : 266-6046 Ap.Postal..... : No. 325 Horario..... : Sitio Web..... :
EMBAJADA DE LA REPUBLICA DE FINLANDIA	Dirección..... : Bolonia, Portón Hospital Militar 1c. al Norte 125 vrs. al Oeste #303 E-mail..... : Telf : 266 7947 /266 3415 Fax..... : 266 3416 Ap.Postal..... : Horario..... : Lunes 13:00 a 15:00/Martes a Jueves 9:00 a 15:00 y viernes 9:00 a 12:00m. Sitio Web..... :
EMBAJADA DE LA REPUBLICA FRANCESA	Dirección..... : Reparto El Carmen Iglesia 1 1/2c. Abajo, Bolonia, Managua E-mail..... : Telf : 222 6210 - 2226615 - 2227011 Fax..... : 268 5630 Ap.Postal..... : Horario..... : Sitio Web..... :
EMBAJADA DE LA REPUBLICA DE GUATEMALA	Dirección..... : Km. 11 y 1/2 Carretera a Masaya E-mail..... : Telf : 279-9834 / 279-9609 Fax..... : 279-9610 Ap.Postal..... : Horario..... : 09:00 - 13:00 Horas de Lunes a Viernes Sitio Web..... :
EMBAJADA DE LA REPUBLICA DE HONDURAS	Dirección..... : Reparto Las Colinas, Paseo Ecuestre, No. 298, Frente a Residencia China (Taiwán) E-mail..... : embhonduras@cablenet.com.ni Telf : 276-1998

	<p>Fax..... : 276-1998 Ap.Postal..... : Horario..... : 08:00 - 13:00 Horas - Lunes a Viernes Sitio Web..... :</p>
EMBAJADA DE LA REPUBLICA ITALIANA	<p>Dirección..... : Rotonda El Güegüense 1c. Norte Reparto Bolonia E-mail..... : Telf : 266 6486 - 266 2961 Fax..... : 266 3987 Ap.Postal..... : Horario..... : Lunes-Martes-Jueves y Viernes 9:00am /- 2:30pm y el Miércoles 9:00am - 5:00pm Sitio Web..... :</p>
EMBAJADA DE LA SOBERANA Y MILITAR ORDEN DE MALTA	<p>Dirección..... : Km. 7 1/2 Carretera Sur, colonia Frawley E-mail..... : Telf : 265 1510 - 265 1546 Fax..... : 265 2170 Ap.Postal..... : Horario..... : Sitio Web..... :</p>
EMBAJADA DEL JAPON	<p>Dirección..... : Plaza España 1c. al oeste y 1c. al norte. Residencial Bolonia E-mail..... : embjpnica@cablenet.com.ni Telf : 266-8668 al 71 Fax..... : 266-8566 Ap.Postal..... : 1789 Horario..... : Lunes a Viernes 8:00-12:00 hrs. y 14:00-17:00 hrs. Sitio Web..... : www.ni.emb-japan.go.jp</p>
OFICINA POPULAR DE LA GRAN JAMAHIRIA ARABE LIBIA POPULAR SOCIALISTA	<p>Dirección..... : De donde la Mansión Teodolinda 1c. al sur. Reparto Bolonia E-mail..... : ofilibia@ibw.com.ni Telf : 266-8540, 266-8541 Fax..... : 266-8542 Ap.Postal..... : 867 Horario..... : Lunes a Viernes 8:00 a.m. - 2:30 p.m. Sitio Web..... :</p>
EMBAJADA DE LOS ESTADOS UNIDOS MEXICANOS	<p>Dirección..... : kM. 4 1/2 Carretera a Masaya, 25 varas Arriba, Altamira, Contiguo a Optica Matamoros E-mail..... : mexni@ibw.com.ni Telf : 278-4919 al 21 Fax..... : 278-2886 Ap.Postal..... : No. 834 Horario..... : 08:00 - 13:00 Horas / 14:30 - 17:30 - Lunes a Viernes Sitio Web..... :</p>

<p>EMBAJADA DEL REINO DE NORUEGA</p>	<p>Dirección..... : Rotonda Plaza España 1c. al Oeste E-mail..... : Telf : 266 4199 /266 4119 /266 5197 Fax..... : 266 3303 Ap.Postal..... : 2090 Managua, Nicaragua Horario..... : Lunes a Viernes de 7:30am / 3:00 pm. Sitio Web..... :</p>
<p>EMBAJADA DEL ESTADO DE PALESTINA</p>	<p>Dirección..... : Calle Las Flores No. 136. Las Colinas E-mail..... : Telf : 276-0239 Fax..... : 276-2388 Ap.Postal..... : Horario..... : Lunes a Viernes 8:00 a.m. a 3:00 p.m. Sitio Web..... :</p>
<p>EMBAJADA DE LA REPUBLICA DE PANAMA</p>	<p>Dirección..... : Del Cuartel Central de Bomberos, 1 cuadra Abajo, Casa No. 93, Esquina Opuesta al Restaurante Rincón Español E-mail..... : embdpma@enitel.net.ni Telf : 266-2224 / 266-8633 Fax..... : 266-2224 Ap.Postal..... : Horario..... : 08:00 - 15:00 Horas - Lunes a Viernes Sitio Web..... :</p>
<p>EMBAJADA DE LA REPUBLICA DEL PERU</p>	<p>Dirección..... : Las Colinas, Calle Paseo del Club No. 174, de la Embajada de España 1 cuadra Arriba, 25 varas al Sur. E-mail..... : Telf : 266-8678 / 266-8677 Fax..... : 266-1408 Ap.Postal..... : Horario..... : 09:00 - 14:00 Horas - Lunes a Viernes Sitio Web..... :</p>
<p>EMBAJADA DEL REINO DE LOS PAISES BAJOS</p>	<p>Dirección..... : Los Robles, Tercera Etapa, Plaza el Sol 1c. al Sur, 1 1/2c. al Oeste E-mail..... : Telf : 270 4505 - 270 4485 - 270 4486 Fax..... : 270 0399 Ap.Postal..... : 3688 Horario..... : Lunes a Viernes 8:00am a 5:00pm Sitio Web..... :</p>
<p>EMBAJADA DE LA REPUBLICA DOMINICANA</p>	<p>Dirección..... : Las Colinas, Prado Ecuestre No. 100 E-mail..... : Telf : 276-2029 / 276-1607 Fax..... : 276-0654 Ap.Postal..... : Horario..... : 08:00 - 14:00 Horas - Lunes a Viernes Sitio Web..... :</p>

