

International Tax Honduras Highlights 2017



Investment basics:

Currency – Honduran Lempiras (HNL)

Foreign exchange control – The exchange rate is subject to a “crawling band” regime, with the rate determined daily in foreign exchange auctions. The Honduras central bank is responsible for the exchange auctions and for setting monetary policies.

Accounting principles/financial statements – IAS. Financial statements must be prepared annually.

Principal business entities – These are the corporation, limited liability company, general and limited partnership and branch of a foreign company.

Corporate taxation:

Residence – A company is resident in Honduras if is incorporated according the Honduran Commercial Code.

Basis – Resident companies are taxed on territorial income; nonresident companies are taxed only on Honduran-source income.

Taxable income – Taxable income for corporate income tax purposes includes all income and gains that increase the taxpayer's net worth, less deductions for expenses related to the production of income.

Taxation of dividends – Dividends received by a resident company are subject to a 10% withholding tax.

Capital gains – Capital gains are taxed as ordinary income at a rate of 10%.

Losses – Tax losses generally may not be carried forward or back. However, tax losses incurred by manufacturing, mining, agribusiness and tourism companies may be carried forward for three years.

Rate – 25%

Surtax – A 5% solidarity contribution is levied on net taxable income above HNL 1 million, in addition to the corporate income tax.

Alternative minimum tax – A minimum income tax is levied on a taxpayer that has operating losses in the past five years and whose gross income in the past year is HNL 100,000 or more. The tax is 1% of the taxpayer's gross income. Certain taxpayers are exempt from the minimum tax (e.g. companies in the first five years of operation, entities with tax losses arising from natural disasters, etc.).

Legal entities and individuals resident in Honduras must pay 1.5% of gross income equal to or in excess of HNL 10 million when the tax that otherwise would apply is lower than 1.5% of reported revenue. The rate is reduced to 0.75% for individuals or legal entities that produce or market the following products or services: production and distribution of cement; public services provided by state-owned entities; pharmaceutical products marketed for human use, at the level of producer or importer; and the bakery industry.

Foreign tax credit – No

Participation exemption – No

Holding company regime – No

Incentives – The tourism sector and companies operating in free zones are subject to favorable tax treatment. Certain investments are promoted and protected under a special law.

Tax exemptions for importers and nonprofit organizations have been repealed (with some exceptions).

Withholding tax:

Dividends – Dividends paid to a nonresident are subject to a 10% withholding tax.

Interest – Interest paid to a nonresident is subject to a 10% withholding tax.

Royalties – Royalties paid to a nonresident are subject to a 25% withholding tax.

Technical service fees – Technical service fees paid to a nonresident are subject to a 25% withholding tax.

Branch remittance tax – No

Other taxes on corporations:

Capital duty – No

Payroll tax – No

Real property tax – Real property tax is levied annually by the local governments, with the rates depending on the location of the property.

Social security – Under the new social security act, the employer is required to pay 8.7% of salaries for state welfare.

Stamp duty – No

Transfer tax – A transfer tax equal to 1.5% of the transfer value is levied on transfers of immovable property for consideration.

Other – District and municipal governments impose various levies.

Anti-avoidance rules:

Transfer pricing – Transfer pricing rules are effective as from 2014, and follow the OECD guidelines (for intercompany transactions).

A transfer pricing declaration is required; the declaration for 2015 is due on 30 April 2016 and, for subsequent years, the transfer pricing declaration will be due on 30 April of the following year.

Thin capitalization – There are no thin capitalization rules per se, but payments to residents are deductible only if the taxpayer can demonstrate that a service was performed.

Controlled foreign companies – No

Disclosure requirements – No

Compliance for corporations:

Tax year – The calendar year is used, but a taxpayer may elect to use a different tax year by giving notice to the local tax authorities.

Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.

Filing requirements – The annual return must be filed and tax paid within the first four months of the year following the tax year. Alternatively, three advance payments may be made during the tax year (in June, September and December), with any balance due paid before 30 April of the year following the tax year. Excess tax paid will be credited against the next fiscal period's tax liability.

Penalties – Various penalties apply for failure to file returns and pay tax.

Rulings – No

Personal taxation:

Basis – Residents are taxed on worldwide income; nonresidents are taxed only on Honduran-source income.

Residence – An individual is resident in Honduras if he/she lives in the country and, in the case of foreigners, if the individual obtains the required permit from the immigration office.

Filing status – Married couples are not required to file a joint return.

Taxable income – Taxable income is comprised of income earned from employment, the carrying on of a business or profession, investment income and any other gains.

Capital gains – Capital gains generally are subject to a 10% tax.

Deductions and allowances – The ceiling for tax-exempt income is HNL 145,667.10 plus HNL 40,000 of medical expenses without supporting documents. No personal allowances are granted.

Rates – Rates are progressive up to 25%. See also "Alternative minimum tax" under "Corporate taxation," above.

Other taxes on individuals:

Capital duty – No

Stamp duty – No

Capital acquisitions tax – No

Real property tax – Real property tax is levied annually by the local governments, with the rates depending on the location of the property.

Inheritance/estate tax – No

Net wealth/net worth tax – No

Social security – Under the new social security act, the employee is required to pay 5% of his/her salary for state welfare.

Compliance for individuals:

Tax year – Calendar year

Filing and payment – The personal income tax return must be filed by 30 April of the year following the tax year, and any tax due must be paid at that time.

Penalties – Penalties for nonpayment of tax range from 5% to 60% of the tax due.

Sales tax:

Taxable transactions – Honduras imposes a sales tax on the provision of goods and services.

Rates – The rate is 15% on most goods and services, and 18% on alcoholic beverages, tobacco and first-class air tickets. Certain items and services are exempt.

Registration – No

Filing and payment – The sales tax return must be filed by the 10th day of each month.

Source of tax law: Tax Code in force since 1 January 2017

Tax treaties: Honduras has a tax information exchange agreement with the US.

Tax authorities: Servicio de Administracion de Renta (Income Service Administration)

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