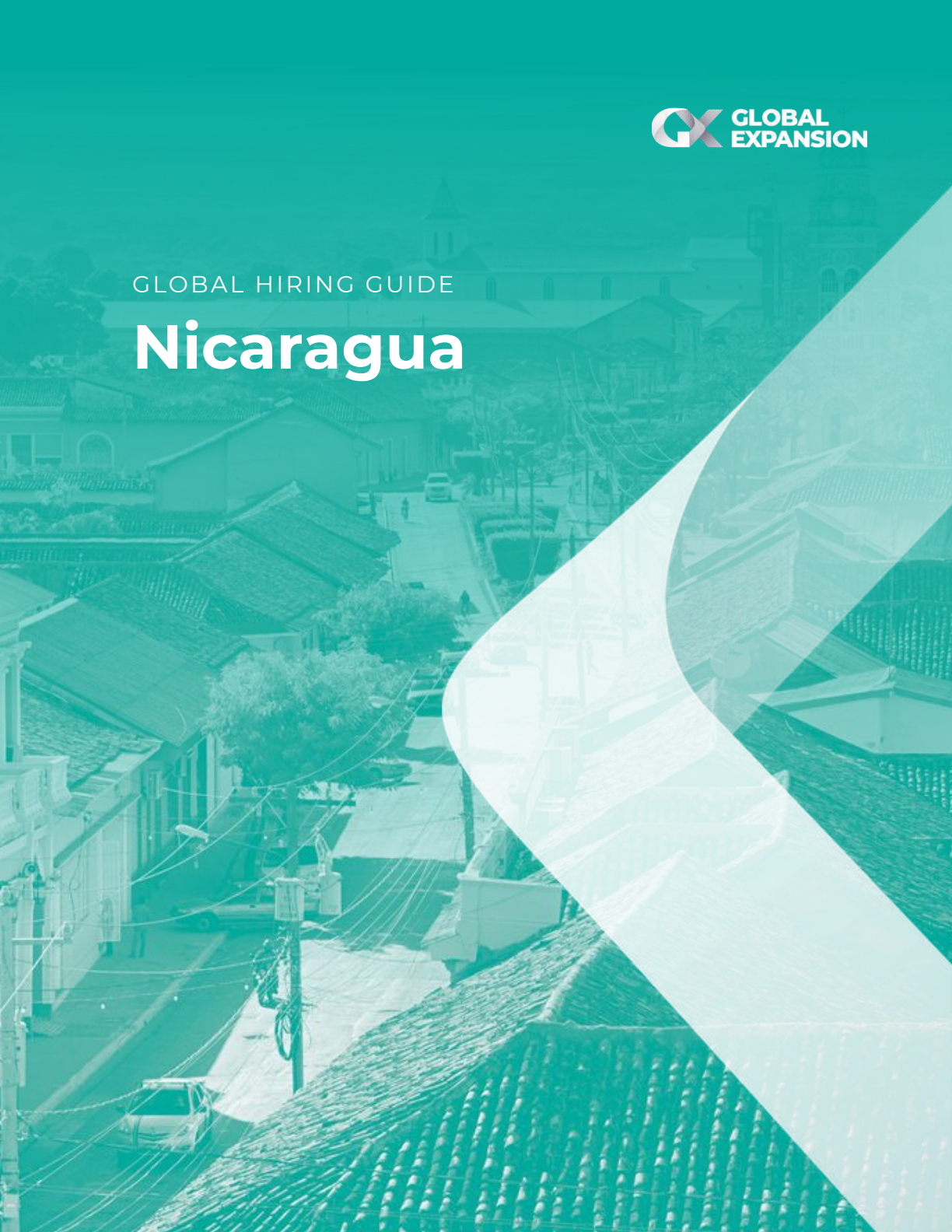


GLOBAL HIRING GUIDE

# Nicaragua





## GLOBAL HIRING GUIDE

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# 01

## BASIC COUNTRY FACTS

- **Full Name**  
Republic Of Nicaragua
- **Capital**  
Managua
- **Main Languages**  
Spanish  
English
- **Population**  
6.851 Million
- **Monetary Unit**  
Nicaraguan Córdoba
- **Internet Domain**  
.ni
- **International Dialing Code**  
+505
- **Currency**  
Nicaraguan córdoba



# 02

## STATUTORY LABOR REQUIREMENTS

### Probation Period

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- Trial period cannot exceed 30 days.