<p>EMBAJADA DE LA FEDERACION DE RUSIA</p>	<p>Dirección..... : Las Colinas, Calle Vista Alegre #214 E-mail..... : Telf : 276 0462 / 276 0131 / 276 0374 Fax..... : Ap.Postal..... : Horario..... : Sitio Web..... :</p>
<p>EMBAJADA DEL REINO DE SUECIA</p>	<p>Dirección..... : Plaza España 1c. abajo, 2c. al lago y 1/2c. abajo E-mail..... : Telf : 266 2762/ 266 0085 /266 8097 Fax..... : 266 6778 Ap.Postal..... : 2307 Horario..... : Lunes a Jueves 8:00am - 12:30 - 13:30pm a 17:00pm y Viernes 8:00am - 13:00pm Sitio Web..... :</p>
<p>EMBAJADA DE LA CONFEDERACION SUIZA</p>	<p>Dirección..... : De la Clínica Las Palmas 1c. Abajo E-mail..... : Telf : 266 3010 - 266 7328 Fax..... : 266 6697 Ap.Postal..... : Horario..... : Lunes a Viernes 8:00am - 4:30pm Sitio Web..... :</p>
<p>EMBAJADA DE LA REPUBLICA DE CHINA (TAIWAN)</p>	<p>Dirección..... : Km. 4 1/2 Carretera a Masaya. De la óptica Matamoros 2c. al oeste, 1/2c. al norte,Managua. E-mail..... : Telf : 277-1333, 277-1334, 270-0421 Fax..... : 2664025 Ap.Postal..... : 4653 Horario..... : Lunes a Viernes. 8:30 a 12:30 hrs. - 14:00 a 17:30 hrs. Sitio Web..... : www.roc-taiwan.org.ni</p>
<p>NUNCIATURA APOSTOLICA DE LA SANTA SEDE</p>	<p>Dirección..... : Carretera Sur km 10, 800 mts. al sur. E-mail..... : nuntius@cablenet.com.ni Telf : 265-8052 / 265-8657 Fax..... : 265-7416 Ap.Postal..... : 506 Horario..... : Lunes a Viernes 8:30 am - 1:30 pm Sitio Web..... :</p>
<p>EMBAJADA DE LA REPUBLICA BOLIVARIANA DE VENEZUELA</p>	<p>Dirección..... : De la Iglesia La Sierritas 2 cuadra al Lago, Altos de Santo Domingo E-mail..... : embaveneznica@cablenet.com.ni Telf : Embajada: 276-0266 / 276-0267; Consulado: 276-0268 Fax..... : 276-2265 Ap.Postal..... :</p>

	Horario..... : 08:00 - 13:00 Horas - Lunes a Viernes Sitio Web..... :
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3. Are there prohibitions or restrictions on certain business dealings with the country?

In general, Nicaragua does not have any prohibitions or restrictions on business dealings.

4. Explain any travel restrictions to or within the country?

While travelling within the country, carrying a valid ID or passport is mandatory. Entry visas will not be required from citizens of any country, except for the citizens of the countries listed below. A Tourist Card (US\$ 5.00) must be bought upon arrival. Traveler must have a passport that will be valid at least six months after entering the country. Everyone leaving Nicaragua must pay an airport tax of US\$ 20.00.

Afghanistan, Albania, Bosnia Herzegovina, Colombia, Cuba, Haiti, India, Irak, Iran, Jordania, Lebanon, Libya, Nepal, Pakistan, People's Republic of China, People's Republic of Korea, Sri Lanka, Somalia, Vietnam, Yugoslavia.

C. Government

1. Explain your country's election system and schedule . Is there an anticipated change in the present government?

Nicaragua is an independent democratic republic with a representative Government comprised of four distinct and independent branches: the executive, the legislative, the judiciary, and the electoral. The constitution provides for democratic elections every five years. The current President is Ing. Enrique Bolaños, whose term runs from November 2002 to November 2006.

2. Is the present government stable? Briefly explain your country's political history in the last decade.

Yes, the present government is stable, however, the political system is fragile. The Costitutionalist Liberal Party (PLC) has peacefully governed the country in the last decade. The country has serious challenges in reducing poverty and inequality. There is a broad representation of international financial and development institutions such as the World Bank, Interamerican Development Bank, International Monetary Fund, Central American Development Bank, United Nations system, as well as a myriad of bilateral of development and cooperation agencies.

Over the past 15 years, Nicaragua has transformed itself into one of the safest and fastest-growing countries in Latin America. A stable, multi-party democracy, Nicaragua has ratified Free Trade Agreements with major markets such as the United States, its Central American neighbors, the Dominican Republic (DR-CAFTA), and Mexico, among others. The country has had free democratic elections since 1989 and has made significant progress towards strengthening its democratic institutions. Democracy and freedom are alive and well in Nicaragua: in the last presidential election, over 90% of the population exercised its right to vote.

Nicaragua recently launched its renowned **National Development Plan** (www.pnd.gob.ni) which includes short-, medium- and long-term initiatives designed to achieve strategic goals such as economic growth, good governance, and human development in order to improve the lives of the Nicaraguan people. This important "roadmap" for policymakers attempts to prioritize initiatives such as infrastructure improvements, educational transformation, modernization of government institutions and the judiciary, cluster development, and investment climate improvements in order to reduce poverty and obtain sustainable long-term economic growth.

Strategic initiatives such as the National Development Plan have already begun to bear fruit: in 2004, Nicaragua was the fastest

growing country in Central America, having registered a GDP growth rate of 5.1%. Other highly encouraging results include a 30% increase in foreign direct investment in 2004, and a 160% increase in the number of tourists visiting the country in the last 10 years. In addition, Nicaragua was recently approved as a participant in the HIPC debt forgiveness program, which will lead to the elimination of most of the country's foreign debt.

Nicaragua has also stood out recently by becoming one of the first two recipients the U.S. government's Millennium Challenge Account grant. According to the Millennium Challenge Corporation, the grant -- worth US\$175 Million -- is only awarded to countries that "rule justly, invest in their people, and encourage economic freedom."

3. Explain your country's judicial system.

Our judicial system is composed mainly of two judicial instances and the final recourse before the Supreme Court (Cassation). There are Courts for small claims (Local Courts) and large claims (District Courts), Courts of Appeals (Tribunal formed by three Judges for each branch), and the Supreme Court composed of sixteen Supreme Court Justices and is divided in four branches: Civil, Criminal, Constitutional and Administrative branch.

As in the rest of the continental Latin America, we have a coded system with Codes of procedure for each branch of the Law. There are three courts for each different jurisdiction:

- Civil jurisdiction
- Criminal jurisdiction
- Labor jurisdiction

In the Civil jurisdiction Courts the judges rule over civil, mercantile and family disputes. There is an ample variety of proceedings in the civil jurisdiction, but ordinary, summary and executory proceedings are the most common and important.

Our Code of Civil Proceedings came into force on 1906, and even though it has suffered many reforms, it still holds valid the principles from the time it was elaborated, like the written trial principle. This Code is complementary to all other codes of proceedings, it is even complementary in administrative proceedings.

Nicaragua has a new criminal proceeding since the Code of Penal Proceedings came into force in the year 2003 for the large claims Courts (proceedings where penalties are less higher 3 years) and 2004 for the small claim Courts(proceedings where penalties are less than 3 years). Our criminal trials are oral and give more guarantees to defendants, since there is a true acknowledgement of the constitutional right of presumption of innocence.

The labor proceedings are also relatively recent, there have been substantial changes in the last reforms to the Labor Code where it regulates the Labor proceedings. It is expected that in a future reform of the Civil Code of Proceedings the Labor proceeding would be also reformed.

Arbitration

With the publication and coming into effect of the Arbitration Law, a new option was born for those who prefer to have their disputes submitted through more agile and informal proceedings as are the Arbitration, Mediation and Conciliation proceedings.

This new law allows the parties to choose the type of proceedings through which their differences will be ventilated by an impartial third party. The decision reached by the arbitrator(s) is final and executable before the competent Courts.

4. Explain your country's legislative system.

The legislative branch in a unicameral congress which consists of 97 congressmen who are elected every five years. The legislature has the power to enact and amend laws, approve or reject international agreements and public treaties; and appoint Magistrates of the Supreme Court of Justice and the Electoral Branch.

D. Environmental Considerations

1. What is the public/government attitude towards environmental regulation?

The country's general attitude towards environmental regulation is one of protection based on constitutional principles, such as the right each citizen has to live in a healthy and balanced environment. The government guarantees that this right is respected and will enforce it by legal means through the Ministry of Natural Resources and Environment.

