

SETTING UP BUSINESS IN HONDURAS



General Aspects

Honduras, is one of the countries that forms part of the American continent, it is located in the extreme north of Central America. Its official name is the Republic of Honduras and its capital is the Central District, formed jointly by the twin cities of Tegucigalpa and Comayagüela, as well as industrialized cities such as San Pedro Sula, which is located in the northern part of the country and has the most important port in the Central American region. Language: Spanish, Local Currency: Lempira.

Legal Forms for Business Companies (MSMEs)

Legal Format	Characteristics	Aspects of Interest
Micro Enterprise	It has one to ten permanent salaried workers. Average monthly sales are of 3,125 dollars, and the average investment in fixed assets is of 2,400 dollars.	It is of low profitability, manual work and the use of simple technologies predominate; It operates informally, and some do not have accounting and administrative records.
Small Enterprise	It has 11 to 25 permanent salaried workers. Average monthly sales are of 9,375 dollars; the average investment in fixed assets is of 25 thousand dollars.	It is more profitable and has incorporated more technology; It has records and administrative accounting controls and maintains a stable fiscal status.
Medium Enterprise	It has from 26 to 150 permanent salaried workers. Average monthly sales are of 154,000 dollars and an investment in fixed assets greater than 25,000 dollars and less than 200,000 dollars	There is an internal division of labor, it operates formally and has administrative accounting controls.

There are the following Incorporations (Inc.) in Honduran Law:

Big companies	It has 250 to 1,500 permanent salaried workers. Average monthly sales are of 300,000 dollars and an investment in fixed assets greater than 100,000 dollars and less than 500,000 dollars;	There is an internal and external division of labor, it operates formally and has administrative accounting controls, human resources, marketing,
Corporates	It has 500 to 3,500 permanent salaried workers. Average monthly sales are of 800 thousand dollars and an investment in fixed assets greater than 500 thousand dollars with no investment limits.	It provides international quality standards such as ISO's and control regulations, it formally operates and maintains offices throughout the national and regional territory.

The types of Social Enterprises allowed in Honduras are:

Individual Business:	It is any person who has the legal capacity to carry out commerce, making it their main occupation and the owner of a mercantile company. Number of Partners: One (1) Equity Capital: USD \$ 210.00	Unlimited Liability, acts in a personal capacity.
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Collective Business:	It is under a company name, which will be formed with the name of one or more partners. When those of all do not appear, the words "company", "associates", "brothers", and "partners" or other equivalents will be added. Number of Partners: Two or More (2 and / or +)	The Commercial Code does not establish a minimum or maximum capital to be constituted . All partners respond in a subsidiary, unlimited and jointly responsible manner. But, among themselves, they can agree that the responsibility of one or some of them is limited to a certain part or determined quota.
Simple Limited Partnership (LP):	It is under a company name and is made up of one or more limited partners. For the company name, the words that will always be added are: "Limited Partnership (LP)" Number of Partners: Two or more (2 and / or +) Equity Capital: Not less than USD \$ 210.00	The partners are liable in a subsidiary, unlimited and jointly responsible manner for the social obligations, and for one or more limited partners who are only obligated to pay their contributions.
Limited Liability Partnership (LLP):	It exists under a company name or name followed by the words "Limited Liability Partnership" or its abbreviation "LLP". Number of Partners: Maximum 25 partners Equity Capital: Not less than USD \$ 210.00	Limited to contributed capital. The partners are only obliged to pay their contributions.
Incorporation (Inc.):	It is under a name or company name, and its initial capital is divided into shares. The name will be followed by the words "Incorporation", or by its abbreviation "Inc." Number of Partners: Minimum 2 partners and maximum 25 Equity Capital: Not less than USD \$ 1,050.00 fully subscribed.	Limited to contributed capital. The partners limit their liability to paying for the shares they have subscribed.
Limited Partnership by Shares: / Variable Capital	It is under a company name that will be formed with the names of one or more partners, followed by the words "and company". The words "Limited Partnership" or its abbreviation "L.P " Number of Partners: Minimum 2 Partners and maximum 25 Equity Capital: Not less than USD \$ 1,050.00 fully subscribed.	The limited partners respond in a subsidiary, unlimited and jointly responsible manner for the social obligations and for one or more limited partners who are only obligated to pay their shares.

Business Overview

Topic	Characteristics	Aspects of Interest
Commercial and Operational Registry	The companies must enlist the Legal Constitution in the register of social commercials of the town where the company will operate, as well as, enroll it in the register of the Chamber of Commerce. At the end of your registration, you must register in SERVICIOS DE ADMINISTRACION DE RENTA (SAR) to obtain the Company's RTN.	Accompanying the original application and copy of the Legal Constitution duly registered, as well as the RTN of the partners and power of representation of the one that is processing it.
Notification of Operating Permits	With the Tax Registry of the company, the SAR is notified to access the tax applications that this regulates, the notification is made through an electronic adhesion contract to make any request and tribute with an exclusive access code to the network in line. In addition, to obtain the operating permit, you must register with the Municipal District Mayor's Office to identify the place of operation of the company.	Both requests, for the adhesion contract and the registration of the operating permit are authorized by the legal representative of the company.
Bank Account	To start the registration of the Legal Constitution, a demand deposit of the capital amount is required in the preferred bank, once the RTN and the operating permit have been obtained, the amount is transferred to open a bank account either by checking, savings and / or in national or foreign currency.	The Legal Constitution, overall with the tax records, operating permit, copies of the identification of the legal representatives or signers, may open the account with USD \$ 210.00.
Disposal of Goods and Machinery	The imports of machinery or goods for the company are regulated under the country's customs rates, this is regulated by authorized customs agencies and registered with the SAR.	It is decided to analyze the possible relocation through the official transport routes.
Equity	There are no restrictions on capital transfers as well as loans between companies.	Profit distributions are submit to a 10% of tax on the amount of retained earnings.
Residents or People with Visa	It is necessary as a first instance to have been registered in all the instances of the state as a constituent company, to have the fiscal address and reference of the company, this due to the fact that when starting the registration processes they carry out face-to-face inspection in the place where foreigners will work and request residence of work in the country.	Enrollments and applications for work visas must be done 2 months before starting to participate in the work undertaken.

