



Investment in Central America

Nicaragua







Nicaragua



Contents

07

General Information

11

Overview of the Legal System

21

Overview of the Tax System

46

Accounting Regulations

49

Financial System





General Information

General Information

Geography and climate

Nicaragua is located at the center of the Central American isthmus and it occupies an area of 130,494 km².

The political capital of the Republic of Nicaragua is Managua. Nicaragua is made up of fifteen departments and two autonomous regions: North Caribbean and South Caribbean, whose capitals are Bilwi and Bluefields, respectively.

A tropical climate can be observed in the country, marked by two distinctive seasons: the dry and the rainy. During the dry season, which goes from November to April, there is no rain and trees and plants become wither. Once rains begin in May, everything begins to grow and all dry plants and leafless trees turn green and bloom again. In August and September, it rains almost daily. Fortunately, they are usually short strong downpours and they are a spectacular tropical shower. The Eastern part of the country gets more rain than the Western.

Demographics and language

Nicaragua's population is approximately 6.2 million people. According to the World Bank data, life expectancy in Nicaragua is 75 years. The official language of the country is Spanish.

Education

The Ministry of Education is responsible for school education in Nicaragua and university education is

regulated by the National University Council (CNU for its acronym in Spanish) together with the Ministry of Education. The country has both private and public universities.

The Ministry of Education has a budget line to carry out its activities. Public universities receive the 6% of the general budget of the Republic, according to the Nicaraguan Constitution; and private universities have their own budgets which they manage autonomously.

Infrastructure

Nicaragua is a country that invests in infrastructure aiming at improving local and international transportation.

In recent years, several ambitious projects have been carried out to improve ground transportation, including the overpass on South Highway and the road connecting with the Caribbean coast.

Regarding telecommunications, projects are being developed in rural and urban areas through the National Electric Transmission Company (ENATREL for its acronym in Spanish), in order to achieve electrification throughout the country.

Nicaragua firmly believes in energy from renewable sources and in the medium term, it is planned that renewable energy will be the one supplying the whole national territory.

General Information

Currency

The local currency is the Córdoba (C\$). According to information from the Central Bank of Nicaragua, during the year of 2026 the exchange rate will be fixed at 36.6243 Cordobas per \$1 U.S. dollar.

The U.S. dollar circulates throughout the national territory, and the exchange rate is frozen by the Central Bank of Nicaragua, maintaining the same rate since 2025. There are no banking restrictions on the amounts that can be converted or held in U.S. dollars.





Overview of the Legal System

Overview of the Legal System

Entities available for Business

Corporations (S. A.)

The corporation or anonymous society is a legal entity formed by the confluence of a common fund, provided by shareholders liable only up to the amount of their respective shares, administered by revocable agents, and known by the designation of the purpose of the company.

Partnerships

It is constituted by public deed. No shares are issued and, unless otherwise stipulated in the articles of incorporation, the partners are jointly and severally liable for the debts of the company.

Foreign companies' branches

Legally constituted companies in other countries can establish a branch in Nicaragua, abiding by the specifications of the Commercial Code related to all concerning the setting up of their establishments within national territory, their business operations and jurisdiction of the courts.

For tax purposes, Nicaraguan branches of foreign companies are considered permanent establishments.

Among the requirements for foreign companies, the following are established:

- Registration of the Company and its accounting books.

- Maintain an in-country representative with general power of attorney duly registered.

Procedures and permits to start a Business

Referring to the procedures to start a business, the following aspects should be considered:

- Registration of articles of incorporations and by-laws at the Public Registry: Articles of Incorporation and By-laws must be presented in a public document designating the company's name, the duration, the capital and the shareholders.
- Registration as a business entity at the Public Registry: the legal representative presents a request and authorization for the corporate and accounting books is obtained.
- Registration as a taxpayer with the tax authority and the municipality: Free registration with the tax authority and the municipality where the entity is located, or where it performs its operations.
- Registration as an employer with the Social Security Institute: an employer number is obtained and under which the payrolls will be reported monthly.
- Depending on the industry in which the work is carried out, there may be specific requirements or authorizations.
- Foreign investment registration

Overview of the Legal System

Visas and work permit

Visas

A visa is a permit given by the State of Nicaragua, through its Diplomatic and/or Consular Representations, to all foreigners allowing them into our territory, as long as they have fulfilled the requirements of the Law.

Nicaragua has three visa categories, depending on the country of origin and nature of the travel document.

- i. **Category A – Visa exemption**
People from countries belonging to this category that carry all kinds of passports will not require an entry visa to Nicaraguan territory.
- ii. **Category B - Consular visa, without consultation or border visa**
This category of visa is granted by the Nicaraguan General Consul abroad or when entering the country through any border post (air, land or sea).
- iii. **Category C – Consult visa**
This category of visa is granted by the Nicaraguan General Direction of Migration. Requirements for granting of the visa shall be presented by the foreign citizen to the Nicaraguan Diplomatic and/or Consular Representation abroad.

In the event that there is no Nicaraguan diplomatic representation abroad and that

the entry of foreigners included in Category “C” is of the State’s interest, the General Direction of Migration and Foreign Affairs will notify in writing the airline of its authorization to enter without a Consular Visa, so that transportation companies allow them to board in the country of origin or residence. Once they arrive in the country, they will be authorized to enter with a Border Visa, complying with the established requirements.