2. Explain any environmental regulations.

Prior to initiating certain new projects (activities or works), they must be submitted for an environmental impact evaluation process at MARENA (the Ministry of Natural Resources and the Environment).

The fundamental objective of this procedure is to determine the environmental feasibility of the project. This prior approval must be obtained before initiating other administrative procedures or construction works.

E. INTELLECTUAL PROPERTY

Nicaragua is a member of the Central American Agreement for the Protection of Industrial Property, and there is full protection under the law for intellectual property, including patents, trademarks and brand names. Nicaragua is also a member of the World Trade Organization and therefore adheres to the Agreements on the Trade Related Aspects of the Rights of Intellectual Property.

1. Trademarks and Other Distinctive Signs

Law No. 380, Law of Trademarks and Other Distinctive published in La Gaceta, Official Newsletter, No. 70 of April 16th , 2001.

Among other aspects, this law is novel since it converted the process of registration of distinctive signs in expedite and more dynamic way, with the inclusion of a multi-class system, which allows to accumulate several classes in one application as an incentive to obtain a wide protection for trademarks at more reasonable costs.

Its scope of protection also includes collective and certification trademarks, domain names and notorious signs.

According to this law, to prevent trademark infringement the following actions can be taken: Cancellation of a Trademark, Unfair Competition, Action of Reinvidicatory, Generalization of a trademark, Cancellation of a registration for lack of use, Action for infraction of a trademark right, along with precautionary and frontier measures.

2. Patent of invention, Utility Models and Industrial Designs:

Nicaragua approved Law 354 (Invention Patents, Utility Models and Industrial Designs Law) published in La Gaceta, Official Newsletter, #179 and 180, from the 22nd to the 25th of September 2000; which protects:

- **Inventions** (Technical solution to a specific problem, provided by a product or a procedure or applied to them) Patents are issued for an inextensible 20 year period, counted from the date of the application's presentation and conferring the owner the right to prevent a third person from exploiting the patented invention.

- **Utility Models** (invention provided with a form, configuration or disposition that allows a better or different functioning of the

original model; incorporating in it's use or fabrication some sort of usefulness, advantage, or technical effect that it lacked before) Patents are issued for an inextensible ten year period, counted from the date of the application's presentation and conferring the owner the right to prevent a third person from exploiting the patented invention.

- **Industrial Designs** (particular aspects that result from the characteristics and esthetic outer form of an industrial product or craftsmanship; to give it a special appearance and to serve as a standard for fabrication) An Industrial Design is protected for a five year period, counted from the date of its divulgation and with an extension of other five years.

OTHER RELATED AREAS

Plant variety protection.- (Law #318 of November 12th, 1999; published in La Gaceta, Official Newsletter, from November 29th, 1999; and its regulation in decree #37-2000; published in La Gaceta Official Newsletter #102 from May 31st, 2000).

Copyright Law and Related Rights.- Law #312 published in La Gaceta, Official Newsletter, #166 of August 31st, 1999 and its conclusion in #167 of September 1st of that same year. It's corresponding regulation was published in La Gaceta, Official Newsletter, #84 of May 5th, 2000.

Protection of layout designs of integrated circuits.- (law 324, published in La Gaceta Official Newsletter, #22 on February 11th, 2000).

Protection of program carrying satellite signals.- (Law 322, published in La Gaceta Official Newsletter, #240 on December 16th, 2000).

PRINCIPAL AGREEMENTS AND CONVENTIONS OF INDUSTRIAL PROPERTY RATIFIED BY NICARAGUA.

- 1) The Paris Convention for the Protection of Industrial Property.
- 2) The Pan – American Convention for the Trade Mark and Commercial Protection.
- 3) Agreement between the Government of United States of America and The Government of the Republic of Nicaragua concerning Protection of Intellectual Property Rights.
- 4) Patent Cooperation Treaty (PCT).
- 5) Contracting Parties to the International Convention for the Protection of New Varieties of Plants (UPOV).
- 6) WIPO Performances and Phonograms Treaty (WPPT).
- 7) WIPO Copyright Treaty (WCT).
- 8) Brussels Convention Relating to the Distribution of Programme-Carrying Signals Transmitted by Satellite.
- 9) Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of Their Phonograms.
- 10) Berne Convention for the Protection of Literary and Artistic Works.
- 11) Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations.
- 12) Tripp ´s Agreements.

III. INVESTMENT INCENTIVES

A. Explain any export incentives or guarantees.

INDUSTRIAL FREE ZONES FOR EXPORT

"Decree No. 46-91 and its Regulation Decree No. 31-92", establish the legal framework for the Industrial Free Zones for Export (IFZE) in Nicaragua.

The main objectives of the IFZE are the generation of employment, foreign investment, export of non-traditional products, acquisition of technology and the reactivation of Nicaragua's foreign commerce. These objectives are promoted through the establishment and operation of enterprises dedicated to the production and export of goods and services. Every IFZE must be approved and authorized by the National Free Zone Commission prior to starting operations and enjoying the tax incentives.

According to article 3 of Decree No. 46-91, the IFZE will be considered outside national territory for tax status for the time period established in Decree 46-91 and Decree 31-92. The inputs and materials needed by the Zones for the production and export of goods will be imported tax-free. The period to import these goods tax-free will depend on the type of the Free Zone.

There are three types of Free Zones:

Operating or Management Companies: These are the companies in charge of the administration of the Zone (The Tenants or Users and the Administered Zones are managed by the Operating Companies).

Tenants or Users: These are the companies authorized to produce and export goods and services (these companies are within the perimeter of the management companies).

Administered Zones (ZOFA): These are the Companies authorized to produce and export goods and services (these companies are outside the perimeter of the management companies).

TAX INCENTIVES:

Operating or Management Companies

1. 100% exemption of Income Tax on operations in the Zone for a period of 15 years from the day operations begin.
2. Total exemption of import duties on machinery, tools, spare parts and other equipment needed to operate in the Zone.
3. Tax exemption on the creation, reform, merging or restructuring of the partnership or corporation, as well as all Stamp Taxes.
4. Total tax exemption on real property transferred to the Zone.
5. Total exemption of indirect taxes, sales tax and selective consumption tax.

- Tenants or Users and Administered Zones

1. 100% exemption on Income Tax during the first 10 years of operation and 60% as of the eleventh year on all activities in the Zone. This exemption does not include taxes on personal income, salaries, or fees paid to Nicaraguans or foreigners who work in the companies established in the Zone, but it does include payments to non-resident foreigners interest payments on loans or commissions, honorariums and remittances of money for legal services outside the country or in Nicaragua, costs of promotion, marketing and consulting. There will be no tax (IR) retained by the company for such payments.
2. Exemption of the Sales Tax and Capital Gains Tax on real property acquired without cost or through purchase, if the company is closing its operations in the Zones but the goods continue under the administration of the Free Zone.

3. Tax exemption on the creation, reorganization, merging, and restructuring of the partnership or corporation as well as stamp taxes.

4. Exemption of import taxes, custom's fees and consumer taxes on imports of raw material, equipment, machinery, parts and replacement parts, samples, molds and accessories needed by the company to set up operations in the Zone, as well as taxes on equipment needed for installation and operation of food services, health centers, medical services, childcare centers, recreational areas and any other type of support services needed for employees of a company operating in the Zone.

5. Import Tax exemption on transportation equipment, be it commercial, passenger, or for the normal use of the business in the Zone. In case of sale of these vehicles outside the Zone, the import duties will be collected on a sliding scale taking in consideration the time used in country, as is applied to the Diplomatic Corps or Multilateral Organizations.

