

**LAW ON EXPORT FREE ZONES**

**LAW N°. 917**, approved on October 8, 2015.

Published in La Gaceta, Official Gazette No. 196 of October 16, 2015.

**The President of the Republic of Nicaragua**

To its citizens, be it known:

That,

**The National Assembly of the Republic of Nicaragua**

Has ordered the following:

**THE NATIONAL ASSEMBLY OF THE REPUBLIC OF NICARAGUA**

**CONSIDERING**

**I**

That it is of national interest the existence in Nicaragua of an updated regime of Free Export Zones with the purpose of promoting the generation of employment, foreign investment, the export of non-traditional products, the acquisition of technology and the reactivation of our international trade.

**II**

That the concept of Export Free Zones is framed within the economic plans of the Government, especially in regard to the export and investment promotion policy.

**NOW THEREFORE**

In use of his authorities

**HAS DECREED**

**The following:**

**LAW N°. 917**

**LAW OF FREE EXPORT ZONES**

**Chapter I**  
**About the Zones**

**Article 1. Object of the Law**

The purpose of this Law is to establish the legal regime of the export free zones, with the aim of maintaining and attracting direct foreign investment that complements the effort of national investment and promotes exports, in order to achieve the social and economic development of the country.

## **Article 2. Definition of Export Free Zone**

Export Free Zone, hereinafter referred to in this law as "The Zone" or "The Zones" for brevity, means any area of the national territory, without a resident population, under the supervision of the General Direction of Customs Services (DGSA), subject to special customs control and regulated by the National Commission of Free Zones in accordance with the provisions of this law and its regulations.

## **Article 3. Purpose of the Export Free Zones**

The main purpose of the Zones is to promote investment and exportation through the establishment and operation of different zones such as: free zones for transformation, production of industrial and agro-industrial goods, logistic free zones, free zones for services, free zones for outsourcing, as well as others dedicated to the production and exportation of goods and/or services, under a fiscal and customs regime of exception. The activity of the free zones shall be exclusively oriented to exportation.

## **Article 4. Fiscal Aspects of the Free Export Zones**

The Export Free Zones shall be considered for tax purposes as located outside the national territory, subject in all cases to the exemption periods established in this Law and its Regulations. The raw materials, machinery, equipment, services, goods, and merchandise destined to the operations of the companies in the Zones shall be admitted without the payment of the import taxes and others that correspond according to the provisions of the following articles.

## **Article 5. Location**

The Zones may be located in any part of the national territory, and the National Commission of Free Zones shall be responsible for determining with precision their location, dimensions, and boundaries; for such purpose, the national interest and the project presented by the investor shall be considered.

## **Article 6. Security in the Free Export Zones**

Before starting its operations, the territory of The Zone shall be totally fenced in its perimeter, in such a way that it can only be penetrated through authorized entrances, which shall be controlled and supervised by the General Directorate of Customs Services; the same control and surveillance shall exist in the rest of the territory of The Zone.

## **Article 7. Administration of the Private Domain Zones**

The Zones of private domain shall belong to and be administered by a company constituted as a mercantile corporation in accordance with Nicaraguan laws, which shall have as its sole purpose the administration of the Zone. Said company, in addition to being responsible for the administration of the Zone, shall facilitate the correct functioning of the companies operating therein, in accordance with the terms of the present Law and its regulations.

## **Article 8. Administration of the State-owned Zones**

The State-owned Zones shall be administered by the Free Zone Corporation referred to in Chapter II of the present Law.

## **Chapter II**

### **The Free Zone Corporation**

#### **Article 9. Creation of the Free Zone Corporation**

The Free Zone Corporation is the entity of public law, with legal personality, with its own patrimony, of indefinite duration, and with the capacity to contract and contract obligations, whose purpose is the promotion, development, operation, management, and administration of the public free zones in the Nicaraguan territory. The Free Zone Corporation is an entity of economic and social development of the free zone regime and of the country. The Free Zone Corporation shall be referred to hereinafter simply as "The Corporation".

#### **Article 10. Fiscal Benefits of the Free Zone Corporation**

The Corporation shall enjoy the same tax benefits as the Private Free Zone Operating Companies.