Work permits

All foreigners wishing to work in Nicaragua must obtain a work permit.

The following administrative action must be carried out through the Immigration Office in order to request entry into the national territory for temporary work (less than 180 days a year):

- i. Send a letter to the Immigration Office requesting the entry of people.
- ii. Fill out one form handed over by the Government Ministry, for each worker entering the national territory

Overview of the Legal System

Characteristics of the Labor Regime

Work contract

Work contracts must meet the following general conditions or criteria:

- Written individual document.
- Description of date of the start date.
- Duration: for defined or undefined periods.
- Daily working hours: 8 hours maximum.
- Weekly working hours: 48 hours maximum.
- Seventh day rested and paid, for every six days of continuous work.
- Payment: Fixed, per hour, per piecework.
- Overtime: is paid double the ordinary salary.

Work benefits

The Labor Code establishes the following benefits:

- Thirteenth month bonus, equivalent to one-month salary after one year of continuous work; or the proportion corresponding to the period of time worked.
- Vacation: 15 days of vacation every six months of continuous work.

- Compensation payable upon termination of the employment relationship. It corresponds to 1 month for each of the first 3 years of work and 20 days for the 2 subsequent years, up to a maximum equivalent to 5 months of work.
- Trusted employee: special compensation of 2 to 6 salaries.
- One full day of rest a week.
- Maternity benefits:
 - Pre and post maternity leave, equivalent to 13-week leave.
 - Breastfeeding benefit

Overview of the Legal System

Minimum wage

In Nicaragua, the minimum wage is regulated by Law No. 625, the Minimum Wage Law, published in La Gaceta, Official Journal No. 120 from June 26, 2007.

The minimum wage is updated annually according to the characteristics of each work and economic sector. The minimum wages set will automatically modify any lower wage, raising it to the minimum established.

The minimum wage chart in force by March 2026, establishes the following salaries in local currency:

Economic Activities Sectors	Monthly Salary (NIO)
Agricultural*	6,188.02
Fishing	9,409.09
Mines and quarries	11,113.46
Manufacturing industry	8,320.48
Micro and small artisan and tourist national industry	6,519.58
Industries subject to taxation	9,986.46
Water and electricity, business, restaurants, hotels, transportation, storage and communication	11,350.08
Construction. Financial Institutions and insurance	13,848.23
Community, social y personal services	8,674.94
Central and municipal government	7,716.70
*plus, food	

Overview of the Legal System

Social security system

Social security contributions

In general terms, social security in Nicaragua is regulated by the State and it is mandatory for all workers. Private retirement or pension plans are not regulated.

The social security works with two systems, an optional and a mandatory.

Mandatory system: This applies to workers who provide or perform a professional job or service or of any nature to another person/institution linked by the economic nature of the activity and the form of payment or compensation for the services rendered.

The mandatory system has two modalities: (i) integral and, (ii) disability, old age and death (IVM)

- The disability, old age and death (IVM) category guarantees the pension once they have complied with the requirements and conditions set out by the Social Security Law and its Regulations for Retirement (old age), or in the event of disability or death.
- In addition to the IVM pension, the integral category also ensures medical care in medical companies affiliated to the INSS, as well as payment for temporary disability benefits.

Contribution fees according to the system:

Disability, old age, death (IVM) and occupational risks (RP) mandatory system

Section	Category	On account of the employer	On the account of the employee	Total
IVM	< 50 employees	12.50 %	4.75 %	17.25 %
	> 50 employees	13.50 %		13.50 %
RP		1.50 %		1.50 %
War victims		1.50 %	0.25 %	1.75 %

Overview of the Legal System

Integral mandatory system

Section	Category	Employer	Employee	State	Total
IVM	< 50 employees	12.50 %	4.75 %		17.25 %
	> 50 employees	13.50 %			13.50 %
RP		1.50 %			1.50 %
War victims		1.50 %			1.50 %
Sickness and maternity		6.00 %	2.25 %	1.75 %	10.00 %

Overview of the Legal System

Optional system

People can voluntarily enroll in this INSS system. The benefits granted by the INSS to insured parties are integral in the short, medium and long term. They include medical care benefits, except those arising from work-related accidents, as they do not apply in this system. The income declared by the insured party as income shall be at least the established minimum wage.

The following individuals are eligible to optional insurance:

- Professionals, ministers of any cult, religious and other independent workers, as long as they have not joined the Mandatory Insurance.
- People who are no longer subject to Mandatory Social Security.
- Family members of an employer who render services without remuneration.
- Nicaraguans who render services in diplomatic missions and accredited international organizations in the country, as well as the members of such missions and organizations.
- Agricultural property owners and other employers who wish to do so.

Contribution:

System	Employee contribution	State contribution
Integral	22.25 %	1.75 %
IVM	14 %	

Tax basis for contributions

The minimum wage subject to contribution shall not be less than that established for the employer's economic activity, except in the case of incomplete periods.

For the remuneration subject to contribution, there is no maximum limit established.

Pensions

- Old age (ordinary and deferred)
- Proportional reduced old age
- Disability (partial and total)
- Incapacity (partial and total)

Overview of the Legal System

Shareholders registry and final beneficiaries

Shareholders' registry is done internally in the book-entry share kept by each company in charge of the Secretary of the board of directors. Only registered shares are allowed. Bearer shares are not allowed.