6. Total exemption of Selective Consumption and Indirect Sales Taxes.

7. Total exemption of municipal taxes.

8. Total exemption of export taxes on goods produced in the Zone.

To qualify for the tax benefits, these companies must maintain a reasonable number of employees on its payroll in compliance with its application for admission to the Zone as well as maintain reasonable salaries and social benefits. In all cases, these companies are subject to the laws of the Republic of Nicaragua.

B. Explain any grants, subsidies or funds your country offers foreign investors . Be sure to answer the following questions:

-Export oriented operation (see answer II.A. above)

-TOURISM

Law No. 306, "Law of Incentives for the Tourism Industry of the Republic of Nicaragua and its Regulation Decree No. 89-99", establish the legal framework for the Tourism Industry in Nicaragua.

This legal framework has the purpose of granting incentives and benefits to individuals or groups of people, national or foreign, working in tourism activities.

Tourism activity is of national interest, having basically an export character, which allows the inclusion of local labor, generating benefits for the economy and positive effects in the balance of payments of the country.

According to article 3 of Law No. 306 the following individuals or groups of people investing directly and dedicated to tourism services and activities duly authorized by INTUR, may avail themselves of the incentives of this Law:

1) Hotel Service Industry (Hotels, Motels, Apartment hotels, Condo-hotels).

2) Investments in Protected Areas of Tourism and Ecological interest, without affecting the environment, with prior authorization from the corresponding authority (MARENA), as well as in public places of tourism and cultural interest and in historic preservation enclaves.

3) Air Transportation

4) Water Transportation (Maritime, Fluvial and Lake Transportation).

5) Internal and Receptive Tourism; and Collective Transportation for Tourism by Land.

6) Food, Beverage and Entertainment Services.

- 7) Investment in filming of motion pictures and in beneficial events for tourism.
- 8) Rental of ground and water vehicles for tourists.
- 9) Investment in Tourism Infrastructure and Tourism Related Equipment.
- 10) Development of Nicaraguan Crafts; Recovery of Endangered Traditional Industries; Production of Traditional Folk Musical Events and of Folk Dances and publications and materials for Tourism promotion.
- 11) Small, Medium and Micro companies that operate in all areas of Tourism.

These individuals or groups of people investing directly and dedicated to tourism services and activities in Nicaragua will benefit with the exemptions and fiscal credits of the Law. The benefits and fiscal exemptions will depend on the type of project approved by INTUR according to article 16 of Law No. 306.

C. Explain any national tax incentives for foreign investors .

Please refer to: II General Considerations, 3. Sector exceptions, incentives or restrictions on foreign investment.

D. Explain any regional tax incentives open to foreign investors .

There are no tax incentives for the investors that are applicable in certain regions of the country. Nevertheless, the Free Trade Zone incentive system for exports, is comprised of regulated, non-residential areas called " Free Trade Zones" parks and that within these parks, the specified companies can operate under a special status which carries significant tax incentives.

IV. FINANCIAL FACILITIES

Nicaragua's banking policies enable the free flow of financial resources to the private sector. Options to obtain credit include

commercial and industrial loans, various types of credit lines, factoring, leasing, and bonded warehousing.

The Financial system is comprised of the Central Bank, five private banks, several other financial institutions, such as insurance companies, loan and savings, and a second tier financial bank, Central American Bank for Economic Integration (CABEI). The Superintendency of Banks and Other Financial Institutions (SIBOIF) supervises all financial institutions (banks and also non-banking).

There is a stock market in the country. The SIBOIF is in charge of regulating local securities market. The regulatory framework is set forth in the recently passed Securities Market Law which regulates: securities market, market participants, acts or contracts related to these markets and securities negotiated in these markets. The SIBOIF authorizes public offerings of securities.

V. EXCHANGE CONTROLS

1. Business Transactions with Nationals, Residents or Non-Residents

There are neither restrictions nor reporting requirements on conducting business with nationals, residents or non-residents. The investor can receive loans from nationals, residents or non-residents.

2. Investment Controls

There are no restrictions on direct or indirect investment in the country.

3. Money Transfer

The current foreign currency exchange allows free possession and conversion of foreign currency into local currency (the "Cordoba") and vice versa. The exchange rate is determined by a "managed floating system" in which the Central bank of Nicaragua intervenes in the market to maintain stability.

US dollars are widely available in a broad variety of financial institutions and therefore there are no practical or legal restrictions for payments from Nicaraguan entities destined to foreign counterparties.

According to our Income Tax Law, payments remitted abroad, to individuals or corporations, from Nicaraguan source income are subject to applicable withholding taxes. The rate varies depending on the payment nature.

There are no reporting requirements. Hard currency can be taken out of the country without restriction.

VI. IMPORT/EXPORT REGULATIONS

1. Customs Regulations

- Is the country a member of GATT?

Yes, since September, 1995.

- Is the country a member of the EEC?

- Is the country a party to a regional free trade agreement?

Nicaragua has signed a broad array of commercial and free trade agreements with the most important markets in the world that allow companies that operate in Nicaragua to locate in Nicaragua in order to establish a cost-effective export platform for key markets such as the U.S., Mexico and Europe.

Current Trade Agreements

- Free Trade Agreement between Central America, the Dominican Republic and the United States of America.
- Free Trade Agreement between the Government of the Republic of Nicaragua and the Government of the United Mexican States.
- **PANAMA** Free Trade Agreement and Preferential Exchange between the Republics of Nicaragua and Panama.
- General System of Preferences (GSP) allows preferential access to the European Union and Japan.
- [Central American Common Market](#)



The Dominican Republic - Central American Free Trade Agreement (DR-CAFTA) with the United States of America.

Nicaragua, along with the four other Central American nations and the Dominican Republic, signed a free trade agreement with the U.S. This agreement eliminates duties for most Central American exports to the U.S. and helps integrate the Central American economies into a single trading block.

Under this treaty, Nicaragua enjoys unique market access and tariff preference levels for the textile and apparel industry:

- **Tariff Preference Levels (TPL):** Up to 100 million square meters equivalents (SME) of fabric coming from any part of the world may be used to assemble garments in Nicaragua that will enjoy tariff-free access to the U.S. (TPLs were granted for a limited period of time).
- **Rule of Origin:** A yarn-forward rule is applied to garments manufactured in the region, which means that the fabric used to manufacture the garment must be knitted or weaved using regional yarn.
- **Special Rules of Origin:**
 - Wool: Wool garments made with regional fabric will enter the United States duty free.
 - Knit fabric and yarn: Yarn Forward
 - Nylon garments: The fabric may come from any country of origin and enjoy access duty free.
 - For men's underwear, nightwear and some women's intimate apparel, the rule of "single transformation" is applied such that it suffices for the product to be cut or sewn in the region to enjoy duty-free access.

Free Trade Agreement with Mexico and the Dominican Republic

Nicaragua has signed Free Trade Agreements with Mexico and the Dominican Republic that permit duty-free trade for certain key products.

Generalized System of Preferences (GSP)

The Generalized System of Preferences, (GSP), originates with a global effort by industrialized countries to grant market access to developing countries. The GSP is a unilateral beneficial tariff granted to imports from developing countries. Nicaragua benefits from the GSP with Japan, and the European Union.

Central American Common Market (CACM)

Nicaragua, Honduras, El Salvador, and Guatemala, have signed an agreement to integrate their economies in order to achieve greater competitiveness in the global marketplace. The union has created a common customs territory among the countries that will result in the free movement of all products, regardless of their origin, and the elimination of customs requirements between the countries.

- Does the Customs Department value the goods?

Yes, the General Customs Direction (Dirección General de Aduanas, DGA) values the goods.

- How are goods cleared through customs?

