



Taxation of international executives: Honduras



June 2024

Contents

| | | |
|----------|--|-----------|
| 1 | Overview and Introduction | 4 |
| 2 | Income Tax | 6 |
| 3 | Special considerations for short-term assignments | 16 |
| 4 | Other taxes and levies | 18 |

01

Overview and Introduction

1 Overview and Introduction

This document summarizes the income tax rules applicable for individuals during 2024 in Honduras.

02

Income tax

2 Income Tax

2.1 Tax returns and compliance

When are tax returns due? That is, what is the tax return due date?

Tax returns are due on 30 April.

What is the tax year-end?

31 December.

What are the compliance requirements for tax returns in Honduras?

Residents

Employers estimate the income tax liability of the employees performing monthly withholdings during the fiscal year.

Non-residents

If the non-resident is paid through a Honduran Company, this has to make withholdings in each payment, if the non-resident is paid by another non-resident and the source of the income is Honduran, the non-resident that receives the payment is responsible for filing the income tax return.

2.2 Tax rates

What are the current income tax rates for residents and non-residents in Honduras?

Residents

Income tax for residents is calculated by applying a progressive tax rate schedule to taxable income as follows.

| From | To | Tax rate |
|------------|------------|----------|
| 0.00 | 209,369.62 | 0% |
| 209,369.63 | 319,251.54 | 15% |
| 319,251.54 | 742,445.49 | 20% |
| 742,445.50 | Over | 25% |

Non-residents

Gross income obtained from Honduran source by non-resident individuals or legal entities, shall pay pursuant to the tax rate detailed as follows:

| No. | Concept | Tax Rate |
|-----|--|----------|
| 1 | Lease of real property and movable goods, except those mentioned in numerals 5 and 7 of this article | 25% |
| 2 | Royalties from mining and any other natural resources operations | 25% |
| 3 | Wages, salaries, commissions or any other compensations for services supplied whether within the national territory or out of it, excluding remittances | 25% |
| 4 | income or profit obtained by foreign entities through branches, subsidiaries, filial, agencies, legal representatives and any other that operates in the country/ jurisdiction | 10% |
| 5 | Income, profit, dividends or any other form of participation on profits or reserves of individuals or legal entities | 10% |
| 6 | Royalties and other amounts paid for using patents, design, procedures and secret formulas, trademarks and author rights except those indicated in numeral 12. | 25% |
| 7 | Interest upon commercial operations, bonus, securities and any other kind of liabilities | 10% |
| 8 | Income for the operation of aircrafts, ships, and ground vehicles. | 10% |
| 9 | Operation incomes of communication entities, use of software, software solutions, telematics and other of the telecommunication area | 10% |
| 10 | Insurance and bond premiums of any kind of contracted policy | 10% |
| 11 | Income derived from public entertainment events | 25% |
| 12 | Movies and videotapes for theaters T.V, video club, cable TV rights | 25% |
| 13 | Any other income not mentioned above | 10% |

2.3 Residence rules

For the purposes of taxation, how is an individual defined as a resident of Honduras?

An individual is considered as resident if they have remained in the country/jurisdiction for 3 months in a year.

Is there, a minimum number of days rule when it comes to residency start and end date? For example, a taxpayer can't come back to the host country/jurisdiction for more than 10 days after their assignment is over and they repatriate.

The only condition is the indicated above, i.e., after 3 month the non-resident becomes a resident for tax purposes.

What if the assignee enters the country/jurisdiction before their assignment begins?

No specific matters would have to be considered; it is important to obtain the immigration and work permit as soon as possible. This is more important when the assignment is going to be for more than 1 year.

2.4 Termination of residence

Are there any tax compliance requirements when leaving Honduras?

A tax return must be filed before the departure, when the taxpayer is not subject to withholding tax by the employer in Honduras.

What if the assignee comes back for a trip after residency has terminated?

No specific details in the Honduran law about this situation, we can understand that the 3 months condition will be applicable.

Communication between immigration and taxation authorities

Do the immigration authorities in Honduras provide information to the local taxation authorities regarding when a person enters or leaves Honduras?

We perceive that currently there is no coordination between immigration and tax authorities.

Filing requirements

Will an assignee have a filing requirement in the host country/jurisdiction after they leave the country/jurisdiction and repatriate?

Before leaving the country/jurisdiction and repatriate, a tax return should be filed to tax authorities when the assignee is not subject to withholding tax by the employer in Honduras.

2.5 Economic employer approach

Do the taxation authorities in Honduras adopt the economic employer approach to interpreting Article 15 of the OECD treaty? If no, are the taxation authorities in Honduras considering the adoption of this interpretation of economic employer in the future?

No.

2.6 Types of taxable compensation

What categories are subject to income tax in general situations?

Our Income Tax Law states as a definition of “*Income*”: “any kind of yield, gain, profit, rent, interest, proceeds, profit, participation, salary, wage, fee and generally any perception in cash, securities, credit or kind that modifies the equity of the taxpayer is considered income.”