#### **Article 11. Administration of the Free Zone Corporation**

The Corporation shall be administered by a Board of Directors acting as a collegiate body that shall have the powers of a most ample power of attorney in accordance with the law and its regulations. Said Board shall be composed of the following members:

- 1) The President of the Corporation, who is the Presidential Delegate for the Promotion of Investment and the Facilitation of Foreign Trade. His Vice President will be the corresponding alternate.
- 2) The Minister of Development, Industry, and Commerce, or his or her duly accredited Vice Minister.
- 3) The Minister of Finance and Public Credit, or his or her duly accredited Vice-Minister or Vice-Minister.

The President of The Corporation shall have the legal representation of the Free Zone Corporation, with the powers of General Power of Attorney for Administration, without prejudice to the special powers that the Board of Directors of The Corporation may designate when it deems it convenient.

In the absence of the President, the meetings of the Board of Directors shall be presided over by the Vice President of The Corporation, who shall also have the powers of a general administrative power of attorney for the handling of the matters delegated to him/her by the President. No meeting of the Board of Directors may be held without the attendance of the President or Vice President, as the case may be.

In the presence of the President of the Corporation at meetings of the Board of Directors, the Vice President of the Corporation shall have the right to participate in the deliberations, but without the right to vote and in this case but shall not be an integral part of the quorum.

The Corporation shall have a Secretary who shall be the means of communication and shall keep the minutes of the meetings. The Secretary shall be appointed by the President of the Corporation, to whom he shall be responsible for his duties.

For the Board of Directors of the Corporation to make valid resolutions, two of its members must be present. If a quorum is formed by only two of its members, decisions must be adopted unanimously.

The by-laws shall determine how the Board of Directors shall be convened and other aspects related to quorum and decision making.

**Article 12. Operation of The Free Zone Corporation**

The regulations issued under this Law shall determine the powers of the President, Vice President, Secretary, and any other aspects related to the operation of the Corporation.

**Article 13. Main Functions of The Free Zone Corporation**

The main functions of The Corporation shall be: the organization, development, and administration of the State-owned Zones. In carrying out these functions, The Corporation may:

- 1) Make the necessary preliminary studies for the creation of new zones of state domain and submit them to the knowledge of the National Commission of Free Zones.
- 2) Carry out the promotion, development, operation, direction, and administration of the zones of state domain.
- 3) Acquire all kinds of goods to affect them to a Zone.
- 4) Provide the Zone with the facilities and equipment necessary for its operation.
- 5) Lease or sell spaces within the area of The Zone to the companies that are established there, together with the services necessary for its operation.
- 6) Provide and equip The Zones with public services and other facilities that may be necessary so that the User Companies may operate normally.
- 7) Enter and carry out any other act or contract that may be necessary or convenient for the fulfillment of its purposes.
- 8) Request the Superior Council of the Office of the Comptroller General of the Republic to appoint the Internal Auditor of the Corporation, according to Article 62 of Law No. 681, Organic Law of the Office of the Comptroller General of the Republic and of the System of Control of the Public Administration and Auditing of State Assets and Resources.

**Article 14. Assignment of the Administration of State Free Zones**

The Corporation may cede the administration of State Free Zones to private or mixed companies, for which purpose the respective contract shall be executed and approved by the National Commission of Free Zones.

**Article 15. Audit of the Free Zone Corporation**

The Internal Auditor shall submit annual audit reports to the Board of Directors of the Corporation, without detriment to the provisions of Article 64 of Law No. 681, Organic Law of the Office of the Comptroller General of the Republic and the System of Control of the Public Administration and Control of State Assets and Resources.

At the request of the Board of Directors of the Corporation or on its initiative, the internal auditor may conduct special audits.

### **Chapter III**

#### **Free Trade Zone Operating and User Companies**

##### **Article 16. Regime of the Free Zone Operating Companies**

The companies referred to in Article 7 of the present Law that manage Free Zones of private domain shall be called "Free Zone Operating Companies", and must be qualified and approved by the National Commission of Free Zones referred to in Chapter IV of the present Law and once authorized to operate shall enjoy the following tax benefits:

- 1) Exemption of 100% of the Income Tax generated by the operations of The Zone, for a period of fifteen years from the beginning of its operation, which may be extended only once, for an equal period prior to authorization of the National Commission of Free Zones.
- 2) Total exemption from the payment of tax on the importation of machinery, equipment, tools, spare parts, and other implements necessary for the functioning and operation of the Zone.
- 3) Exemption of the payment of tax for incorporation, transformation, merger, and reform of the company, as well as of the Tax of Fiscal Stamps.
- 4) Total exemption of the payment of taxes on the transfer of real estate property assigned to the Zone.
- 5) Total exemption from indirect, sales or selective consumption taxes.
- 6) Total exemption of municipal taxes.