Our DGA law establishes the need for importers to present a declaration with the complete information regarding the merchandise. There are tariffs to be paid depending on the type of merchandise to be imported, in accordance with general tax laws in the country.

- Are there applicable tariffs?

In the past few years, Nicaragua has gradually reduced its customs tariffs, in accordance with its participation in the Central American Common Market. There are important taxes assigned to imports, such as:

i. Sales tax, which is 15% on the net sale price,

ii. Selective consumption tax, which is charged on certain merchandise, either imported, or produced locally. The tariffs to be set vary according to each product.

2. Exports

The economy is based on agriculture, principal exports items being coffee, cotton, sugar, bananas, beef, tobacco, sesame seed, rice, corn, beans and sorghum. At present agriculture constitutes 60 percent of its total exports which annually yield approximately US\$300 million.

3. Foreign Trade Regulations

In accordance with Nicaraguan's participation in several free trade agreements (see Section VI.1), our country must comply with some international regulations regarding its foreign trade.

4. Imports

For the vast majority of products, there is no requirement of an import license if products are up to US\$2,000. However, certain products such as medicines, cosmetics, chemical products, processed foods and beverages do require an import permit from the Nicaraguan Ministry of Public Health.

Import of most products is allowed (except for fuel, alcohol, and tubeless tires).

5. Manufacturing Requirements

Under the Free Trade Zone Regime, companies should preferably use raw materials produced in the country, as opposed to imported ones.

Import of component parts is permitted, whether they are to be sold separately, or incorporated in a final product. However, there are certain incentives regarding the manufacture of products in a Free Trade Zone. Companies that are established under this regime are granted, by law, exemptions from import duties, regarding raw materials and components, as well as

imported machinery and equipment, when these are essential to the production and functioning of the company.

6. Product Labeling

Products must comply with certain labeling requirements: Labels must contain the nature, composition, content, weight (when applicable) and the goods' and services' characteristics, as well as any other relevant aspect. Measures must be expressed in Metric System Units. Labeling must be in Spanish language. When the original label is not written in Spanish, instead of placing a new label, a complementary label, containing the mandatory information in Spanish, may be used. Bar codes are mandatory.

VII. STRUCTURES FOR DOING BUSINESS

1. Business organization

Incorporated companies, partnerships, individuals, and branches of foreign enterprises may conduct business in Nicaragua. In all cases, the pertinent particulars are filed in the Public Registry. The Commercial Code, supplementary laws and regulations govern the conduct and dealings of the enterprise.

Our Code of Commerce (hereinafter C. C.) recognizes **five different types** of business entities known, in Spanish under the names of:

- a. Sociedad en nombre colectivo;
- b. Sociedad en nombre colectivo de Responsabilidad Limitada;
- c. Sociedad en comandita simple;
- d. Sociedad Anónima;
- e. Sociedad en comandita por acciones;

Investor's Considerations:



A corporation (Sociedad Anónima - S. A.) is the most common form of operation in Nicaragua for both domestic and foreign investors. There are no restrictions affecting foreign investors.

SOCIEDAD ANONIMA (Art. 201 C. C.)

The “Sociedad Anónima” as the Nicaraguan Code of Commerce defines it, is: A juridical person or legal entity, created under the authority of the law and capable of rights and obligations. **It has a capital stock divided into shares and the stockholders are liable only to the extent of their contributions.**

The most common manner for domestic and foreign investors to operate in Nicaragua is through a Sociedad Anónima (S. A.) formed under the Commercial Code. In this case, the initials S. A., indicating that it is a corporation, follow the corporate name selected. A foreign-owned corporation, in general, is subject to the same laws affecting all local companies.

2. Joint Ventures

Joint Ventures are permitted even though there is no specific regulation about them. They are created and regulated through general contracts regulations and usually result in the incorporation of a special purpose company.

3. Limited Liability Companies

Limited Liability Companies (LLC) are permitted and are not very common entities. They must be formed by at least two parties. In order to incorporate a LLC (or any other legal entity), it is necessary to execute a public deed of incorporation, publish the notice of incorporation in the official Gazette; and submit the incorporation deed before the Public Registry for proper registration. Usually The requirements and procedures for creation and operation of these companies is essentially the same as with corporations.

4. Liability Companies, Unlimited

There are two forms of liability companies: *sociedad colectiva* and *sociedad en comandita*. Although the relevant provisions in the Code of Commerce are still in effect, these forms of incorporation are no longer used.

5. Partnerships, General or Limited

Partnerships are scarcely regulated and hardly ever used in Nicaragua.

6. Sole Proprietorships

The investor can be a sole proprietor. Additionally, even though a corporation is defined as a bilateral agreement and therefore must be formed by at least two parties, immediately after formation, a single party may legally acquire all the shares representing the capital stock.

8. Subsidiaries/Branches/Representative Offices

Investors may conduct business in Nicaragua through branches or subsidiaries of the parent company.

The subsidiary is a Nicaraguan company which shares are owned in 100% by the foreign company.

The incorporation process of a subsidiary is the same as the incorporation process for any legal entity.

There is no requirement as to Nicaraguan participant, manager or director. Nevertheless, whenever the company has no legal representative with domicile in the country, a registered agent must be appointed for purposes of receiving notices.

9. Trusts and Other Fiduciary Entities

Trusts are recognized under Nicaraguan laws. Through a trust, the grantor transfers to the trustee property of certain assets or rights, for the benefit of designated beneficiaries. The trustee acts under a fiduciary duty and is responsible for managing the assets and income of the trust for the benefit of the beneficiaries. The trustee is obliged to use the trust property for certain legitimate and predetermined purposes in the trust agreement.

The trustee can not be beneficiary at the same time.

VIII. REQUIREMENTS FOR THE ESTABLISHMENT OF A BUSINESS

1. Alien Business Law

- Is the business subject to any alien business law?

No

- Are there registrations or reporting requirements?

No

2. Antitrust Laws

Currently, the National Assembly is discussing the new Law of Competitiveness as a requirement of the DR-CAFTA (Free trade agreement with the US, Central America and the Dominican Republic). Such law will prohibit public or private monopolies and monopolistic practices that prevent or restrain competition, access of competitors to market or that tend to exclude competitors from the market.

3. Environmental Regulations

- Is the business of the investor subject to environmental regulation? If so, are there added costs involved (e.g. audit requirements)?

Please refer to Section II, D, 1 and 2

4. Government Approvals

All companies must comply with various obligations and administrative procedures.

Once the company has been registered at the Public Mercantile Registry, companies must also register at the following institutions:

- register as a taxpayer in order to comply with the payments and other tax obligations. Investor will obtain a Registro Unico del Contribuyente (Taxpayer id) at the Ministry of the Treasury
- Registration as an employer at the INSS, in order to pay the social security contributions.

- Obtain an Certification to retain sales tax at the Ministry of the Treasure
- All profit generating activities require a municipal license (or permit) from the municipal jurisdiction in which the activity is developed. The license involves the payment of a tax during the time of operations. The forms and requisites to obtain a license may vary among municipalities, pursuant to their legislation and administrative dispositions.
- Registration of the foreign investment before the MIFIC (Ministry of Commerce and Industry)

5. Insurance

The insurance industry is a privately owned and state-owned. There are several private companies that provide insurance services and there is an institution INISER, which is an autonomous state agent which also provides this services. Examples of some policies covering most types of insurance interests (earthquake, fire, life, medical, occupational risk, professional liability, etc). Insurance with foreign companies is allowed.

IX. OPERATION OF THE BUSINESS

1. Advertising

- Are there restrictions on advertising?