Elections of board of directors are registered in the Public Commercial Registry, but changes or transfers of shareholders are not recorded.

Foreign Investment Registration

Foreign Investment is defined as any investment made through the transfer of foreign capital to Nicaragua, regardless of the nationality or place of residence of the investor, and materialized through the incorporation, acquisition, or participation in a company. There is no minimum investment amount or minimum shareholding required to determine or classify whether an operation should be considered foreign investment.

Foreign investments in the country must be mandatorily registered with the Investment Directorate of MIFIC.

New foreign investments must obtain the Foreign Investment Single Registration Certificate (RUIE), which will serve to carry out the procedures for materializing the investment

before the sectoral governing entities and to request the benefits established according to the corresponding economic activity. This registration is mandatory for foreign investors to conduct economic activity in the country.

Additionally, institutions responsible for business formalization, such as the General Directorate of Revenue, municipalities, the Nicaraguan Social Security Institute, and any other public entity, require the Foreign Investment Single Registration Certificate (RUIE) for processing any formalities with them.





Overview of the Tax System

Overview of the Tax System

Overview of the tax system

General information

Corporate income tax (CIT) contributors for income from economic activities are subject to a definitive minimum payment resulting from applying the respective rate to the net income from said activities and to an annual CIT payment for income from activities economic.

In no case the transfer of losses from previous periods will affect the final minimum payment amount when greater than the annual CIT.

Rates

CIT rate to be paid for the income from economic activities will be thirty percent (30%).

Definitive minimum payment of CIT has the following rates:

Rate	Classification	Description
3 %	Large taxpayers; except the fishing activity developed in the Caribbean Coast of Nicaragua	Taxpayers with annual taxable income greater than C\$ 160,000.00
2 %	Main taxpayers	Taxpayers with annual taxable income less than C\$ 160,000.00 and greater than C\$ 60,000.00
1 %	Other taxpayers and the income from <i>fuel oil</i> transfers for power generation	Taxpayers with annual taxable income less than C\$ 60,000.00

The income tax payable will be the higher amount resulting from comparing the 30% of the net income or the definitive minimum payment.

Overview of the Tax System

Tax return

Tax returns are made online at the digital tax website, according to the following deadlines:

Tax	Filing date	Payment Date		
		Large taxpayers	Main taxpayers	Other taxpayers
Withholding tax	Fifth calendar day following the taxable period	Fifth calendar day following the taxable period		Fifth calendar day following the taxable period
CIT interim payments		Fifteenth calendar day following the taxable period		
Annual CIT return	Last day of the second month after tax year end.			

Interim CIT payments

Interim payments of CIT are made on a monthly basis through advance payments of the annual IR or the definitive minimum payment.

Overview of the Tax System

Dividends

Taxable event

Payment of dividends is classified in the category of capital income and it is taxed at the moment it is caused or it is received.

Payment is made through withholding tax applied by the entity that issues the shares and pays the dividends.

Tax return

Generally, the withholding entity is responsible for filing the tax return for the payment of dividends. It shall also file and pay the withholdings applied within the first 5 days of the month following the withholding.

Rate

Dividend payment is subject to a 15% withholding for residents and non-residents.

Withholdings to remittances made abroad

Taxable event and rate

Concept	Rate
General services	20 %
Interests	15 %
Royalties	15 %

Tax return

Local taxpayers file tax returns through withholding that are submits the following month to the tax authority (DGI, for its acronym in Spanish). Foreigners are not required to file tax returns in Nicaragua.

Overview of the Tax System

Labor Income Tax

Taxable event

Income from work are all the revenues coming from all kinds of compensation, remuneration or income, whatever its denomination or nature, in money or in kind, obtained from personal work employment.

Income from work include salaries and any other income received by reason of the position, such as: wages, zoning, seniority, bonuses, variable wages, performance awards and any other form of additional remuneration.

Tax return

Employers shall make monthly income tax returns and must file them no later than the fifth calendar day of the following month. All workers who get their income from a single source are not required to file a personal income tax return.

Rate

The amount of labor income tax to will be determined based on net income in accordance with the following progressive rate:

Levels of annual net income		Base tax	Rate	Over excess of
From C\$	To C\$	C\$	%	C\$
0.01	100,000.00	0.00	0 %	0
100,001.00	200,000.00	0.00	15.00 %	100,000.00
200,001.00	350,000.00	15,000.00	20.00 %	200,000.00
350,001.00	500,000.00	45,000.00	25.00 %	350,000.00
500,001.00		82,500.00	30.00 %	500,000.00

It should be clarified that, although the annual salary is projected to calculate the annual labor income tax, deductions are made on a monthly basis.

Overview of the Tax System

Tax treatment of expatriates

The legislation does not establish special treatment for expatriates, which is why they are regulated by the tax laws applicable to people who are in the national territory. As an exception, the expatriate who does not have a local residence will only be subject to a final withholding tax of 20% on the gross income received.

Income tax on individuals

The income tax on individuals is governed by the principle of territoriality. However, there are no specific rules that regulate the taxation of individuals, but several conditions that are applicable to them.