Intra-group statutory directors

Will a non-resident of Honduras who, as part of their employment within a group company, is also appointed as a statutory director (i.e., member of the Board of Directors in a group company situated in Honduras) trigger a personal tax liability in Honduras, even though no separate director's fee/remuneration is paid for their duties as a board member?

No, because there is no income from Honduran source in the situation described.

a) Will the taxation be triggered irrespective of whether or not the board member is physically present at the board meetings in Honduras?

No, we do not foresee tax implications for this situation.

b) Will the answer be different if the cost directly or indirectly is charged to/allocated to the company situated in Honduras (i.e., as a general management fee where the duties rendered as a board member is included)?

Yes, in that case a withholding must be applied.

c) In the case that a tax liability is triggered, how will the taxable income be determined?

Proportional to the charge allocated to the Honduran company.

2.7 Tax-exempt income

Are there any areas of income that are exempt from taxation in Honduras? If so, please provide a general definition of these areas.

Non-taxable income for individuals:

Thirteenth and fourteenth salaries which are two additional payments of salaries that individuals receive in June and December as per the Labor Code, are exempted up to 10 minimum wages. The minimum wage for 2024 is HNL 13,156.53 (13,156.53 x 10=131,565.30).

Vacation bonus is exempted up to 30 days of salary.

Deductible expenses for individuals:

Medical and Educative expenses HNL40,000.00.

IVM IHSS (11,336.32X2.5%)X12= L3,400.30

IVM RAP Gross salary of each employee less HNL 11,336.32 X 1.5%.

Total of the contributions to a Private Pension fund.

2.8 Expatriate concessions

Are there any concessions made for expatriates in Honduras?

There are none in Honduras.

2.9 Salary earned from working abroad

Is salary earned from working abroad taxed in Honduras? If so, how?

As of 2017 the taxation is territorial, thus income earned abroad would not subject to taxation.

2.10 Taxation of investment income and capital gains

Are investment income and capital gains taxed in Honduras? If so, how?

Honduran investment income for both residents and non-residents is subject to Honduran income tax.

Capital gains are subject to a 10 percent tax.

Dividends, interest, and rental income

These incomes are taxable in Honduras.

Gains from stock option exercises

This income is taxable in Honduras.

Foreign exchange gains and losses

Gain is taxable and the loss is a deductible expense.

Principal residence gains and losses

Gain is taxable and the loss is a deductible expense.

Capital losses

Capital losses can be deducted from capital gains.

Personal use items

Personal items should not be taxable.

Gifts

Gifts should be taxable, but particular cases should be evaluated.

2.11 Additional capital gains tax (CGT) issues and exceptions

Are there additional capital gains tax (CGT) issues in Honduras? If so, please discuss?

See general comments above.

Are there capital gains tax exceptions in Honduras? If so, please discuss?

See general comments above.

Pre-CGT assets

See general comments above.

Deemed disposal and acquisition

See general comments above.

2.12 General deductions from income

What are the general deductions from income allowed in Honduras?

Medical and Educative expenses HNL40,000.00.

IVM IHSS $(11,336.32 \times 2.5\%) \times 12 =$ L3,400.30

IVM RAP Gross salary of each employee less HNL 11,336.32 X 1.5%.

Total of the contributions to a Private Pension fund.

2.13 Tax reimbursement methods

What are the tax reimbursement methods generally used by employers in Honduras?

No details on this respect are indicated in the Honduran tax legislation.

2.14 Calculation of estimates/prepayments/withholding

How are estimates/prepayments/withholding of tax handled in Honduras? For example, Pay-As-You-Earn (PAYE), Pay-As-You-Go (PAYG), and so on.

Income tax is calculated on an annual basis, in payments to non-residents the tax must be withheld in each payment.

When are estimates/prepayments/withholding of tax due in Honduras? For example: monthly, annually, both, and so on.

Monthly.

2.15 Relief for foreign taxes

Is there any Relief for Foreign Taxes in Honduras? For example, a foreign tax credit (FTC) system, double taxation treaties, and so on?

No.

2.16 General tax credits

What are the general tax credits that may be claimed in Honduras? Please list below.

None.