There are some penalties established in the General Health Law, the Consumer Protection Law and some statutes of the Health Ministry, for false publicity or advertising. Advertising must not induce consumers to error or deceit with respect to characteristics, conditions, weight, content, or others, of the product.

2. Attorneys

It is strongly advised to have local counsel.

Local counsel may be found through lawyers' directories, the yellow pages, the internet, etc.

Attorney fees may vary depending of consulting area and the size and level of specialization of the law firm. A common

practice among Nicaraguan law firms is to have fixed fees; however, law firms also work on hourly fee.

3. Bookkeeping Requirements

Investors must maintain legal books (Journals, General Ledger, Financial Statements, Shareholders' Registry and Minute Books for Shareholders' and Board Meetings) that are bound and stamped by Tax Authorities. The books must be kept in Spanish, with clarity, in chronological order.

4. Business Ethics/Codes

- Are there certain business ethics or codes, which the investor must follow (e.g. GAAP for accountants, etc.)?

Yes. Most trades have their own codes of moral conduct.

5. Consumer Protection Laws

- Are there consumer protection laws, which apply to the investor's operations?

Yes, the Consumer Protection Law and its Statute, protect the legitimate rights and interests of the consumer and the promotion of free competition.

7. Contracts

- Can the investor freely enter into local contracts?

Yes. There are generally no restrictions for foreign entities or persons to conduct business in Nicaragua.

- Can the law of another country govern the contracts?

Yes. Choice of law provisions are enforceable provided no violation of public policy provisions.

8. Price Controls

- Are there applicable price controls?

No. Nevertheless, it is important to mention that the government structures a "basic basket" composed of certain products and

services in order to satisfy the needs of Nicaraguans whose income is less or equal to the minimum wage.

9. Product Registration

Importers must comply with some certain previous requirements, depending on the product to be imported. Specifically, some products require registration with the Ministry of Health. The time and cost involved vary depending on the type of product.

10. Reductions or Return on Capital

- Can capital be repatriated while the corporation is still ongoing?

Yes. There are no restrictions on repatriation of capital. Some requirements and procedures apply with respect to reduction of capital of commercial corporations.

11. Sale of Goods

- Are there restrictions on the manner, time or place of sale of goods?

No.

12. Trade Associations

There are different trade associations the investor can join in Nicaragua (Commerce Chamber, Exporters Chamber, Industries Chamber, American Nicaraguan Chamber of Commerce, and others). There are fees associated but membership is not mandatory.

X. CESSATION OR TERMINATION OF BUSINESS

1. Termination

Our Income Tax Law establishes the obligation to give written notice to the tax authority in Nicaragua in case of closing of business and to submit a final income-tax return and a final balance within the next thirty days following the close of the company, date in which the company must pay the applicable tax. Also worth mentioning is the procedure of de-registration

with the tax authority in order to discontinue the obligation to file monthly sales tax declarations, when applicable according to our Sales Tax Law.

It is important to mention that if the company is subject to any special regime, such as Exports Contract ("Contrato de Exportación") or Free Zone ("Zona Franca"), the company must give written notice to the relevant authority.

Labor Issues: the company must also give notice -within the next month following the close of the branch or company- to the Nicaraguan Institute of Social Security - INSS, by reporting it the "planilla" (payroll report), indicating as well the termination of all its workers.

According to the aforementioned, the business may be terminated without requirement as to any government approval, except for the previous notices to the institutions as explained.

2. Insolvency/Bankruptcy

Under Nicaraguan civil, commercial and administrative laws, corporations are separate legal entities regardless of ownership of stock or other forms of relationship. The so called *corporate veil* is respected. Responsibility or liabilities of a company do not reach its shareholders, parent company or other related entities.

The only, very exceptional, precedents to the contrary are situations of criminal law, in which a criminal court has disregarded formal separation of companies in order to establish relationships for purposes of prosecution (including criminal and civil effects).

There are no instances under Nicaraguan laws, in which a company's liability for default under a contract can reach its shareholders or parent company, in the absence of a formal guarantee.

With regard to restructuring of the business, our laws provide for alternatives to bankruptcy, such as preventive agreement with creditors and judicial intervention management

XI. LABOR LEGISLATION, RELATION, AND SUPPLY

1. Employer/Employee Relations

- What laws govern employer/employee relations?

Labor conditions in Nicaragua are governed by eight international conventions ratified by the International Labor Organization (ILO) and the set of laws referred to in the Labor Code. The Nicaraguan Labor Code establishes the employer-employee relationship, with or without a written contract. Nicaragua does not only offer a vast availability of qualified labor, with a fast learning curve, and low absenteeism rates, but also Nicaragua's labor has the lowest cost in the region.

In Nicaragua, employers are required to contribute to the social security system. There are three types of social security:

INTEGRAL-This is the type of social security provided to urban laborers. In this case, the employer contributes the equivalent of 12.5 percent of the employees salary to cover social security costs while the employee pays the social security system 4 percent.

IVM- This IVM is required typically for laborers in rural areas. In this case, the employer is responsible for 5 percent to cover social security costs while the employee is responsible for 2 percent.

SELF-EMPLOYED- In this case the individual contributes 13.5 percent of his or her salary.

- Are there obligations to train employees?

Employers are required to pay 2% to the National Institute for Technology (INATEC) per employee for training purposes.

2. Employment Regulations

- Must the investor hire nationals of the country?

No.

- Is there a minimum wage?

The National Wage Council stipulates the basic minimum wage twice a year. The Law of Minimum Wage regulates this area. Minimum wage will be calculated considering the value of the "Basic basket" consisting of 53 products which are essential for living.

- Is there a maximum number of hours an employee can work each week?

There is a maximum 48hr work week consisting of six 8-hour days. However, on mutual agreement of employee and employer, alternate schedules may be worked (for example five 9.6 hour days) within the 48hr weekly limit. For areas considered unhealthy, there is a maximum 6 hour shift per day, for night shifts, 7 hours, and swing shifts, 7 1/2 hours. Overtime refers to any time that exceeds these limits. In addition, for every regular shift there is to be a 1/2 hour paid break for employees.

Working hours are classified in three (3) standard shifts (day, night and split) in addition to a specific shift for employees holding positions of trust:

Working hours:

- **Day shift:** Work undertaken between 6 in the morning and eight at night is considered a day shift. Regular day shift hours are eight working hours daily for a 48-hour work week. Additional work must be compensated as overtime.
- **Night shifts:** Work undertaken between 8 at night and 6 in the morning of the following day is considered a night shift. Regular night shift hours are seven working hours daily for a 42-hour work week. Additional work must be compensated as overtime.
- **Combined day-night shifts:** A combined work shift is 7.5 hours per day for a 45-hour work week. Additional work must be compensated as overtime.

3. Hiring and Firing Re quirements

- Must the investor employ a minimum number of people?

Generally not. However, companies operating under a free zone tax regime are required to meet certain minimum employment requirements.

- Must the investor employ a minimum number of nationals ?

No.

- Must nationals hold certain positions in the company?

No.

- Are there rules to follow in hiring/dismissing personnel (e.g. notice)?

- Employers are prohibited from making hiring decisions based on an applicant's race, color, religion, national origin, age, and gender.
- Prior to a dismissal for reasons other than just cause (no prior notice is required if the employee is dismissed for just cause), the employer has the obligation to notify the individual.

Employees are entitled to receive severance termination benefits in other special cases, such as retirement or employer's restructuring.