In addition to labor income tax, which is addressed in the previous sections, there is no formal obligation for individuals to file an annual income tax return.

The Nicaraguan system is characterized by simplifying the formal obligations of individuals and making use of withholding taxes that transfer the formal obligations to formal taxpayers.

On the other hand, individuals who are engaged in the exercise of an economic activity may pay income tax in two ways:

1. The general regime of income tax on economic activity: similar to corporate

taxpayers, calculating income tax based on 30% of net income.

2. The simplified fixed fee regime: which combines income tax and value added tax and is available to individuals who consider themselves small taxpayers.

The conditions to apply for this regime are: 1) obtain monthly sales income equal to or less than C\$ 100,000 or, 2) have inventory at a cost of no more than C\$ 500,000.

The fees for this scheme are stratified and range from the monthly payment of C \$ 200 to a maximum of C\$ 5,500.

Overview of the Tax System

Capital taxes (capital income, gains and losses)

Taxable event

The taxable event of capital income tax and capital gains and losses is the moment when:

- The capital income originates or is received;
- For capital gains, at the time the transmission or transfer of assets, assets or assignment of rights of the taxpayer occurs, as well as at the time the contributions in kind by constitution or capital increase occur;
- Income is registered, when it enters the Nicaraguan territory or is deposited in resident financial entities, whichever comes first, for capital income and capital gains and losses with economic ties to Nicaraguan source income; and
- Income is originated or received, in the case of capital income and capital gains and losses that must be integrated as income from economic activities, as established in the relevant law.

Tax return

The tax return is filed on a monthly basis and is made by the taxpayer duly registered in Nicaragua (the paying entity) as a withholding on capital income that is presented monthly.

Rates

The withholding tax rates on capital income and capital gains and losses are:

Tax rate	Concept
10 %	For income obtained by the financing made by international banks with an investment degree
15 %	For residents and non-residents, including trusts
30 %	Operations with tax heavens

Overview of the Tax System

Value added tax (VAT)

General

The value added tax, hereinafter called VAT, is an indirect tax that is imposed on the general consumption of goods or merchandise, services, and the use or enjoyment of goods, using the value-added technique.

Taxable evento

VAT is charged on acts carried out in Nicaraguan territory on the following activities:

- Transfer of property;
- Import and internationalization of goods;
- Export of goods and services; and
- Provision of services and use of goods.

Tax return

VAT is filed monthly, and the 5th of each month are filed the transactions of the previous month.

Rate

Rate	Concept
15 %	General rate
0 %	Export of national goods and services rendered abroad.

Overview of the Tax System

Tax credits

- **Tax credit:** The VAT amount that has been paid on imports and international goods or merchandise constitutes tax credit, if it is to carry out operations taxed with the general rate or the rate of zero percent (0%).

In the case of exempt operations, non-creditable VAT will be considered as a deductible cost or expense for IR purposes of income from economic activities.

- **Accreditation:** Accreditation consists of subtracting the amount of VAT that the responsible collector would have transferred (tax debit) to his clients, the amount of VAT that would have been transferred to him and the amount of VAT that he would have paid for the importation and internment of goods and services (tax credit). The right of accreditation is personal and will not be transferable, except in the case of merger of companies, successions, transformation of companies and change of name or business name.
- **Accreditation requirements:** For VAT to be creditable, it is required:
 - That the VAT transferred to the responsible collector corresponds to the necessary expenses to obtain income taxed by VAT;
 - That the expenditures correspond to acquisitions of goods, services or use or enjoyment of deductible assets for IR purposes of income from

economic activities; and

- That is detailed expressly and separately, on the invoice or in the corresponding legal document.

Overview of the Tax System

Tax on the transfer and ownership of real estate

In the transfer of assets subject to registration at a public office (i.e.: real estate and vehicles), the following withholding tax rates of capital gains and losses will be applied:

Equivalent in NIO to the value of the asset in USD		Rate
From	To	
0.01	50,000.00	1 %
50,000.01	100,000.00	2 %
100,000.01	200,000.00	3 %
200,000.01	300,000.00	4 %
300,000.01	400,000.00	5 %
400,000.01	500,000.00	6 %
500,000.01	A más	7 %

In the transfer of real estate, the WHT payment of capital gains and losses must be made before registration in the respective public registry, without such requirement the corresponding office will not be able to do so.

Other taxes

Excise tax

Excise Tax (ISC for its acronym in Spanish) is an indirect tax that is imposed on the consumption of certain goods or merchandise.

Taxable event

- Disposal of property;
- Import and internationalization of goods; and
- Export of goods.

ISC will not be considered income for the purposes of the income or municipal taxes, but it will be part of the VAT tax base.

Rate

Rates of ISC are contained in Annexes I and II of the Law 822.

In the case of alcoholic beverages, wines and beers, the rate will be composed by an ad valorem aliquot established in Annex II and a specific quota of fifty Cordoba's (C\$ 50.00) for each liter of alcohol.

Exports of goods are taxed at the rate of zero percent (0%).

Overview of the Tax System

Disposal of property

For the purposes of the ISC, disposal is understood as any act or contract that involves the transfer of the domain or the power to dispose of a property as owner, regardless of the name assigned by the parties, whether or not there is an agreed price.

Tax base: As a general rule, the tax base is the manufacturer's or producer's sales price.

