



Taxation of international executives: Honduras



July 2023

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01

Overview and Introduction

1 Overview and Introduction

This document summarizes the income tax rules applicable for individuals during 2023 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	199,039.47	0%
199,039.48	303,499.90	15%
303,499.91	705,813.76	20%
705,813.76	Over	25%

Non-residents

Gross income obtained from Honduran source by nonresident 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%

No.	Concept	Tax Rate
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: “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 for its function.

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.

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 2022 was HNL 11,278.75 (11,278.75 x 10=112,787.50).

- Vacation bonus is exempted up to 30 days of salary.

Deductible expenses for individuals:

- Medical and Educative expenses HNL40,000.00.
 - Welfare Insurance Regime, Collective Capitalization Pillar Colectivo (Regimen del Seguro de Prevision social, Pilar de Capitalization Colectivo 10,796.49 X2.5%X12=L3,238.95
- Welfare Insurance Regime, Complementary Individual Account Regime (Regimen del Seguro de Prevision Social, Pilar Complementario de Cuentas Individuales RSPSPCCI), Salary excess of HNL10,796.49 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?

The following items of expenditure may be deducted from taxable income: Medical and Educative expenses L 40,000.00.

- Welfare Insurance Regime, Collective Capitalization Pillar Colectivo (Regimen del Seguro de Prevision social, Pilar de Capitalization Colectivo $10,282.37 \times 2.5\% \times 12 = L3,084.71$)
- Welfare Insurance Regime, Complementary Individual Account Regime (Regimen del Seguro de Previsión Social, Pilar Complementario de Cuentas Individuales), Monthly Salary less L.10,282.37 X 1.5%.

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 2018 and ends 31 December 2020. The taxpayer's base salary is 100,000 US dollars (USD) and the calculation covers 3 years.

	2018	2019	2020
	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	2019	2020	2021
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	171,000		
Other income	0		
Total income	171,000	177,000	177,000
Deductions			
Medical expenses (HNL40,000/23=USD1,739)	1,739	1632	1600
Total taxable income	169,261	175,367.35	175,400

Calculation of tax liability

	2019	2020	2021
Taxable income as above	169,261	175,367.35	175,400
Honduran tax thereon	39,759.45	40,554.48	L 40,454.55
Less:			
Domestic tax rebates (dependent spouse rebate)	0	0	0
Foreign tax credits	0	0	0
Total Honduran tax			

Footnote

¹ Individuals which monthly salary is equal or less than L.17,676.49 are not subject to income tax during 2020.

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?

Employer and employee

2020		
Type of Contribution	Employee Rate	Employer Rate
Social security		
Welfare Insurance Regime, Collective Capitalization Pillar Colectivo (Regimen del Seguro de Previsión Social, Pilar de Capitalización Colectivo RSPSPCC)	2.5%	3.5%
Health Care Insurance Regime (Regimen del Seguro de Atención a la Salud RSAS)	2.5%	5%
Welfare Insurance Regime, Complementary Individual Account Regime (Regimen del Seguro de Previsión Social, Pilar Complementario de Cuentas Individuales RSPSPCCI),	1.5%	1.5%
Monthly Maximum Salary For RSPSPCC	HNL10282.37	HNL10282.37
Monthly Maximum Salary for RSAS	HNL9849.7	HNL9849.7
Monthly Minimum Salary For RSPSPCCI	Salary excess of HNL10282.37	Salary excess of HNL10282.37

4.2 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.

4.3 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.

4.4 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.

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