### Annual Leave

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- Employees are generally entitled to 15 calendar days of paid leave every six months.
- Such leave should be taken all at once, but alternate arrangements may be made.

### Public Holidays

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1. New Year's Day
2. Maundy Thursday
3. Good Friday
4. Labor Day
5. Mother's Day
6. Sandinista Revolution Anniversary
7. San Jacinto Day
8. Independence Day of Nicaragua
9. All Souls Day
10. Feast of the Immaculate Conception
11. Christmas Day

### Maternity Leave

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- Female employees are generally entitled to 4 weeks of maternity leave before the birth and 8 weeks after.
- Maternity Leave is extended up to 14 weeks (2 additional weeks) in the case of multiple births.
- The maternity leave is fully paid after 16 weeks of contributions in the 39 weeks before expected date of childbirth.
- The Social Security Institute pays 60% of her salary and the employer pays the remaining 40%.
- If a worker is not insured, 100% of the maternity leave benefit is paid by the employer.

### Paternity Leave

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- Paid paternity leave of 5 calendar days is provided to the father on the birth of a child without any loss of social benefits.

### Sick Leave

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- The Social Security Law allows payment of sickness benefits to the insured worker at a rate of 60% of the average earning in the last 8 weeks for a period of 52 weeks.
- An insured person is entitled to sickness benefit after at least 8 weeks of contributions in the last 22 weeks.

- The first three days are unpaid, unless the company has established a practice of paying for those days.

## Work Hours

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- The work week should not exceed 48 hours or eight hours per day.

## Overtime

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- Overtime hours may not exceed nine per week and are compensated at a rate of 200% of the standard wage.
- The total amount of overtime hours cannot exceed 3 hours a day.

## Notice Period

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- Employees must provide 15 days' notice.

## Severance

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- In general, the employee is entitled to pay as follows:
  - 1 months salary after 3 years of service
  - 20 days' wages for each year of work from the fourth year.
- Severance pay can not exceed 5 months pay.

## 13th Month

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- 13th month pay is mandatory.
- It must be paid by December 10th and is equal to one month's salary.



# 03

## INCOME TAX

- Nicaragua taxes its citizens and all residents and non-residents on their income originating in Nicaragua.
- Taxable income that originates in Nicaragua obtained by non-residents or non-domiciled persons is determined as a percentage of gross income, depending on the nature of the income.
- Income derived from self-employment or from trade or business activities is taxable.
- Resident individuals are subject to progressive tax rates ranging from 10% to 30% of net self-employment and business income.
- Nonresident individuals are subject to a flat 20% withholding tax on this income.
- Residents are subject to income tax according to the progressive tax rates shown below:

