

# New tax reform comes into force in Nicaragua

March 4, 2019

Law No. 987, Law of Reform and Additions to the Law No. 822 the Tax Concertation Law, came into force with its publication in a special edition of The Gazette, Official Newspaper of Nicaragua, on February 28, 2019. According to the recitals of the law, the purpose of the reform is to secure the tax revenue to continue with the increase of the country's fiscal and macroeconomic stability.

With the reform, corporations, depending on their size and gross income, must pay between 1% and 3% per month as an advance payment of the Definitive Minimum Payment of the annual Income Tax. Another important change is the increase in the rate of the definitive withholding of income from wages as well as the reduction of the consumer products that were exempt from the Value Added Tax (VAT). Likewise, the Selective Consumption Tax was increased for gassed waters, sweetened drinks based on artificial concentrates and based on fruit pulps.

Among the important changes implemented by the reform, special notice should be taken regarding the increase of the percentage of the capital gain tax payable for the transfer of assets that are subject to the registration of a public office (like real estate), which is now between 1% and 7% depending on the value of the asset.

To obtain legal advice on this matter any other tax issue, do not hesitate to contact us.

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