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SPIEX

Free Zone Regime

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Law N°. 917

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Law N°. 917, Law on Industrial Export Free Zones

The Free Zones Regime in Nicaragua offers an attractive package of tax incentives designed to attract investors in key sectors such as textiles and apparel, manufacturing, and agroindustry. Export-oriented companies that establish operations in these zones can gain significant benefits. Additionally, these advantages extend to exporting international services like Business Process Outsourcing, Knowledge Process Outsourcing, and Information Technology Services, among others.

What is a Free Zone?

A Free Zone is any area within a country's national territory that does not have a resident population and operates under a special tax regime and customs exemptions. For tax purposes, Free Zones are treated as being outside the national territory. They must have a fenced perimeter and be established as commercial companies in accordance with Nicaraguan laws.







What is the objective of Free Zones?

The main objective is to promote investment and exports by creating and operating various types of zones, such as processing plants, production areas for industrial and agro-industrial goods, logistics-free zones, service-free zones, and outsourcing-free zones. These zones are dedicated to the production and export of goods and services under a special tax regime and customs exemptions. The activities within Free Zones are exclusively oriented towards export.



Who regulates the operations under the Free Zones Regime in Nicaragua?

The National Commission of Free Trade Zones (CNZF) is the public institution responsible for managing and regulating the Export Free Zone Regime in Nicaragua.



How are Free Zones classified?

Free Zone Operating Company:

This type of company is solely focused on developing and managing industrial Free Zone parks that operate under the Free Zone Regime. The primary business of an operator is to develop industrial spaces, known as “industrial roofs” to lease to user companies. The minimum area that an operator must develop is 10,000 square meters.

User Companies:

These are businesses, whether industrial or service type, authorized by the National Commission of Free Trade Zones to operate within a Free Zone, typically located inside of an industrial Free Zone park.

Administered Free Zones (ZOFAS):

These are user companies that, due to the nature of their production process, the origin of their raw materials, or specific company characteristics, are authorized by the National Commission of Free Trade Zones to operate outside a traditional industrial Free Zone park.

The minimum area for a ZOFA is 2,500 square meters. ZOFAS must have the necessary and adequate buildings and infrastructure to ensure proper working conditions and facilitate their commercial operations.



Where can a Free Zone be located?

Free Zones can be established in any part of the national territory. The National Commission of Free Trade Zones determines their precise location, dimensions, and boundaries. In making these determinations, the Commission must consider the national interest and the businesses objectives by investors.

What incentives does the Free Zone Regime provide?

Income Tax Exemption: A 100% exemption on the payment of income tax generated by activities in the Free Trade Zone for the first ten years of operation. This exemption can be extended for an additional ten years for user companies and fifteen years for operating companies, with pre-authorization.

Real Estate Transfer Tax Exemption: Exemption from paying taxes on the transfer of real estate property under any title, including the Capital Gains Tax.

Corporate Formation and Transaction Tax Exemption: Exemption from taxes on the constitution, transformation, merger, and reformation of companies, as well as the Stamp Tax.

Customs and Import Duty Exemption: Exemption from all taxes, customs, and consumption duties related to imports. This applies to raw materials, equipment, machinery, molds, parts or spare parts, samples, and accessories necessary for the company's operations within the zone.

Transport Equipment Tax Exemption: Exemption from customs taxes on transport equipment, including heavy weight, passenger, or service vehicles, intended for the company's normal use in the Zone.

Indirect, Sales, and Selective Consumption Tax Exemption: Total exemption from indirect taxes, sales taxes, and selective consumption taxes.

Municipal Tax Exemption: Total exemption from all municipal taxes.

Export Tax Exemption: Total exemption from export taxes on products manufactured within the Free Zone.

Local Purchase Tax Exemption: Exemption from fiscal and municipal taxes on local purchases.



What is the Single Window for Free Zones? (One Stop Shop)

The implementation of the Single Window for Free Zones Services is a pioneering initiative by Nicaragua aimed at simplifying and streamlining processes. This initiative enhances service efficiency and competitiveness for investments in Free Zones.

The One Stop Shop provides multiple high-quality services that reduce time and costs, ensuring fast, controlled, and safe procedures for entering the Free Zone Regime. It also facilitates the start of customs, immigration, tax, environmental, and labor operations.



What institutions makeup the Single Window for Free Zones?