Jobs

Topic	Characteristics	Aspects of Interest
Work Permits	Work residence permits are regulated by the Ministry of Foreign Affairs, valid for the first year for 6 months and renewable each year with a minimum payment of USD \$ 100.00	The registration of the residence for work, has a duration of its realization up to 3 months. It can only be done by an authorized notary lawyer.
Work Schedules	In Honduras, labor aspects are regulated under the Labor Code and the Ministry of Labor, compliance with 45 hours a week is required from Monday to Friday and Saturday until noon, working hours are regulated at 8:00 a.m. until 5:00 p.m., granting 1 hour of lunch. It is applied with a minimum wage of USD \$ 395.00.	
Social Security System	<p>The Honduran social system is regulated by state entities that offer social services. The social security rate ranges from 3.5% on the employee, and 7% on the company. There are 14 salaries for employees, one is paid in December and the other in June.</p> <p>Labor rights are canceled once the termination of their contracts, where notice, layoff and vacations are paid.</p>	There is a hiring process by hours that includes a totalization of your rights in monthly payments and calculated by the hour.

Taxes

The legislation of Honduras, is based on fiscal and tax laws administered by the SAR (Income Administration Services) to control and manage the economy of the State of Honduras, it is watched by a Tax Code that clearly defines the taxes and obligations of the companies that are duly incorporated and applied by the Commercial Code.

Tax Type	Characteristics	Aspects of Interest
Sales Tax	The tax rate for the sale of products and services is 15% on the sale, this is presented monthly and is subject to credits for purchases of the same item. Professional services, basic food consumption, among others, are excepted from this tax.	Companies that are identified as large taxpayers, withhold sales tax from service providers and it is paid and presented by the company.
Income Tax	Annual return that must be submitted on April 30 of each year. The rate that is applied to companies is 25% on the net profits of each period, however since 2017 according to decree no. 278-2013 a minimum income tax of 1.5% to natural and legal persons domiciled in Honduras whose gross annual income is equal to or greater than L. 300 MILLION. In this situation, the 25% rate does not apply but only 1.5%	Natural and legal persons whose gross annual income is less than L. 300 Million are exempt from this application. In this situation, the 25% rate applies to the net profits obtained annually.

Income personal Tax	Withholding at the source and / or income tax made to employees who earn monthly salaries greater than L. 15,083.00, Rates are applied according to scales of 15%, 20% and 25%, for this calculation it must be considered as a deductible L 40,000.00 as annual expense for medical expenses.	Withholdings for non-residents, if it is Monthly and for permanent salaries, or the number of times it is withheld during the year for activities stipulated by law. The rates for both items in tables specified by law, which is equivalent to 25% of the total amount of the service or transfer.
Tax Withholding for professional fees and services	The companies that request or require professional services are withholding agents on legal or personal persons of 12.5% of the total amount of the services, the company pays and reports the applied withholding to the SAR.	TAll income from professional or technical services are subject to said tax without exception. In the case of payments of Fees for foreign services, the tax to withhold is 25%.
Taxes to NGOs	Associations, churches and / or civil organizations are not regulated under any sales and income tax, they are only required to declare without payments. Civil associations are only required to be tax withholding agents for professional services.	
Solidarity Contribution	Solidarity Contribution- Contained in Decree No. 278-2013 determines that legal persons, except those included in special Export and Tourism services, without prejudice to the provisions of Article No. 22 of the law, will pay a solidarity contribution of 5% that It will be applied on the excess of the taxable net income exceeding one million lempiras.	This is not a deductible expense and will be charged to an account. All three taxes are filed on the same date on a single report.
Net Assets Tax	Net Asset Tax, which is the one that is applied on the total Assets to legal persons living in Honduras. The taxable base is determined by establishing a difference between the total assets that appear in the Balance Sheet for each year-end, minus the accounts receivable reserves, accumulated depreciations, authorized revaluations of assets and the values corresponding to investment expansions registered as projects in process or assets that are not in operation.	TThe balance of unliquidated obligations with financial institutions directly related to the financing of fixed assets that are in operation will also be deducted, the rate that is applied is 1% on the total net value that exceeds Lps. 3 millions.
Taxes to churches	There is no tax applied to churches.	
Taxes on Non-Residents	The withholding of Non-residents is stipulated in the Tax Code with a 25% withholding on services or utilities received.	



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