



# NICARAGUA

Nicaragua - Civil Law

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## Incorporating a company in Nicaragua

# Nicaragua taxes

If you want to do business in Nicaragua, this article explains the tax laws for a Sociedad Anónima (S.A.), which is the most common company type in Nicaragua.

Nicaragua taxes corporate income on a territorial basis. This means that income earned outside the country, from our research, but seek professional advice, is not subject to taxation. Income accrued within the country is taxed at a corporate income tax rate of 30%. Nicaragua ranks 136th overall with regards to corp. taxation rate internationally.

The valued added tax rate in Nicaragua is 15.00%, that ranks the country as 79th when compared to value added tax rate worldwide. In terms of other taxation, an employer will contribute 19% to the equivalent of a social security fund and an employee will contribute 6.25%. The overall complexity of the tax system is medium. This is measured by average time to comply with a country's labor tax requirements is as it is 76hours. Contributing to this is the number of yearly labor tax payments, which is 2 in NI.

Thin cap standards aren't in effect. Thin capitalisation refers to any type of restrictions on a business and the debt-to-asset ratios.

Dividends received are generally tax-exempt. However, stock dividends may be considered capital income and subject to a withholding tax of 10%. A dividend is a distribution of a portion of earnings of the business, established by the board, to shareholders. Dividends can be either cash payments, shares of stock, or other property.

Capital Gains are generally subject to a final withholding tax of 10%. Reduced rates may apply for gains from the transfer of Nicaraguan shares that took place outside the country (5%), gains from the lease of fixed assets and non-fixed assets (7% and 5%, respectively) and gains from the transfer of certain assets such as real estate or vehicles (progressive rate from 1% to 4%). A capital gains tax is levied on the profits that a corporation or natural person realizes when he or she sells a capital asset for a price that is higher than the purchase price.

The interest withholding tax rate is estimated at 15%. Which means that the taxman expects legal entities to pay tax on 15% of interests remitted abroad. The dividends withholding tax rate is 15%. This should be interpreted that usually the tax authorities expects legal entities to automatically withhold 15% of dividends remitted abroad. The royalties withholding tax rate is 15%. This means that the taxman expects legal entities to withhold 15% of royalties paid to non-residents. Payments on dividends, interests or royalties to residents of jurisdictions considered tax havens are subject to a withholding tax of 17%.

There is no known tax on wealth in Nicaragua. There are real property and inheritance taxes. There are no widely used research and development tax incentives in this country.

The above is not tax or legal advice for your particular circumstances. We are able to refer you to an expert in Nicaragua who will advise you. Click the free consultation button above or press Incorporate now if you are in a hurry.

The vat rate in Nicaragua is 15% which ranks 78 in the world.

- ✗ **Patent box**
- ✗ **RND credit**
- ✗ **Wealth tax**
- ✗ **Estate tax**
- ✗ **Transfer taxes**
- ✗ **Asset taxes**
- ✗ **Capital duties**

- 3 Tax treaties**
- 0% Offshore Tax**
- 30% Corp rate**
- Loss carryback years**
- 67 Corporate time**
- 15% VAT rate**
- 10% Capital gains**

# Nicaragua Legalese

When examining a jurisdiction in which to incorporate, the first thing to look at is the legal code. The underlying law in Nicaragua is civil law. You will want to get some local advice as to how to best structure a company in Nicaragua. Electronic signatures are permitted.

The abbreviation NI is for Nicaragua and the most common legal entity type in Nicaragua is a Sociedad Anónima (S.A.).

The average time to incorporate is 30 days to setup a Sociedad Anónima (S.A.) in NI. The minimal capitalization, or amount you're expected to put into a bank, is 0. This means you don't have any minimum share capital. The types of consideration you can use to fund your business is most commonly USD, EUR, and any legal currency.

Yes, one is allowed to re-domicile a Sociedad Anónima (S.A.) from NI. You are usually allowed to change the jurisdiction of the company, pending certain procedures.

There must be at least This means it is not possible for you to own a Sociedad Anónima (S.A.) in Nicaragua as a sole shareholder. You must have other shareholders, they can be nominees or de facto shareholders. Corporate Shareholders are permitted, which means you can have a legal entity as a shareholder. Foreign ownership is tolerated, up to 100% of the total shareholding.

A company is only required to have 1 director on the board. Additionally, corporate directors are permitted. Directorship information is usually not shared with the general public. There is a requirement to have annual meetings of shareholders.

A registered office is a requirement, whom the company will pay yearly, for an office which can receive any lawsuit papers on behalf of the business. A related requirement, a company secretary is also mandated by the government.

There is a legal obligation to file accounts on a yearly basis. On that note, there is oftentimes a requirement to have these accounts audited.

Overall we think Nicaragua is a ok option and have given it a score of 34 as an IO score, using the Incorporations.IO proprietary formula.

- ✓ **Directors not disclosed in a public registry**
- ✓ **Shareholders not disclosed in a public registry**
- ✓ **Redomiciliation permitted**
- ✓ **Registered office required**
- ✓ **Corporate director permitted**
- ✓ **Local Secretary not required**
- ✗ **Local Director not required**
- ✓ **Electronic signature**

- 2 Shareholders required**
- 1 Directors required**
- 30 days to form**



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## Country Info



🚩 National Flag of

**República de Nicaragua**  
(spa)

\$ Currency

**NIO**

☎ Area Code

**+505**

🏰 Capital

**Managua**

📍 Region

**Central America**

🌿 Native Languages

**Spanish**