The following can be identified as exceptions:

- In the sale of the following goods: juices, soft drinks, carbonated waters and carbonated waters with added sugar or flavored and energy drinks, the tax base will be the retail price.
- In the case of alcoholic beverages, wines and beers, the tax base:
 - For the ad valorem it will be the retail price; and
 - For the specific quota it will be the liter of alcohol; and
- In the case of cigarettes and cigars, check the section corresponding to the Specific Consumption Tax on Cigarettes and other Tobacco products (IECT for its acronym in Spanish)
- In the case of shortages of inventories, destruction of goods or merchandise and donations not deductible from the income tax from economic activities, the tax base

will be the price entered in the invoices of similar merchandise from the same company, or, failing that, the market value, whichever is greater.

Internment of goods

Import or internment is understood as the entry of foreign tangible goods and the acquisition in the country of tangible goods disposed by persons who introduced them tax-free through customs exemption, for their final use or consumption in the country. The generating event of the ISC is considered completed at the time of acceptance of the corresponding customs declaration or form.

Tax base: The general rule indicates the customs value as the tax base, plus any additional amount for other taxes, whether customs, consumer or non-tariff that are collected at the time of importation or internationalization, except VAT, and other expenses that appear in the corresponding customs declaration or form.

Overview of the Tax System

ISC to sugar

Sugar and sucrose are taxed at a percentage ISC rate over the price, and may not be taxed on their sale, import or internment with any other regional or municipal tax.

- **Tax base:** is the manufacturer's or producer's sale price.
- **Rate:** 2% and will be applicable to the tariff sections according to the Central American Tariff System (SAC) that corresponds to sugar and sucrose.

Specific Tax on the Consumption of Cigarettes and Other Tobacco Products (IECT)

Taxable evento

Cigarettes, cigars and fine-cut tobacco to make cigarettes are taxed with the IECT, by performing the following acts:

- The import or internment; and
- The alienation of national production.

Tax base

The IECT tax base for cigarettes is one thousand (1,000) cigarettes, or their equivalent per unit. In the case of cigarettes and fine-cut tobacco to make cigarettes, the tax base is the measured weight per kilogram.

Rate

The IECT rate, applicable from January 1 of each year, will be as follows:

Year	Rate in NIO	
	Cigarettes	Cigars and fine-cut tobacco
2019	2,000.00	1,335.00
2020	2,500.00	1,670.00
2021	3,450.00	2,300.00
2023	3,482.00	2,562.00

Overview of the Tax System

Specific tax on fuel

Taxable event

The specific tax on fuel (IECC for its acronym in Spanish) is charged once for the sale, import and internationalization of petroleum-derived goods.

The manufacturer or producer will transfer the IECC on its first sale to the purchaser, except when it is made to a local wholesale distributor, in which case said distributor must collect the tax on the subsequent sale.

The IECC will not be creditable and will form part of the cost or expense of the final good for calculating the net income from economic activities.

Tax base

The tax base of the IECC is the American liter stated in the invoice or respective document.

Rate

Product	Liter	
	Pacific/ Center	Atlantic
TURBO JET (Aeropuerto)	US\$ 0.0023	US\$ 0.0023
AVGAS	US\$ 0.2384	US\$ 0.2384
GASOLINA PREMIUM	US\$ 0.1845	US\$ 0.1845
GASOLINA REGULAR	US\$ 0.1837	US\$ 0.1131
VAR SOL	US\$ 0.0456	US\$ 0.0456
KEROSENE	US\$ 0.1115	US\$ 0.0579
DIESEL	US\$ 0.1430	US\$ 0.1081
FUEL OIL PARA ENERGÍA	Exento	Exento
FUEL OIL OTROS	US\$ 0.0498	US\$ 0.0498
ASFALTO	US\$ 0.1230	US\$ 0.1230

Overview of the Tax System

Special tax to finance the Road Maintenance Fund (IEFOMAV)

The IEFOMAV (for its acronym in Spanish) rate will be 0.0423 dollars of the United States of America per liter of fuel and the taxable base is the American liter stated in the respective invoice or document.

The IEFOMAV may not be taxed on its sales or disposals with any municipal tax. The IEFOMAV will not be part of the same tax base.

Tax stamp duty (ITF)

The ITF taxes legal acts by means of documents issued in Nicaragua, or abroad, when such documents must take effect in the country.

The ITF must be paid simultaneously with the granting or issuance of the respective document, and in the case of public deeds, when the first testimony is released from them.

The ITF will be paid by adhering to the document and canceling stamps in the corresponding amount. Cancellation will be done by punching, stamping or stamping the stamps.