##### **Article 17. Free Zone User Company**

Free Zone User Company shall be understood as any business or industrial or service establishment authorized to operate within a Zone by the National Commission of Free Zones. Every Free Zone User Company must be constituted as a mercantile company according to the Nicaraguan legislation, having as its only object the operations of its business in the Zone. Foreign companies may do so through subsidiaries or branches, in accordance with the procedure established by the Commercial Code of Nicaragua in force, with limitations as to its object.

##### **Article 18. Application for operation in Free Zones**

The companies that wish to establish and operate in a Zone must present their request to the National Commission of Free Zones, which shall decide after studying the case. The Commission shall issue its resolution considering mainly the economic policy of the country and the convenience of the company's operations, all in accordance with the provisions of this Law and its regulations.

##### **Article 19. Companies that may operate in a Free Trade Zone**

Only companies engaged in the production and export of goods or services, by the provisions of the present Law, shall be considered eligible to operate in a Zone. These companies may be national or foreign.

## **Article 20. Fiscal Benefits of the Free Zone User Companies**

The Free Zone User Companies shall enjoy the following tax benefits:

- 1) 100% exemption during the first ten years of operation and 60% from the eleventh year onwards, from the payment of Income Tax generated by their activities in The Zone. The initial period of 10 years of exemption of 100% of the payment of the Income Tax generated by its activities in The Zone may be extended only once, for an equal period with the previous authorization of the National Commission of Free Zones. This exemption does not include taxes on personal income, salaries, wages, or emoluments paid to Nicaraguan or foreign personnel working in the company established in The Zone, but it does include payments to non-resident foreigners for interest on loans, commissions, fees, and remittances for legal services abroad or in Nicaragua and those of promotion, marketing, consulting and related; payments for which these companies will not have to make any withholding.
- 2) Exemption from the payment of taxes on the transfer of real estate by any title, including the Capital Gains Tax, if applicable, if the company is closing its operations in the Zone and the real estate continues to be subject to the Free Zone regime.
- 3) Exemption from the payment of taxes for incorporation, transformation, merger and reformation of the company, merger, and reformation of the company, as well as the Stamp Tax.
- 4) Exemption from all taxes, customs, and excise duties related to imports, applicable to the introduction into the country of raw materials, materials, equipment, machinery, dies, parts or spare parts, samples, molds and samples, molds and accessories destined to enable the Company to operate in The Zone; as well as the taxes applicable to the equipment necessary for the installation and operation of canteens, health services, medical assistance, daycare centers, recreation health services, medical assistance, daycare centers, recreational areas and any other type of other types of goods that tend to satisfy the needs of the company's personnel working in The Zone. personnel working in The Zone.
- 5) Exemption from customs duties on transportation equipment, and vehicles, whether cargo, passenger, or service vehicles, destined for normal use in the normal use of the company in The Zone. In the event of the transfer of these vehicles to purchasers outside the Zone, the customs taxes will apply, with the reductions that are applied in reason of the time of use to the similar transfers made by Diplomatic Missions or International Diplomatic Missions or International Organizations, in accordance with Executive Decree No. 16 published in Executive Decree N°. 16, published in La Gaceta, Official Gazette No. 273 of December 1, 2001. No. 273 of December 1, 1955.
- 6) Total exemption from indirect, sales or selective consumption taxes. excise taxes.
- 7) Total exemption from municipal taxes.
- 8) Total exemption of export taxes on products elaborated in The Zone.
- 9) Exemption of fiscal and municipal taxes on local purchases.

In order to enjoy the tax benefits stipulated in this article or any other benefits granted article or any other that may be granted, the Free Zone User Company must maintain a reasonable number of workers, according to what was stated when submitting its application for admission to the Zone, as well as to reasonably maintain the same salaries and social and social benefits that it offered. In any case, the User Companies shall be subject to the laws of the Republic of Nicaragua.

## **Chapter IV**

### **The National Commission of Free Zones**

#### **Article 21. Creation of the National Commission of Free Zones**

The National Commission of Free Zones is hereby created as a decentralized entity under the sectorial leadership of the Presidency of the Republic, with technical and administrative autonomy to exercise the competencies established in this Law and its regulations, of indefinite duration, with legal personality and its own patrimony. It shall have its domicile in the city of Managua, without prejudice of establishing offices or agencies in any part of the national territory or abroad.