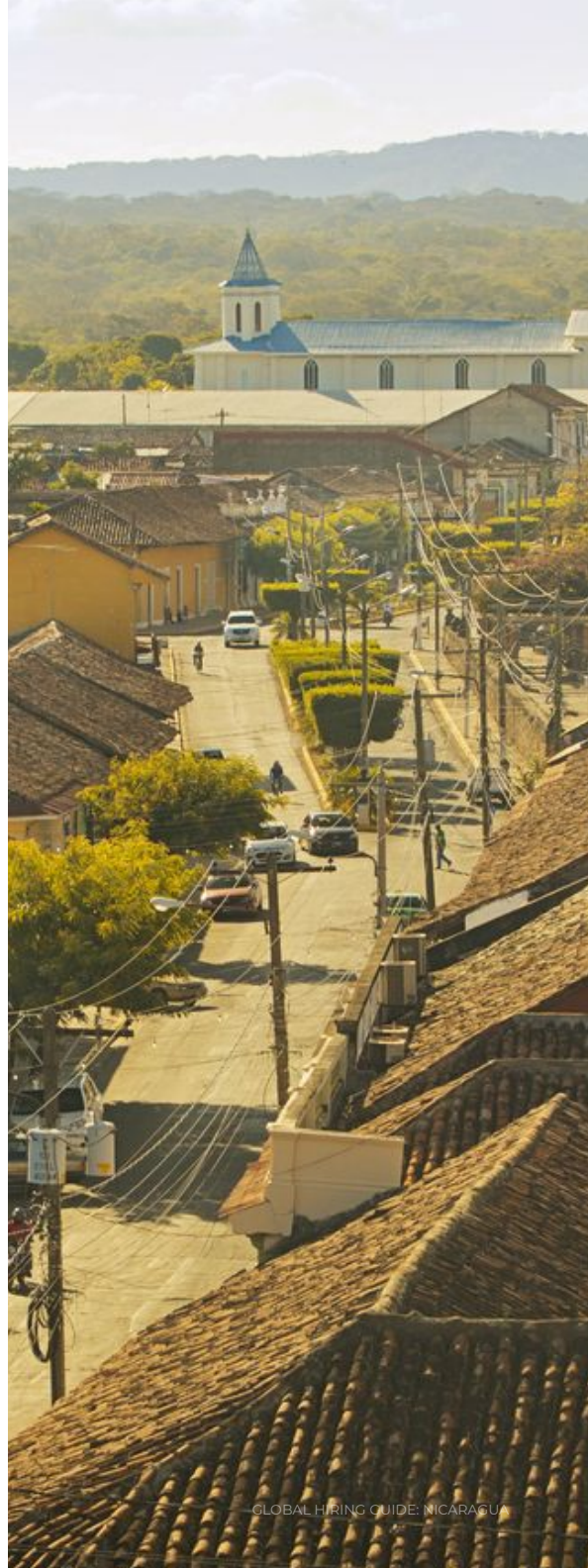
TAXABLE INCOME (NIO)		MINIMUM TAX CHARGE (NIO)	TAX ON EXCESS (%)
Over	Not Over		
0	100,000	0	0
100,000	200,000	0	15
200,000	350,000	15,000	20
350,000	500,000	45,000	25
500,000	And Above	82,500	30

# 04

## SOCIAL SECURITY

- Social security contributions are levied on salaries at a rate of 21.5% for employers with 50 or fewer employees and 22.5% if greater than 50 and are determined on the gross salaries and wages.
- These rates are increased annually.

CONTRIBUTION	EMPLOYER	EMPLOYEE
Social Security Contributions	21.5% / 22.5%	7%



# 05

## DEDUCTIBLE EXPENSES

### Employment Deductions

- An employee's social security contribution (7.00%) is considered as a deductible expense for income tax purposes.
- The contributions from employees to saving funds and/or pensions, other than social security, are deductible, provided that these funds have the endorsement of the corresponding authority.

### Personal Deductions

- 25% of education, health, and professional services are deductible up to a maximum amount of NIO 20,000.

### Business Deductions

- Personal business-related expenses are deductible if properly documented and accounted for and if accepted by the fiscal authorities as proportional to income originated by the business activities.
- Total business expenses can be determined ex officio by the fiscal authorities as a percentage of gross income.

DEDUCTABLE EXPENSES	
<b>Employment Deductions</b>	<ul style="list-style-type: none"><li>• An employee's social security contribution (7.00%) is considered as a deductible expense for income tax purposes.</li><li>• The contributions from employees to saving funds and/or pensions, other than social security, are deductible, provided that these funds have the endorsement of the corresponding authority.</li></ul>
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# 06