Overview of the Tax System

The ITF rates effective as of January 1, 2026, are as follows:

N°.	Document	Cordobas (C\$)
Certificate of Naturalization:		
1	a) For Central Americans and Spaniards	406
	b) For persons of other nationalities	1,002
2	Certificates of patents and factory trademarks	203
3	Certificates of damages or defects	101
Certifications and attestations, even if negative, based on the review of books and records		
	a) To certify payments made to the Treasury	43
	b) Certificate of tax solvency	43
	c) Certificate of non-taxpayer status	43
	d) Certificate of residence of foreigners and its annual renewal	406
	e) Health certificate for travelers	101
4	f) Certificate of freedom from encumbrances on real property in the Public Registry	101
	g) Certificate of registration in the Real Property or Commercial Registry	101
	h) Certificate of civil status of persons	50
	i) Authentication of the signatures of the Registrars of Real Property, Commercial, Industrial, Central Registry of Persons, and Civil Status Registry of Persons in all municipalities and departments of the Republic	1001
	j) All others	101
5	Declaration intended to have legal effects abroad	203
6	Files of high-value civil lawsuits, commercial cases, and administrative or tax proceedings, per page	21
7	Incorporation of professionals graduated abroad (certificate)	203
8	Obligations of undetermined value	101
9	Special and general judicial powers of attorney	101
10	Special, generalissimo, and general administrative powers of attorney	14
11	Powers of attorney (substitution)	Same as the substituted power of attorney

Overview of the Tax System

The ITF rates effective as of January 1, 2026, are as follows:

N°.	Document	Cordobas (C\$)
12	Promise of contract of any nature	Same as the respective contract or obligation
Legal paper:		
13	a) For matrix, per page	14
	b) For certified copy (testimony), per page	21
14	Extensions (renewals) of obligations or contracts	Same as the extended contract or obligation
15	Acknowledgment of any obligation or contract specified in this Law	Same as the acknowledged obligation or contract
16	Acknowledgment of any obligation or contract not specified in this Law	203
17	Registration of factory trademarks and patents (certificate)	101
18	Easement (constitution of)	101
Titles or concessions of natural resources:		
19	a) Exploration	2,033
	b) Exploitation	20,339

Overview of the Tax System

Municipal registration tax

The legal basis for municipal taxes is found in the municipal tax plans (PAM for its acronym in Spanish) and in the Managua municipal tax plan (PAMM for its acronym in Spanish) for taxes in the capital.

Taxable event

Any person or entity who is habitually engaged in the sale of goods or the provision of services, whether they are professionals or not, must annually register in the municipality each of the economically differentiated activities that it carries out (art. 9 PAMM, art. 3 MAP).

Tax base and rate

The value of the registration will be calculated by applying the 2% rate on the monthly average of the gross income obtained from the sale of goods or services for the last three months of the previous year or of the months elapsed since the opening date if they do not reach three (art. 10 PAMM, art. 5 PAM).

Registration must be made no later than January 31 of each year.

Municipal income tax

Any person or entity who, habitually or sporadically, is dedicated to the sale of goods or the provision of services, whether

professional or not, pays a municipal tax of 1% monthly on the amount of gross income affected by sales or benefits of services.

This tax does not apply to:

- The income from exports of goods and services.
- The income from financial services and services inherent in financial activity, including interest from the financial lease.

Overview of the Tax System

Real estate tax

The real estate tax (IBI for its acronym in Spanish) is regulated in the Decree No. 3-95 of January 31, 1995, published in La Gaceta, Diario Oficial No. 21 of January 31, 1995.

Taxable event

IBI is an annual tax that is charged on real property made up of land, stable plantations and fixed or permanent facilities or constructions that exist in them.

Rate

The rate of IBI will be 1% of the real estate owned as of December 31 of each taxable year.

Tax base

The taxable base or amount is determined under the following order of priority:

- The appraisal carried out by the municipal technical instances;
- The cadastral appraisal issued by the Tax Cadaster of the Tax Authority
- The appraisal carried out by experts or property valuation companies hired by the Municipality.

Contribution to the National Technological Institute (INATEC)

The INATEC contribution made by the employer on a monthly basis is determined by applying 2% to the total of the gross or fixed salary forms of the employees.

INATEC has offices in the national territory, through which, complementary and technical training is promoted.

Overview of the Tax System

Other tax compliance regulations

Transfer prices

Transfer pricing regulation is in force since July 2017. Although, Nicaragua is not a member country of the OECD, the same principles of free competition were adopted and follows the general guidelines regarding transfer pricing.

Any operation that is carried out between related parties, between a resident and a non-resident, and between a resident and those who operate in the free zone regime and have effects in determining the taxable income of the fiscal period in which it is regulated, is regulated, performs the operation or in the followings.

Study

Taxpayers must have a transfer pricing study at the time of filing the annual tax return (February 28). The study will only be presented at the request of the tax authority within 10 business days.

Informative Return

Applicable law does not require the submission of an informative return

regarding transfer prices.

BEPS

Nicaragua has not adopted any BEPS measures, so the master file, local file, or country-by-country reports are not required.

Tax Audit

Taxpayer's rights during the Audit

- That the inspections are carried out at your tax domicile.
- That once the inspection is completed and before leaving the premises of the taxpayer or person responsible, a preliminary report of what is verified must be issued.
- Not to be simultaneously subject to more than one inspection by the tax authority for the same taxes, items, periods or fiscal years to be reviewed;
- Not to be audited for taxes, concepts, or prescribed fiscal periods or fiscal years; and,
- Not to be audited for taxes, concepts, or fiscal periods or fiscal years already fully audited.

Overview of the Tax System

General duties of taxpayers

- Allow the tax authority's inspection; and,
- Provide the information required by the tax authority.

Formal duties of taxpayers

- Provide facilities for officials to carry out inspections.
- Provide the information that is requested based on the law and respective supporting documentation, within 10 business days.