The National Commission of Free Zones, which shall be abbreviated as "The Commission", is the governing body and promoter of the Free Zones Regime of the country and its main purpose shall be the direction and application of this Law and its regulations.

#### **Article 22. Members of the National Free Trade Zone Commission**

The National Commission of Free Trade Zones shall be integrated as follows following way:

- 1) The President of The Commission, who shall be the Presidential Delegate for the Promotion of Investments and the Facilitation of Foreign Trade Facilitation. His vice-president shall be his corresponding alternate.
- 2) The Minister of Finance and Public Credit, or his or her duly accredited vice minister.
- 3) The Minister of Development, Industry and Commerce, or his or her duly accredited vice-minister.
- 4) The Minister of Labor, or his or her duly accredited vice-minister.
- 5) Two representatives and their respective alternates proposed by the Superior Council of Private Enterprise (COSEP), appointed by the President of the Republic.

The President of the Commission shall be in charge of the legal representation of the Commission and shall be appointed by the President of the Republic, with the rank of Minister, and shall be responsible for the management of the affairs of the Commission, as well as the direction, control, and coordination of its operations, with the powers of General Power of Attorney for Administration.

The Vice President of the Commission shall be appointed by the President of the Republic, shall have the rank of Vice Minister and, in the event of absence of the President, shall preside over the sessions of the Commission, and shall also have the faculties of a General Power of Attorney for Administration for the handling of the matters delegated to him by the President of the Commission.

No meetings of the Commission may be held without the Chairman or the Vice-Chairman in attendance. In the presence of the Chairman at meetings of the Commission, the Vice-Chairman of the Commission shall have the right to speak in the deliberations, but without the right to vote, and in this case shall not form a quorum.

Each of the members of the Committee may be replaced at meetings by their respective alternates. The presence of at least four of its members and the affirmative vote of the majority of the members present shall be necessary for the Commission to adopt valid resolutions. In the event of a tie, the Chairman shall decide.

The Commission shall have a Secretary who shall be the means of communication and shall keep the minutes of the meetings. The Secretary shall be appointed by the Chairman of the Commission, to whom he shall be accountable for his functions.

**Article 23. Powers of the National Commission of Free Zones**

The following attributions shall correspond to "The Commission":

- 1) It shall have the responsibility to comply with and enforce compliance with this Law and its regulations.
- 2) To know, to study and to resolve on the convenience of establishing new types of zones or reactivate the existing ones that have ceased to operate, and on the applications submitted in this regard, both private, state, and mixed zones.
- 3) To hear, evaluate, approve, or reject applications for permits for the installation of companies in the Free Zone Regime.
- 4) Create a Technical Committee to know, evaluate and endorse the special cases of exoneration requests of Free Zone Companies, in which there are discrepancies of interpretation with the General Directorate of Customs Services (DGSA) or the General Directorate of Revenues (DGI), including exonerations of vehicles, machinery, equipment, spare parts and other transportation implements, and others required by the Free Trade Zone User and Operator Companies, which shall issue recommendations for the resolution of such cases. The Committee will be coordinated by the Vice President of the National Commission of Free Zones and will be formed by a Special Delegate of the General Directorate of Customs Services, a Special Delegate of the General Directorate of Revenues, a Special Delegate of the National Commission of Free Zones and a Special Delegate of the Superior Council of the Private Enterprise. This Committee shall meet each time a special case arises and shall have a period of two working days from receipt of the request to issue non-binding recommendations, which will be sent to the corresponding authorities so that they may consider and resolve on the case within a period of up to eight working days from the date on which the Committee's recommendations are received. The Tax Administration and the Customs Administration will authorize the corresponding exonerations according to the conditions and terms established in the laws of the matter.
- 5) Participate in the negotiation of national and international agreements or conventions related to the operations and activities of the export processing zones and maintain the appropriate controls to comply with what has been agreed.
- 6) Coordinate with the official institutions of investment promotion of the country, the design and implementation of the policy of promotion and attraction of foreign and local investments to the Free Trade Zone Regime.
- 7) To know and resolve the obligations and sanctions of the Free Trade Zone Operating and Operators and Users of Free Trade Zones, according to what is established in the regulations issued under this Law.



8) Promote the operation of an agile and facilitating regime for Free Trade Zone for Free Trade Zone Operating Companies and Users.