## IMMIGRATION

### Immigration

- Visa-exempt nationals (also referred to as Category A nationals) can travel to Nicaragua without an entry visa and stay for a period of up to 90 days, extendable in country for an additional 90 days at the discretion of immigration authorities.
- Category B visa nationals can opt to secure a visa at a Nicaraguan consular post or on arrival at the Nicaraguan port of entry.
- Category C visa nationals must obtain a Consulted Visa from a Nicaraguan consular post with prior authorization from the Immigration Department of Nicaragua.
- As such, these visas usually involve an extended processing time.
- Under Nicaraguan law, travelers seeking to enter the country to perform professional activities or undertake employment must obtain a work permit following admission into the country.
- However, according to the Visa and Residence Permits subdivision of the General Directorate of Migrations and Foreign Citizens, travelers seeking to enter Nicaragua to exercise professional activities for short time periods (up to 90 days) are not normally issued any type of special permit.
- The issuance of work visas requires the submission of extensive documentation.
- The validity of the Work Permit usually corresponds to the length of time the foreign national will be performing work activities in Nicaragua (up to one year) and may be extended for up to one year.

TYPE OF VISA	DOCUMENTATION	VALIDITY	ELIGIBILITY
Work Permit	<ul style="list-style-type: none"><li>• Completed work permit application form</li><li>• Copy of your biodata and stamped pages of your passport</li><li>• A letter written by the company or organization that you will work</li><li>• Articles of Incorporation of the Company</li><li>• Employment contract validated by the Ministry of Labor</li><li>• Evidence issued by the Ministry of Labor that your employer conforms with labor code 14 (90% of the employer's workforce has to be Nicaraguan)</li></ul>	1 year (can be extended)	Under Nicaraguan law, travelers seeking to enter the country to perform professional activities or undertake employment must obtain a work permit following admission into the country.

# 07

## VALUE ADD TAX

### Value Added Tax

- VAT is imposed at a 15% rate on the sale of goods, rendering of services, grant of use of assets, and import of goods.
- Export of goods and services are subject to a 0% rate.
- VAT exemptions are available for certain items, including medicine, real estate transfer, sale of used goods, basic food products, credit instruments, tuition, and textbooks and educational supplies.

VAT	
Standard Rate	15%
Zero Rate	0%
Exempt Rate	0%

# 08

## WITHHOLDING TAX

### Withholding Tax

#### Dividends

- Dividends paid to a nonresident are subject to a 15% withholding tax
- The rate increases to 17% if the payment is made to a resident of a tax haven jurisdiction

#### Interest

- Interest paid to a nonresident or a nonfinancial institution is subject to a 15% withholding tax
- The rate increases to 17% if the payment is made to a resident of a tax haven jurisdiction

#### Royalties

- A 15% withholding tax applies to patent royalties paid to a nonresident
- The rate increases to 17% if the payment is made to a resident of a tax haven jurisdiction

## Fees For Technical Services

- Technical service fees paid to a nonresident are subject to a 15% withholding tax
- The rate increases to 17% if the payment is made to a resident of a tax haven jurisdiction

WHT	
<b>Dividends</b>	
Nonresident	15%
Residents of a Tax Haven	17%
<b>Interest</b>	
Nonresident	15%
Residents of a Tax Haven	17%
<b>Royalties</b>	
Nonresident	15%
Residents of a Tax Haven	17%
<b>Technical Service Fees</b>	
Nonresident	15%
Residents of a Tax Haven	17%

# 09

## TERMINATION

- Employees may be terminated for just cause, but the employer must request authorization for termination from the Labor Inspection Department ahead of time.
- If the employer terminates without authorization, the employee can sue.
- Proportional vacation pay and annual bonus pay are due to the employee on termination.
- The employee is entitled to indemnification for years of service if it is an indefinite term contract and either the employee resigned with 15 days' notice or the employee is dismissed with just cause.

In general, the employee is entitled to pay as follows:

# 10

## STATUTORY BENEFITS

- These are mandatory benefits as postulated by law.
- These include probationary period, annual leave, public holidays, sick leave, maternity leave, overtime pay, severance pay and 13th month pay.
- Statutory benefits also include social security benefits

### STATUTORY BENEFITS

- Probationary Period
- Annual Leave
- Public Holidays
- Maternity Leave
- Sick Leave
- Overtime Pay
- Severance Pay
- 13th Month Pay
- Social Security Benefits



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