



## Nicaragua

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| <b>General</b>              | Types of indirect taxes (VAT/GST and other indirect taxes).  | VAT.  |
|                             | Are there other indirect taxes?  | <ul style="list-style-type: none"> <li>— Selective consumption taxes (ISC).</li> <li>— Stamp taxes (ITF).</li> </ul>  |
|                             | What are the standard or other rates (i.e. reduced rate) for VAT/GST and other indirect taxes?   | <ul style="list-style-type: none"> <li>— VAT: 15% standard rate; 0% on exports.</li> <li>— ISC: rates between 9% and 30%. A few items exceed 30% (oil is subject to a fixed amount per gallon and by type of product).</li> <li>— ITF: fixed rates and ad valorem rates.</li> </ul>   |
|                             | Who is required to register for VAT/GST and other indirect taxes?  | <ul style="list-style-type: none"> <li>— VAT: Individuals or entities that perform activities of sales of goods, rendering services and imports through a permanent establishment.</li> <li>— ISC: Individuals or entities that produce or introduce goods and/or merchandise to the country.</li> <li>— ITF: Whoever receives the good or right under the document taxed.</li> </ul> |
| <b>VAT/GST registration</b> | Is voluntary registration for VAT/GST and other indirect taxes possible for an overseas company (e.g. if the annual turnover is below the relevant VAT/GST and other indirect taxes registration threshold)? | No, under Nicaraguan VAT legislation, it is not possible for a non-resident entity to voluntarily register in Nicaragua and act as an established entity.   |
|                             | Does an overseas company need to appoint a fiscal representative?  | No.   |
|                             | Which forms and supporting documentation does an overseas company need to submit for VAT/GST and other indirect tax registrations?   | Not applicable.   |
|                             | Is grouping* for VAT/GST and other indirect taxes possible?  | No.   |
| <b>VAT/GST compliance</b>   | How frequently are VAT/GST and other indirect tax returns submitted?   | <ul style="list-style-type: none"> <li>— VAT/ISC: monthly.</li> <li>— ITF: at the moment of purchase of the stamps.</li> </ul>  |
|                             | What are the exchange rate rules in your country?  | In Nicaragua, the exchange rate is set by the Central Bank and it is based on the slip of 5% (devaluation) of the Nicaraguan cordoba (NIO) against the US dollar.   |

\* By 'grouping' we mean: either a consolidation mechanism between taxpayers belonging to the same group (payment and refund are compensated but taxpayers remain distinct) or a fiscal unity for VAT/GST purposes (several taxpayers are regarded as a single taxpayer).

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| <b>VAT/GST recovery</b> | Can an overseas company recover VAT/GST and other indirect taxes if it is not registered for VAT/GST and other indirect taxes locally? | No.   |
|                         | Are there any exemptions with the right to recover or deduct input VAT?  | Exports are the only transactions subject to the 0% VAT rate. Exporters have the right to credit or to get a refund of VAT paid on input purchased for use in the processing of the exported goods.   |
|                         | Are there any restrictions to the deduction of input VAT?  | Yes, there are some exemptions not allowing a recovery of input VAT (e.g. healthcare-related services, loans granted by financial institutions and land leasing).<br><br>Exempt services: healthcare; insurance premiums against agricultural and transit risks; non-professional sporting events or promoted by religious bodies; electricity for agricultural irrigation; education services; interest on loans granted by financial institutions; construction contracts for public housing; rental of unfurnished dwelling and land leasing; machinery and equipment.   |
| <b>Invoices</b>         | Is a business required to issue tax invoices?  | Yes.  |
|                         | Is it possible/mandatory to issue invoices electronically?   | It is possible, but not mandatory.  |
|                         | Is it possible for the vendor to issue an invoice, i.e. is self-billing possible?  | Yes, in certain cases (self-consumption).   |
| <b>Audits</b>           | Do tax audits take place on a regular basis?   | Yes, tax audits are performed at the discretion of the Department of Revenue.   |
|                         | Are audits done electronically in your country (e-audit)? If so, what system is in use?  | No.   |
|                         | What penalties can arise from non-compliance?  | Failure to comply with formal obligations of taxpayers involves monetary penalties to be applied as the number of times the taxpayer commits a breach within the period indicated on the prescription. Penalties range from 30 to 150 fine units and each unit is equivalent to NIO25.<br><br>A penalty of 25% of the omitted tax plus penalties of between 500 and 1500 units can be applied if there is proof of tax evasion, if transfers of tax end up in a decrease of tax profits or for improperly obtained exemptions or tax benefits. Other sanctions could include: business management intervention; confiscation of goods or vehicles and other items used to commit infringement; and closure of the premises where the infringement was committed (for a maximum of 6 days).<br><br>Persons submitting tax returns and/or tax payments late shall pay the credit rate of a 5% surcharge per month on the unpaid balance. Where a taxpayer does not submit an income tax, a surcharge of 2.5% per month (or partial month) on the unpaid balance will be charged. Accumulated charges cannot exceed 50% of the unpaid balance. |

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| <b>Special indirect tax rules</b> | Are there any special rules for the sale of a company by one taxpayer to another where VAT is not due on the sale? | No.   |
|                                   | Are there unique, specific indirect tax rules that you would not expect to find in 'standard' VAT jurisdictions?   | No.   |
|                                   | Does a reverse charge mechanism apply for goods or services?   | No.   |
|                                   | Are there indirect tax incentives available (e.g. reduced rates, tax holidays)?                                    | The Nicaraguan government established a special tax regime, which is a stimulating element for the development of investment and a consequent economic and social benefit for the country.<br><br>In general, the special tax regime is a tax exemption for a limited period of time (e.g. free trade zones, non-governmental organizations (NGO), energy industries and tourism industries). |
| <b>Rulings</b>                    | Are rulings and decisions issued by the tax authorities publicly available?  | Yes, they can be found at <a href="http://www.tta.gob.ni">www.tta.gob.ni</a> .  |