Audit process

The duration of the inspection process is variable and begins with the notification of the inspection by the tax authority, at the taxpayer's domicile, and ends with the issuance of a Determining Resolution.

If the taxpayer does not agree with the resolution, the person or entity can challenge it.

Administrative procedure

- Reversal or reconsideration: at the official or authority that issued the resolution or contested act.
- Review: at the head of the tax authority

against the resolution of the reversal promoted.

- Appeal: it will be filed at the head of the tax authority, who will transfer it to the Tax and Customs Administrative Court (TATA, for its acronym in Spanish).

Judicial procedure

Once the administrative procedure has been exhausted, it will be possible to resort to the judicial procedure through the following resources:

- Constitutional appeal (Amparo).
- Trial of administrative review.

Statute of limitation

Every tax obligation prescribes after 4 years, counted from the date it begins to be due. The tax obligation of which the State has not been aware, either by an inaccurate declaration of the taxpayer or by the concealment of assets or income, will not expire until 6 years after the date on which it should have been due.

Information exchange and double taxation treaties

Nicaragua has not signed any information exchange or double taxation treaty.

Overview of the Tax System

Available tax incentives and special business areas

Nicaraguan tax legislation establishes the following tax incentives or benefits:

Export tax benefits

- Exports of domestically produced goods or services provided abroad will be applied a rate of 0% Value Added Tax (VAT).
- Exports of goods are taxed with 0% of the excise tax (ISC).
- Tax credits can be applied during the advance or annual payment of income tax with a previous authorization from the tax authority in an amount equivalent to 1.5% of the FOB value of exports.

Tax benefits to producers

- List of goods exempt from VAT transfer, some of them related to the agricultural sector.
- Exemption from VAT and ISC for the sale of raw materials, intermediate goods, capital goods, spare parts, parts and accessories for machinery and equipment to agricultural producers and to micro, small and medium-sized industrial and fishing companies,

through a tax list.

Fiscal benefits for the forestry sector

The Law 822 extends until 2023 the benefits granted to the forestry sector in the Law of Conservation, Promotion and Sustainable Development of the Forestry sector (Law n.° 462).

- Exemption from the payment of 50% of the Municipal Sales Tax and 50% on the profits derived from the use of plantations registered at the regulatory entity.
- The areas of the properties where forest plantations are established and the areas where forest management is carried out through a Forest Management Plan are exempt from paying Real Estate Tax.
- Companies of any type of business that invest in forest plantations, may deduct as an expense 50% of the amount invested for income tax purposes.
- Second Transformation and Third Transformation companies that import machinery, equipment and accessories that improve their technological level in the processing of wood, excluding sawmills, are exempt from paying import duties and taxes.

Overview of the Tax System

Export free zone regime

- Exemption from 100% of the Income Tax generated by the operations of The Zone, for a period of fifteen years from the beginning of its operation, which may be extended once, for an equal period with prior authorization from the Commission Free Zones National.
- Total exemption from the import tax payment of machinery, equipment, tools, spare parts and other implements necessary for the operation and operation of the Zone.
- Exemption from the payment of tax for constitution, transformation, merger and reform of the company, as well as the Tax on Stamp Duties.
- Total exemption from the payment of taxes on the transfer of real estate affected by the Zone.
- Total exemption from indirect, sales or selective consumption taxes.
- Total exemption from municipal taxes.
- The Free Zone Operators will be exempt from 100% of the Income Tax (IR) generated by operations in the Zone for a period of 15 years, and may be Extended once, for an equal period.

Special Economic Zone Regime of the Belt and Road

- 100% exemption from income tax on economic activities (IR) for
- 10 years, renewable every 10 years indefinitely, subject to certain conditions.
- 100% exemption from tax on dividends obtained from economic activity for 10 years, renewable every 10 years indefinitely, subject to certain conditions.
- Exemption from taxes and fees for non-resident foreigners on: loan interest, commissions, fees, and payments for legal services abroad or in Nicaragua, promotion, marketing, consulting, and related services.
- Exemption from all taxes, customs duties, and consumption taxes associated with the importation of goods and services intended for operations.
- Exemption from value-added tax (VAT) on local purchases and imports of goods and services intended for operations.
- Full exemption from indirect taxes, sales taxes, or selective consumption taxes.
- Full exemption from tax on the transfer of movable and immovable property.
- Full exemption from municipal taxes.

Overview of the Tax System

Benefits to electricity generation with renewable sources

- Exemption from the payment of Import Tariffs (DAI) for machinery, equipment, materials and supplies intended exclusively for pre-investment work and construction work.
- Exemption from the payment of VAT on machinery, equipment, materials and supplies intended exclusively for pre-investment work and construction of the works.
- Exemption from all current Municipal Taxes on real estate, sales, registrations during the construction of the project, for a period of up to 10 years.
- Exemption from all taxes that may exist for exploitation of natural wealth for a maximum period of 5 years after the start of operation.
- Exemption from the Tax on Stamp Duties (ITF) that may cause the construction or operation of the project or expansion for a period of 10 years.

Benefits to the exploration and exploitation of mines

- Temporary admission regime, which allows the entry of merchandise into the national customs territory, such as the local purchase of goods or raw materials without paying any type of tax or fee, as long as the merchandise is re-exported or exonerated if appropriate, after being subjected to a

transformation, elaboration, repair or other process contemplated under the applicable legislation.