2.17 Sample tax calculation

This calculation assumes a married taxpayer resident in Honduras with two children whose 3-year assignment begins 1 January 2022 and ends 31 December 2024. The taxpayer's base salary is 100,000 US dollars (USD) and the calculation covers 3 years.

| | 2022 | 2023 | 2024 |
|--|---------|---------|---------|
| | USD | USD | USD |
| Salary | 100,000 | 100,000 | 100,000 |
| Bonus | 20,000 | 20,000 | 20,000 |
| Cost-of-living allowance | 10,000 | 10,000 | 10,000 |
| Housing allowance | 12,000 | 12,000 | 12,000 |
| Company car | 6,000 | 6,000 | 6,000 |
| Moving expense reimbursement | 20,000 | 0 | 20,000 |
| Home leave | 0 | 5,000 | 0 |
| Education allowance | 3,000 | 3,000 | 3,000 |
| Interest income from non-local sources | 6,000 | 6,000 | 6,000 |

Exchange rate used for calculation: USD1.00 = HNL24.5

2.18 Other assumptions

- All earned income is attributable to local sources.
- Bonuses are paid at the end of each tax year and accrue evenly throughout the year.
- Interest income is not remitted to Honduras.
- The company car is used for business and private purposes and originally cost USD50,000.
- The employee is deemed resident throughout the assignment.
- Tax treaties and totalization agreements are ignored for the purpose of this calculation.

Calculation of taxable income

| Year ended | 2022 | 2023 | 2024 |
|-------------------------------------|----------------|----------------|----------------|
| Days in Honduras during year | 365 | 365 | 365 |
| Earned income subject to income tax | | | |
| Salary | 100,000 | 100,000 | 100,000 |
| Bonus | 20,000 | 20,000 | 20,000 |
| Cost-of-living allowance | 10,000 | 10,000 | 10,000 |
| Net housing allowance | 12,000 | 12,000 | 12,000 |
| Company car | 6,000 | 6,000 | 6,000 |
| Moving expense reimbursement | 20,000 | 20,000 | 20,000 |
| Home leave | 0 | | |
| Education allowance | 3,000 | 3,000 | 3,000 |
| Total earned income | | | |
| Other income | 0 | | |
| Total income | 177,000 | 177,000 | 177,000 |
| Deductions | | | |
| Medical expenses (HNL40,000) | | | |
| Total taxable income | | | |

Calculation of tax liability

| | 2022 | 2023 | 2024 |
|----------------------------|--------------------|--------------------|--------------------|
| Taxable income as above | 177,000.00 | 177,000.00 | 177,000.00 |
| Honduran tax thereon in US | \$40,209.37 | 40,554.48 | L 40,454.55 |
| Total Honduran tax | \$40,209.37 | L 39,926.76 | L 39,934.98 |

Footnote

¹ Individuals which monthly salary is equal or less than L.19,919.96 are not subject to income tax during 2024.

03

**Special considerations
for short term
assignments**

3 Special considerations for short-term assignments

For the purposes of this publication, a short-term assignment is defined as an assignment that lasts for less than 1 year.

3.1 Residency rules

Are there special residence considerations for short-term assignments?

An individual is considered as resident if they have remained in the country/jurisdiction for 3 months in a year.

3.2 Payroll considerations

Are there special payroll considerations for short-term assignments?

There are no specific rules on this issue.

3.3 Taxable income

What income will be taxed during short-term assignments?

All remunerations received during the assignment would be taxable.

3.4 Additional considerations

Are there any additional considerations that should be considered before initiating a short-term assignment in Honduras?

No.

04

Other taxes and levies

4 Other taxes and levies

4.1 Social security tax

Are there social security/social insurance taxes in Honduras? If so, what are the rates for employers and employees?

4.2 Liability for social security Employer

| 2023 | |
|---|-------------------------|
| Type of Contribution | Employer Rate |
| Social Security | |
| Social security IHSS (IVM) | 3.5% |
| Health Care Insurance Regime (Regimen del Seguro de Atencion a la Salud RSAS) | 5% |
| IVM RAP | 1.5% |
| Base for calculation of Social security IHSS (IVM) | HNL 11,336.32 |
| Base for calculation of Health Care Insurance Regime | HNL 11,109.30 |
| IVM RAP Gross salary of each employee less HNL 11,336.32. | Excess of HNL 11,336.32 |

4.3 Liability for social security Employee

| 2023 | |
|---|-------------------------|
| Type of Contribution | Employer Rate |
| Social Security | |
| Social security IHSS (IVM) | 2.5% |
| Health Care Insurance Regime (Regimen del Seguro de Atencion a la Salud RSAS) | 2.5% |
| IVM RAP | 1.5% |
| Base for calculation of Social security IHSS (IVM) | HNL 11,336.32 |
| Base for calculation of Health Care Insurance Regime | HNL 11,109.30 |
| IVM RAP Gross salary of each employee less HNL 11,336.32. | Excess of HNL 11,336.32 |

4.4 Sales/VAT tax

Are there sales and/or value-added taxes in Honduras?

Sales of goods and services are taxed with a 15 percent tax rate. No.

4.5 Other taxes

Are there additional taxes in Honduras that may be relevant to the general assignee? For example, customs tax, excise tax, stamp tax, and so on.

No.

4.6 Foreign financial assets

Is there a requirement to declare/report offshore assets (e.g., foreign financial accounts, securities) to the country/jurisdiction's fiscal or banking authorities?

No.

[Back to top](#)

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