At the termination of a labor contract, the employer is required to pay 1 month's salary for each of the first three years worked and 20 day's salary for each year up to a maximum of five months. The employee is also entitled to his or her salary for vacation time and the 13th month in proportion to the amount of time worked at the time of dismissal. This holds true even if the reason for termination is based on mutual consensus or if the employee quits. If fired for an unjust cause, then the employee is also entitled to a month's salary for white collar workers and 15 day's salary for blue collar workers. In the event of an extraordinary cause for the termination of a labor contract, such as destruction of property or theft on part of the employee, the employer is only required to pay for the relevant vacation time and 13th month.

Employers are to pay their employees the equivalence of 30 days paid vacation for a full year's work regardless of whether the employee takes the full 30 days or substitutes 15 days for a cash payment.

The Labor Code requires all employees be paid a salary for the "13 month," the equivalence of a Christmas bonus. The amount is based upon the salary paid for the month of November.

- Does the investor have a continuing obligation towards dismissed employees?

No.

4. Labor Availability

- Is adequate skilled or unskilled labor available for the anticipated business?

Generally there is adequate skilled labor available for most types of business.

5. Labor Permits

- Are labor permits required?

No, except for immigration purposes in case of foreign employees.

6. Safety Standards

- Are there safety codes that must be followed?

The Labor Code establishes a system of insurance (worker's compensation) to protect the employee from accidents occurred during working hours. It is the employer's obligation to provide insurance to all of its employees. The National Insurance Institute provides this insurance.

Employers must comply with legal provisions regarding the training of employees in occupational health and safety matters. It is also the employer's responsibility to provide personal protection equipment and clothing for all employees.

7. Unions

- Are unions recognized?

Yes. Employees have the right to form and join unions, they may choose not to engage in union activities. Workers may not be compelled to join unions.

Labor unions must have at least 20 members and they must register with the Ministry of Labor.

- What are the unions in the investor's business?

Unions are practically non-existent in private sector industries.

- What are these unions' political affiliations, if any?

Membership in both Sandinista and non-Sandinista unions has declined in recent years and continues to fall. Today, less than half (and perhaps as few as 1/3) of workers in the formal sector are unionized. The political power of both Sandinista and non-Sandinista unions has diminished accordingly. Additionally, Sandinista unions have been without the benefit of direct government support since the Sandinistas lost power in 1990, and have been wracked by charges of corruption. Just over half of unionized workers are members of Sandinista unions. Many employers find non-Sandinista unions easier to work with than Sandinista unions.

- Is there an obligation on the part of the employer to organize unions?

No obligation to organize or start unions.

- Are there mandatory collective bargaining agreements for the business involved?

No. However, under local law, private sector unions have the legal right to engage in collective bargaining.

Collective bargaining, a written agreement between employers and employees, can only take place between an employer and a union.

XII. TAX ON CORPORATIONS

PRINCIPAL TAXES

National

1. Income Taxes
2. Consumption Tax (Luxury Tax)

3. General Sales Tax
4. Social Security Taxes
5. Import Tariff
6. Temporary Protection Tax

Municipal

1. Sales Tax
2. Territorial and Residence Tax

CLASSES OF TAX PAYERS

1. Persons or associations of persons
2. Incorporated associations of persons
 - a. corporations (sociedades anonimas S.A.), societies, associations and foundations
 - b. mixed corporations (i.e. government with private capital)
 - c. state entities and state-owned enterprises

Each of these is subject to income taxes and the sales tax regardless of nationality as long as the source of that income is based in Nicaragua.

1. Allowances

Corporations may deduct from gross income all costs and expenses that are necessary to produce taxable income as well as depreciations of assets that produce taxable income.

Expenses incurred to obtain exempt income are not deductible .

Our Income Tax Law establishes the

major expenses that are excluded from deductibility, some are: income taxes, sales taxes, selective consumption taxes, profits or dividends paid to shareholders that pay taxes according to the law, expenses and taxes incurred abroad, etc.

2. Calculation of Taxes

The taxable base is the net income, which is the total income produced by the corporation less all costs and expenses that are necessary to produce taxable income.

3. Capital Gains



Capital gains are only taxable, according to our Income Tax Law, if they are the result of the normal course of business of the company or arise as a consequence of the sale of a depreciable asset.

Occasional realization of a capital gain due to the sale of an asset is not taxable.

4. Filing and Payment Requirements

With respect to income tax, corporations must file the tax return and pay the applicable tax, within three months following the end of the fiscal period (the statutory fiscal year for corporations starts on July 1st and ends on June 30th of the following year).

Taxpayers must make partial payments of the income tax during a fiscal period; the balance must be paid within the term stipulated above.

5. Miscellaneous Taxes Due

There is no tax on capital as such.

At a local or municipal level, corporations with lucrative activities are subject to a patent tax associated with a permit granted by the corresponding municipality for proper operation.

Natural persons domiciled in the country must pay a monthly tax on their income from personal work or other forms of compensation for professional services.

6. Registration Duties

Upon incorporation, the bylaws of the company must be submitted before the Public Mercantile Registry for registration, subject to payment of certain duties and stamps.

Whenever there is a capital increase and as a consequence there has been a modification of the bylaws of the company to reflect the new capital, the corresponding affidavit of the notarized minute also requires registration.

Transfer of shares must be registered in a Shareholders' Registry Book kept by the company.

Transfer of real state and certain personal property (mostly vehicles) must be registered in the Real Estate Registry.

7. Sales Tax or Other Turnover Tax

The tax rate is currently 15%.

8. Social Security and Welfare System Contributions

Employers must register before the Nicaraguan Institute of social security (INSS).

INTEGRAL-This is the type of social security provided to urban employees. In this case, the employer contributes the equivalent of 12.5 percent of the employees salary to cover social security costs while the employee pays the social security system 4 percent.

The IVM is required typically for laborers in rural areas. In this case, the employer is responsible for 5 percent to cover social security costs while the employee is responsible for 2 percent.

SELF-EMPLOYED- In this case the individual contributes 13.5 percent of his or her salary.

9. Special Tax Schemes

The consumption tax is applicable to non-essential items.

The IEC will be based on the sale price of the producer. For imports, the IEC will be based on the CIF value and any other tariffs on the imported product excluding the IGV. This tax is applicable only once.

Exempt from the IEC are raw materials, intermediate goods, and capital goods necessary for the production process. Petroleum has its own consumption tax.

10. Tax on Profits

For individuals, income taxes are calculated through a progressive tax rate as income increases. Taxable income is

based on Nicaraguan-source income. The maximum rate applicable is 30%.

For a corporation and other associations, there is a flat rate of 30% on Nicaraguan-source income.

Land or assets may also be taxed as income. For the agricultural sector, there is a tax per lot of land in excess of some specified amount. This amount depends on the region. For all other sectors, individuals who do not receive a salary but are engaged in a professional activity will be taxed 10%.

11. Tax Treaties

N/A

12. Territoriality Rules

The Nicaraguan income tax system is based on the territorial principle of the source whereby only income derived within the country and from Nicaraguan sources is subject to income tax.

13. Treatment of Tax Losses

- How are corporate tax losses treated?

14. Wealth Tax

There is nothing that could be characterized as a wealth tax.

15. Withholding Taxes

Payments remitted abroad, to individuals or corporations, from Nicaraguan source income are subject to applicable withholding taxes.

XIII. TAX ON INDIVIDUALS

1. Allowances

- What are the major allowances?

See answer XII. 1 above.

2. Calculation of Taxes

- How is the taxable base determined?

See answer XII. 2 above.

3. Capital Gains Tax

- Are capital gains taxable?

See answer XII. 3 above.

4. Filing and Payment Requirements

See answer XII. 4 above. Notice, however, that persons under an employment relationship are not obligated to file income tax returns, as their income tax is deducted from their compensation payments.

5. Inheritance and Gift Tax

Inheritance is considered occasional income and is subject to income tax.