The institutions that constitute of the Single Window for Free Zones are:

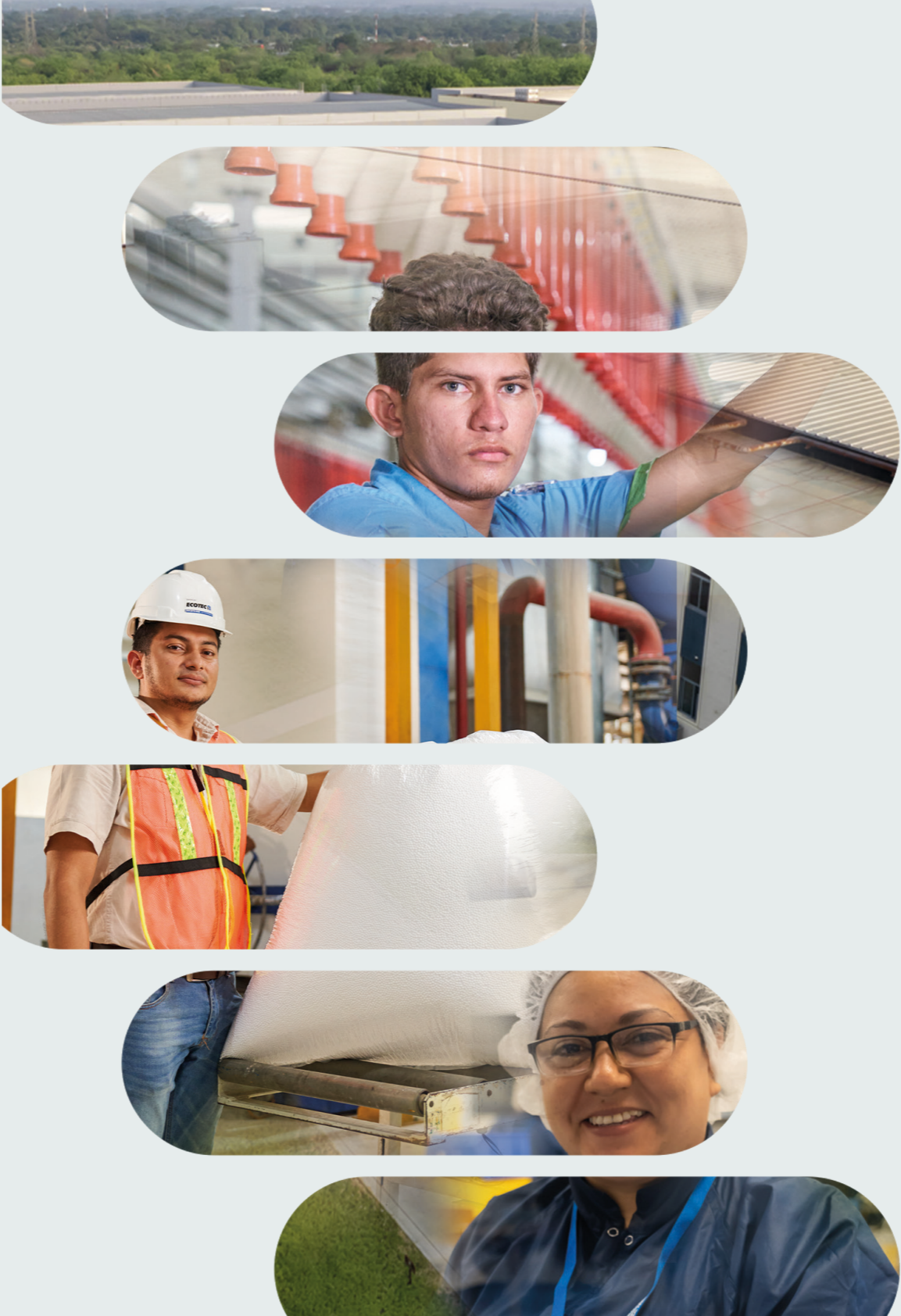
- National Commission of Free Trade Zones (CNZF)
- General Directorate of Revenue (DGI)
- General Directorate of Customs (DGA)
- General Directorate of Migration and Immigration
- Ministry of Labor (MITRAB)
- Ministry of Development, Industry, and Trade (MIFIC)
- Ministry of Environment and Natural Resources (MARENA)

What does the Dialogue and Consensus Model in the Free Zone Regime consist of?

The National Commission of Free Trade Zones, the Ministry of Labor of Nicaragua, representatives of the Private Companies of Free Zones and Trade Union Centers, signed a tripartite minimum wage agreement, which has been established for the next 5 years, the increase will be applied from January 1st of each year and the period runs from 2023 to 2027.

The Dialogue and Consensus Model in the Free Zone Regime imply a collaborative agreement between the National Commission of Free Trade Zones, the Ministry of Labor of Nicaragua, representatives from private companies operating in Free Zones, and trade union centers.

Year	Increase	Minium Wage	Increment
2023	C\$600,00	C\$8.098,46	8,0%
2024	C\$648,00	C\$8.746,46	8,0%
2025	C\$613,00	C\$9.359,46	7,0%
2026	C\$627,00	C\$9.986,46	6,7%
2027	C\$670,00	C\$10.656,46	6,7%



FreeZone

Relevant Data

 **US\$3,509.0**
Million in **Exports**

 **US\$2,304.3**
Million in **Imports**

 **120,000**
Directs Jobs

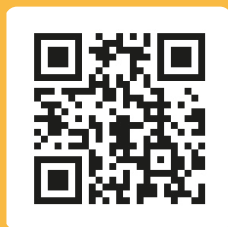
 **360,000**
Indirects Jobs

 **51**
Industrial Parks
nationwide

 **203**
User Companies

 **2.2**
Million square meters of
industrial roof





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