



Thinking beyond borders: Management of extended business travelers - Nicaragua



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Contents

| | | |
|----------|-------------------------------|-----------|
| 1 | Key message | 4 |
| 2 | Income Tax | 6 |
| 3 | Social security | 8 |
| 4 | Compliance obligations | 10 |
| 5 | Immigration | 12 |
| 6 | Other issues | 14 |

01

Key message

In general, tax to be paid by individuals is based on a progressive chart.

Employees: The employer is responsible to withhold the employee's estimated income tax over the wage or salary. The salary, which may include bonuses, overtime, commissions, allowances, awards or any other income related to its job, is subject to payment of income tax and social security contributions.

If an individual receives their income from more than one source (two or more employers/contracts) and the amount exceeds 100,000 Nicaraguan cordoba (NIO) per year, they are subject to submit an annual tax return, due by 90 days after the end of the fiscal year. Please refer to the progressive rate tables below.

Individual non-employees/service providers: If the individual, who provided services as an independent professional, is a resident they will be subject to 10 percent of withholding tax; if the individual is a non-resident, however, they will be subject to 20 percent of withholding tax of the total amount received.

1 Key message

Individuals residents or not in Nicaragua, receiving an income from Nicaraguan sources, are subject to tax obligations.

02

Income tax

2 Income Tax

2.1 Liability for income tax

Nicaraguan income tax is a tax levied on the income of individuals. Individuals, residents or not in Nicaragua, receiving an income from Nicaraguan sources, are subject to tax obligations.

Income for individuals include wages and other income received by reason of the position, such as salaries, seniority, bonuses, awards and other forms of additional compensation.

2.2 Tax trigger points for employment income

The development/rendering of any activities/services in the country/territory, regardless of where the income was paid, triggers a tax obligation in Nicaragua.

2.3 Types of taxable income

Ordinary Income:

- For individuals (employees), income is considered to be the wage or salary.
- For individuals, income is considered to be any income received during a fiscal year.

Extraordinary income:

- Bonuses, awards, overtime, allowances and others forms of additional compensation.

2.4 Tax rates

Employees:

The income tax of employees is paid according to the progressive chart below; these amounts are shown in Nicaragua currency (NIO):

| Taxable income | | Tax base | Applicable withholding rate | Over |
|----------------|------------|-----------|-----------------------------|------------|
| From | Up to | | | |
| 0.01 | 100,000.00 | 0 | 0% | 0 |
| 100,000.01 | 200,000.00 | 0 | 15% | 100,000.00 |
| 200,000.01 | 350,000.00 | 15,000.00 | 20% | 200,000.00 |
| 350,000.01 | 500,000.00 | 45,000.00 | 25% | 350,000.00 |
| 500,000.01 | and more | 82,500.00 | 30% | 500,000.00 |

Source: KPMG in Nicaragua, the Nicaraguan member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. 2024.

03

Social security

3 Social security

3.1 Liability for social security

For the purpose of submitting contributions to social security, wages/salary would be subject to a monthly withholding of 7 percent. This contribution is deductible from the salary for the purposes of paying income tax.

Social security contributions are calculated upon the full amount of the wage/salary with no taxable base ceiling.

04

Compliance obligations

4 Compliance obligations

4.1 Employee compliance obligations

The local law established that the person who receives income from one source is not required to submit an income tax return as well. The employer is responsible to make the income tax and social security withholdings every month through payroll. These withholdings are considered as a “final tax”.

An individual who receives income from two or more employers (or from other sources) is required to file their own tax return.

According to the national legislation, an income tax return should be submitted and paid in full within 90 days after the end of the relevant tax year. The ordinary tax year runs from 1 January through 31 December.

4.2 Employer reporting and withholding requirements

Employers are responsible to withhold the employee’s income tax through payroll. Every month they have to submit a tax return with all the employee’s withholdings and income before tax, to the authorities. At the end of the tax year, the employer must submit a report with the withholdings of the period and give employees a certificate which indicates the amount of income tax withheld.

Employers who do not hold Nicaraguan labor income tax will be jointly responsible for payment, subject to administrative penalties/fines according to the Tax Code.

05

Immigration

5 Immigration

5.1 Work permit/visa requirements

It is necessary to apply for a visa in order to obtain resident status in Nicaragua.

06

Other issues

6 Other issues

6.1 Double taxation treaties

Nicaragua does not have any double taxation treaties with other countries/territories.

6.2 Permanent establishment implications

For tax purposes, a resident is defined as the individual, when any of the following circumstances occur:

- remains in the country/territory for more than 180 days within a year, even if not continuously
- their center of economic interest or principal is within the country/territory
- Nicaraguans living abroad on diplomatic missions and consular Nicaraguans officers
- Nicaraguans living abroad that perform positions or official employment on behalf of Nicaraguan state and official in active service
- Nicaraguans living abroad that exercise official employment without diplomatic or consular character
- foreigners residing in Nicaragua in diplomatic missions, when it doesn't exist reciprocity
- legal entities, trusts, investment funds, entities or groups and permanent establishments
- to have been incorporated under the laws of Nicaragua
- to have their social or tax residence on national territory
- to have its effective headquarters address or effective management in national territory.

6.3 Indirect taxes

Accreditation or reimbursement does not apply for individuals. Reimbursements apply only to diplomats.

6.4 Transfer pricing

Transfer pricing rules entered into force for the first time on 30 June 2017.

6.5 Local data privacy requirements

Since 2010, Nicaragua has local data privacy laws.

6.6 Exchange control

Nicaragua does not have any exchange controls on local or foreign currency coming into or out of the country/territory.

The official exchange rate is established by the Central Bank of Nicaragua.

[Back to top](#)

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