9) To appoint the Manager of the Single Window for Free Trade Zone Services. Services. Also, to define the general policy of the Single Window, approve its plans, general projects, and budget.

Other attributions designated by the regulations of the present Law or other related Law.

#### **Article 24. Frequency of the meetings of the National Commission of Free Zones**

The regulations of the present Law shall indicate the periodicity of the meetings of the Commission, the specific attributions of the President, Vice President and Secretary and any other aspects related to the operation of the Commission.

### **Chapter V Final Provisions**

#### **Article 25. Amendment to Article 14 of Law No. 290, Law on the Organization, Competence and Procedures of the Executive Branch of Government**

Article 14 of Law No. 290, Law on Organization, Competence and Procedures of the Executive Branch, as published with amendments incorporated in La Gaceta, Official Gazette No. 35 of February 22, 2013, which shall read as follows:

##### **“Article 14 Decentralized Entities**

The Decentralized Entities listed below, shall be under the Sector Rectories:

##### **I. Presidency of the Republic**

- a) Central Bank of Nicaragua.
- b) Emergency Social Investment Fund.
- c) Nicaraguan Institute of Territorial Studies.
- d) Nicaraguan Institute of Energy.
- e) Nicaraguan Institute of Aqueducts and Sewerage.
- f) Nicaraguan Institute of Telecommunications and Post Office.
- g) Nicaraguan Institute of Social Security.
- h) Nicaraguan Institute of Insurance and Reinsurance.
- i) Office of the Attorney General of the Republic.
- j) Urban and Rural Housing Institute.
- k) National Port Company.
- l) National Institute of Development Information.
- m) Nicaraguan Institute of Culture.
- n) Nicaraguan Sports Institute.
- o) Nicaraguan Institute of Fisheries and Aquaculture.
- p) Nicaraguan Institute of Tourism.
- q) Nicaraguan Institute of Municipal Development.
- r) National Forestry Institute.
- s) Institute of Agricultural Protection and Health.
- t) National Cinematheque.
- u) Investment and Export Promotion Agency (PRONicaragua).
- v) National Commission of Free Zones.

##### **II. Ministry of Development, Industry and Commerce**

- a) Repealed.

b) Nicaraguan Basic Food Company.

**III. Ministry of Agriculture and Livestock**

a) Nicaraguan Institute of Agricultural Technology.

**IV. Ministry of Labor**

a) National Technological Institute.

**V. Ministry of Family, Community, Cooperative, Cooperative and Associative Economy and Associative Economy**

a) Nicaraguan Institute for Cooperative Development.

b) National Administration of Family Economy Fairs.

**VI. Ministry of Finance and Public Credit**

a) General Directorate of Customs Services.

b) General Directorate of Revenues.

**VII. Ministry of Transportation and Infrastructure**

a) Nicaraguan Institute of Civil Aeronautics.

The functions of the Decentralized Entities are established in their organic or creating laws and in the amendments derived from this Law. The functions of the Deconcentrated Entities are established in their organic or creating laws and in the amendments derived from this Law.

**Article 26. Repeals**

Decree No. 46-91, Decree on Export Processing Zones, of November 13, 1991, published in La Gaceta, Official Gazette No. 221 of November 22, 1991, is hereby repealed.

**Article 27. Successor without solution of continuity**

For all effects and purposes, as of the entry into force of the present law, it shall be understood that the Free Zone Corporation is the legitimate successor without solution of continuity of the Free Zone Corporation created by Decree No. 46-91, Decree of Industrial Free Zones for Export, acquiring the administration and the patrimony. Likewise, in all the legal framework where Decree N". 46-91, "Export Industrial Free Zones", is found, it shall read: "Law No. 917, Law of Export Processing Zones".

**Article 28. Regulations**

This Law shall be regulated in accordance with the provisions of numeral 10 of Article 150 of the Political Constitution of the Republic of Nicaragua.

**Article 29 Validity**

This Law shall enter into force as of its publication in La Gaceta, Official Gazette.

Given in the city of Managua, in the Sessions Room of the National Assembly of the Republic of Nicaragua, on the eighth day of the month of October of the year two thousand and fifteen. Lic. Iris Montenegro Blandón, President by law of the National Assembly. Lic. Alba Palacios Benavidez, Secretary of the National Assembly.

Therefore, be it enacted as Law of the Republic. Be it published and executed. Managua, on the twelfth day of October of the year two thousand and fifteen. Daniel Ortega Saavedra, President of the Republic of Nicaragua.