6. Miscellaneous Taxes Due

See answer XII. 5 above.

7. Real Estate/Habitation Tax

Yes, the tax is assessed on land, buildings or other permanent structures. The tax is managed, assessed and controlled by the relevant municipality that has jurisdiction over the administrative locality where the property is located. The real state tax (IBI) rate is 1% of the value of the property registered by Tax Administration. The real estate tax is calculated on a calendar year basis and must be paid during the first three months of the following year. If IBI is paid in one payment, taxpayer will receive a 10% discount.

8. Sales Tax

- Does the individual pay sales tax?

Yes. Individuals, legal entities and "de facto" companies, public or private that regularly sell merchandise or render services in

Nicaragua, or that import or introduce goods into the country, are considered taxpayers and must register as such before the Taxpayers Registry.

9. Social Security and Welfare System Contributions

See answer XII.8 above.

10. Stock Option, Profit Sharing and Savings Plans

11. Taxation of Benefits In Kind

- What is the rate of taxation on benefits in kind (e.g. automobile, housing and utilities, education, etc.)?

Cost of living allowances and other cash allowances paid directly to employee (except the statutory Christmas bonus) are treated as salary and subject to the progressive rates that apply to employed individuals.

12. Taxes on Dividends

- Are dividends taxable regardless of their form?

Dividends are considered occasional income and are subject to income tax.

13. Tax on Income

For income tax purposes, a resident is defined as any person who has continuously resided in Nicaragua for more than six months during the relevant tax year, or who has obtained a work permit from the Immigration Authorities.

Taxable income is 30% for non residents. From this, individuals must pay 20% and legal entities, 10.5%.

14. Tax Treaties

See answer XII. 11 above.

15. Territoriality Rules

Individuals with business activities are subject to the same regulations as corporations, except that they are subject to a progressive tax rate schedule . See answer XII.12 above.

16. Wealth Tax

There is no wealth tax.

17. Withholding Tax on salary

Salary is subject to a withholding tax at the source. See answer XIII.13 above.

XIV. TAX ON OTHER LEGAL BODIES

XV. GENERAL TAX CONSIDERATIONS

1. Taxes Generally

- Is there a generally accepted way of structuring the company or other entity so as to insure the desired tax consequences?

Yes, if the company is export oriented it can apply to obtain the any of the two incentive systems for export oriented investments offered in Nicaragua: the Free Trade Zone System and the Tourism Incentives system. See section III above.

- Is there an advance tax ruling that can be used to validate or invalidate the chosen form of doing business?

Our Tax Code has a procedure that allows taxpayers to request a formal interpretation of tax rules.

The opinion rendered by the Tax Authority through this procedure is then binding.

- Is there a general anti tax avoidance system?

No, there is not a general anti tax avoidance system.

XVI. IMMIGRATION REQUIREMENTS

1. Immigration Controls

Medical certificates are required. Exit permits are also required: the Immigration Office mandates that foreigners residing temporarily or permanently in the country must obtain an exit visa to travel outside the country, and minors must obtain an exit permit extended by the Immigrations Office (Dirección General de Migración y Extranjería).

2. Immigration Requirements/Formalities

Foreign nationals (non-Nicaraguans) temporarily assigned to work in Nicaragua or residing in the country, must apply for a temporary residency card. This residency card is recommended for assignments that extend over one year or when the period that the investor will be residing in the country also extends over one year. To process a temporary residency card, the expatriate will be required a considerable amount of paperwork, including birth certificates, medical records, and police records. Temporary residency applications may be filed before a Nicaraguan Consulate office.

3. Visas

A visa is required to travel and stay in the country. See answer II.B.4. above.

XVII. EXPATRIATE EMPLOYEES

1. Cost of Living and Immigration

According to the United Nations' Human Development Index (HDI) for 2003, Nicaragua has an HDI of 0,690. This value means that the country has medium human development. Nicaragua has one of the fastest real-GDP growth rates in Central America. The country has complied (unlike many other nations) with prescribed IMF demands for cutting its deficit, implementing structural reforms, and maintaining overall monetary stability.

The country is still a recovering economy and it continues to implement further reforms, on which aid from the IMF is conditional. A new state agency (Pro Nicaragua) established in 2002 and the recent ratification of CAFTA have been instrumental for the democratically elected government of Nicaragua to launch an ambitious promotional campaign employing USA-educated nationals with executive expertise, to attract foreign investment and diversify the economy in such areas as Renewable Energy (Hydro, Geothermal, Wind Power

and Biomass), Agribusiness and Forestry, Textiles and Apparel, Tourism, Contact Centers and BPO (Business Process Outsourcing), Light Manufacturing and Assembly.

By the end of 2005 these initiatives had already successfully launched Nicaragua as one of the fastest growing economies in Latin America and a preferred destination for tourism and business as well as a retirement haven for North Americans, Europeans and many others alike with its incentive packages

2. Drivers' Licenses

It is not mandatory but recommended for the investor to obtain a driver's license in Nicaragua. The investor can legally drive with his foreign license during the visa period. If the investor wants to obtain a Nicaragua driver's license, he must appear before the License Department of Policia Nacional, while his visa is still in force, and submit the required documents.

3. Education

Education is the foundation of a country's economic development. Thus the Government of Nicaragua has allocated a significant amount of its national budget to invest in primary, secondary and higher education. Education expenditures (including public Universities) equal approximately 18% of the government's total budget.

In the current educational system, there are:

- 1 English-language university accredited in the US
- 3 Bilingual university programs
- 5 Bilingual secondary schools
- Dozens of English Language Institutes

The Nicaraguan education system includes quality technical training to meet the immediate and long-term needs of the labor force.

The country has:

- 44 universities with an annual enrollment of more than 95,000 students;
- 3 universities with bilingual programs;
- 113 technological institutes servicing more than 20,000 students in the areas of:
 - electronics
 - computer systems and sciences
 - agroforestry
 - construction
 - trade-related services.

INATEC, the National Technological Institute, provides technical training that can be tailored to meet specific business needs.

English Skills

Nicaragua offers a large pool of well educated people who are proficient in English. In 2004, ProNicaragua launched the Nicasearch.com database to identify English-proficient individuals with good computer skills. The Nicasearch.com database includes over 4,000 bilingual professionals from the most important cities in the country, and can be made available to qualified investors. Based on this study, it is estimated that approximately 10% of the country's working professional population is bilingual.

4. Housing

Any type of housing is available for the investor. The investor can own property. It is not necessary but advisable for the investor to have housing before he enters the country.

5. Importing Personal Possessions

Foreign Investor can import his personal belongings and import duties are payable.



Every traveler entering the country must submit the Traveler's Customs Declaration at Customs, filled out and signed, prior to the presentation of the merchandise. Travelers must specify all goods brought in other than their luggage. Luggage is defined as articles that a person may reasonably need for his or her personal use or for the practice of his or her profession or occupation during the trip, as long as it is not for commercial purposes.

There is a random selective system in place that determines whether the merchandise that the traveler is bringing in requires a physical inspection. Regardless of the type of inspection made, the declaration form must be presented to the customs authorities.

6. Medical Care

Nicaragua has free hospital services. It also has private hospitals and clinics.

7. Moving Costs

Nicaraguans may introduce, free of taxes, used or new goods for an amount up to US\$500, also, their furniture of house if they were outside of the country for more than 24 months prior to their definitive return to the country. Foreign travelers will have to pay the corresponding taxes.

8. Tax Liability

9. Work Contracts

The Nicaraguan Labor Code establishes that the employer-employee relationship can exist with or without a written contract.

10. Work Permits