- Exemption from the payment of taxes imposed on the company's properties within the perimeter of the mining concession.
- Zero percent (0%) rate for exports, applicable to exports in general.

Tourism benefits

- 80% to 100% exemption from Income Tax, for a term of ten years.
- Exemption from the Real Estate Tax (IBI), for ten years.
- Exemption from Value Added Tax (VAT) applicable to design / engineering and construction services.
- Exemption from import duties and taxes and / or Value Added Tax (VAT) on the local purchase of household goods, furniture, equipment, ships, motor vehicles of twelve (12) passengers or more, and cargo.
- Exemption from Import taxes and Value Added Tax (VAT) in the purchase of non-sumptuous construction goods, of fixed accessories for the building.

Overview of the Tax System

General Law of ports in Nicaragua (Law N.º 838)

Investment projects approved during the period of construction, improvement, expansion or development of port infrastructures will be considered exempt from import duties and taxes, local purchases and municipal taxes and will enjoy the following tax benefits: import of machinery, equipment, materials, spare parts and implements that are required for the construction, improvement, expansion or development of port infrastructures, of ports and terminals, state, for public use, under public administration or under concession, enabled for internal and foreign trade.

Organic Law of the Institute of Urban and Rural Housing (Law N.º 428)

The Organic Law of the Institute of Urban and Rural Housing (INVUR) in its article 39 establishes direct incentives for people who invest in the construction of social housing.

The incentives for this type of investment are:

- Exemption from paying taxes for operations, acts, construction permits, formalization and registration of acts, contracts, deeds, processing and authorization of plans.
- Exemption from the payment of all kinds of taxes for the purchase of construction materials, tools and minor equipment related to low-income housing and its related urban development works, qualified and approved by INVUR.





Accounting Regulations

Accounting Regulations

Applicable regulations

Nicaraguan legislation does not establish strictly accounting regulations that indicate the methodology that companies will use to keep their accounting records.

However, since 2012 the Bar of Public Accountants of Nicaragua ruled on the adoption of International Financial Reporting Standards (IFRS). There is no official pronouncement of this adoption by the tax authority.

On the other hand, regulated financial entities are governed by the accounting frameworks issued by each of the regulatory entities.

Accepted variations between financial and tax statements

There is no official regulation or description of the accepted variations between financial and fiscal statements.

The most common practice is for each taxpayer to carry out a tax reconciliation where they make the adjustments of the financial statements to the tax ones, according to the

tax rules applicable to each taxpayer.

Among the most common variations are:

- Useful life and depreciation or amortization expenses.
- Non-deductible expenses.
- Recognition of income.

Requirement for audited financial statements

The audited financial statements are not required for tax purposes.

They are only required for regulated financial entities and for those entities that have credits with the financial system for amounts greater than the parameters established by the SIBOIF through administrative regulations, which are periodically reviewed.





Financial System

Financial System

General

The financial system in Nicaragua is private and is regulated by the Superintendence of Banks and Other Financial Institutions (SIBOIF for its acronym in Spanish).

Structure and supervision of the banking and securities system

The SIBOIF has as its highest organs a Board of Directors, a Superintendent and a Vice-Superintendent. Likewise, the SIBOIF has four specialized Intendances, which are:

- Intendance of Banks and other Financial Institutions
- Intendance of Securities
- Intendance of Insurance
- Intendance of financial Warehouses

Requirements for the operation of financial and banking entities

Request to the Superintendence of Banks

People who have the purpose of establishing a bank must submit a request to the Superintendence, which contains the names and surnames or commercial designation, address and profession of all the organizers, accompanied by the following documents:

- The project of the social deed and its statutes.
- Economic-financial feasibility study
- Deposit in the current account of the Superintendence, for a value of 1% of the amount of the minimum capital, for the processing of the application.
- Specific information on each of the Shareholders of the 5% of the proposed institution, as well as the members of the board of directors and the main team of its management (chief executive, general manager, vice presidents of areas and internal auditor). For all shareholders, documentary evidence of the legal provenance of the assets to be invested in the new institution.

Financial System

Authorization to start operations

Notice of start of operations: Prior to the start of operations of a national bank or a branch of the foreign bank in the country, the Superintendent will verify compliance with the following aspects:

- Minimum share capital paid in cash.
- Evidence of the social deed and its statutes with the corresponding reasons for registration in the Public Registry.
- Opening balance sheet.
- Certification of the appointments of the directors for the first period, of the manager or chief executive of the bank and of the internal auditor.
- Verification by the Superintendent that the institution has the appropriate physical facilities and technological platform, as well as the contracts, manual insurance and necessary regulations approved by the board of directors.

Incentives available to Banking

The financial system enjoys the following tax incentives:

- Exemption from municipal tax on income from financial services and services inherent to financial activity, including interest on financial leasing.
- Exemption from value added tax on:
 - The services inherent to banking and microfinance activity;
 - The interests, including the interests of the financial lease;
 - The commission for stock transactions that are carried out through stock exchanges and agricultural exchanges, duly authorized to operate in the country; and
 - Those lent to the transferor by commercial financing contracts for sales of client portfolio (factoring).





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