

Law 306

TOURISM INDUSTRY INCENTIVES LAW
Published in *La Gaceta*, Number 117, June 21, 1999.

Decree 89-99

REGULATION OF LAW 306
Published in *La Gaceta*, Number 168, September 2, 1999.

The text of this edition of Law 306 and its Regulations contains the reforms introduced as part of the Fiscal Equity Law and Decree 53-2000, which may be found in the appendices of this document.

APPENDIX 1

ARTICLES RELATED TO THE REFORM OF LAW 306
“Tourism Industry Incentives Law for the Republic of Nicaragua”
CONTAINED IN LAW 453 “FISCAL EQUITY LAW”
Published in *La Gaceta*, Number 82, May 6, 2003.

APPENDIX 2

DECREE 53-2003
OF THE REFORM TO DECREE 89-99, REGULATION OF LAW 306,
TOURISM INDUSTRY INCENTIVES LAW FOR THE REPUBLIC OF NICARAGUA
Published in *La Gaceta*, Number 126, July 7, 2003.

Law 306

THE PRESIDENT OF THE REPUBLIC OF NICARAGUA

Notifies the People of Nicaragua that:

WHEREAS

I

It is the duty of the State to create the required conditions and promote the necessary measures to promote and maximize tourism, as part of a sustainable development policy that respects and protects the environment and the national culture.

II

Nicaragua possesses natural beauty such as volcanoes, lakes, lagoons, rivers, and hundreds of kilometers of luxuriant and almost unknown beaches, all of which have a potential that merits development in order to match the level of development achieved in other nations around the world.

III

A simple, rational and timely process is needed that will create tourism products in the country that in turn can stimulate the economic growth of other sectors.

IV

Tourism is an activity of national interest. It has an essentially "exportable" character that makes use of the local labor force, generating benefits to the economy and positive effects on the nation's balance of payments.

V

Mechanisms need to be adopted that facilitate the concurrence and coordination of public sector and private sector actions to promote the development of the Tourism Industry in Nicaragua.

THE NATIONAL ASSEMBLY OF THE REPUBLIC OF NICARAGUA

In use of its faculties

HAS ENACTED

The following:

TOURISM INDUSTRY INCENTIVES LAW FOR THE REPUBLIC OF NICARAGUA

CHAPTER I GENERAL PROVISIONS

Art. 1. Tourism is declared an industry of national interest.

Art. 2. The purpose of this Law is to award incentives and benefits to individuals or corporations, both national and foreign, which dedicate their efforts to tourism activities. To comply with the previous Article:

- 1) The Nicaraguan Institute of Tourism (INTUR) and the Treasury Department (MHCP) should establish adequate coordination that facilitates a simple, rational and timely process to free up and assist the development of tourism activities in the country and bestows the benefits of this Law.
- 2) All other State Ministries and Autonomous State Agencies that have an ongoing or occasional relationship with national tourism activities should provide any required collaboration to INTUR and to the promotion of such development.
- 3) The Central Bank of Nicaragua (BCN) and INTUR will establish agreements and mechanisms that promote and support the financing and public and private investment necessary for developing tourism activities.

CHAPTER II DEFINITIONS OF NATURE AND CHARACTER

Art. 3. Any individual or corporation duly authorized by INTUR and dedicated to or investing directly in tourism services or activities may benefit from the incentives of this Law, as long as these incentives have been approved by the National Tourism Council and pertain to one of the following:¹

- 1) Hotel Industry Services (Hotels, Motels, Apartment-Hotels, and Condo-Hotels).
- 2) Investments in Protected Areas with Relevance to Tourism and Ecology, without generating negative effects on the environment, and with prior authorization from the corresponding authority (MARENA), as well as in public sites with tourist or cultural relevance, and in historical preservation sites.
- 3) Air Transport.
- 4) Water Transport (Sea, River or Lake).
- 5) Internal and Receptive Tourism (Tour Operators and Travel Agencies); and Collective Tourist Land Transport.
- 6) Food, Beverage and Recreational services.
- 7) Investments in Movie Productions, and in events that benefit Tourism.
- 8) Land and Water Vehicle Rental to tourists.
- 9) Investments in Tourism Infrastructure and Related Tourism Equipment.
- 10) Development of Nicaraguan Handcrafts; Recovery of Endangered Traditional Industries; Production of Typical Music and Folk Dance Events; and Production of Promotional Materials for Tourism.
- 11) Small businesses that operate as part of the tourism sector, in all areas of sector activities.

Individuals and corporations that invest directly in developing tourism activities or that participate indirectly through financing such activities may also benefit equally from this Law's exonerations and fiscal credits, when these are situated in Special Tourism Planning and Development Districts (Z.E.P.D.T.) as defined and determined by INTUR.

Companies that are willing to invest in areas or installations owned by the State, where the Government is interested in developing high quality tourism activities (through INTUR), may benefit from concessions for such areas or installations, and operate these under the terms and conditions of a long-term contract.

Art. 4. The following definitions are offered for effects of this Law:

4.1 Tourism Activity in Hotel Industry Services: This refers to the ownership and/or administration of installations providing services to tourists and visitors consisting of public lodging for payment, either jointly with other tourism activities, or separately. This activity is differentiated according to the category of service, the type of installation and the property classification, as follows:

4.1.1 Major Lodging Facilities: These are higher class Hotel Industry Installations, including Hotels, Condo-Hotels, Apartment-Hotels, Time-Shares, and Motels. These installations contain no fewer than fifteen (15) units for lodging and will be operated according to the health and efficiency norms and conditions dictated by INTUR, and the Lodging Facility Regulations.

4.1.1.1 Hotels: These are facilities that provide lodging for guests in transit, in a building, part of a building, or a group of buildings that have been approved by INTUR to provide complete food and cleaning services and other services connected to tourism activities that fulfill the operational requirements for Major Lodging Facilities and the Lodging Facility Regulations.

¹ Reformed by Article 115 of Law 453 "Fiscal Equity Law," published in *La Gaceta*, Number 82, on May 6, 2003.

4.1.1.2 Condo-hotels: These are a group of housing units in a building or group of buildings where each unit is individually owned as part of a commonly held property, and that meet with the lodging and operations requirements for Major Lodging Facilities and the Lodging Facility Regulations.

4.1.1.3 Apartment-Hotels: These are a group of housing units in a building or group of buildings equipped with individual kitchens, where partial cleaning services are provided, but food services are not necessarily provided, and which meet with the requirements for Major Lodging Facilities and the Lodging Facility Regulations.

4.1.1.4 Time-Shares: These are installations in a building or group of buildings that are subject to contractual arrangements through which rights to the use of the property by different individuals during different periods of the year are acquired. Under this law, such installations will qualify if they meet the requirements for Major Lodging Facilities and the Lodging Facility Regulations.

4.1.1.5 Motels: These are installations serving individuals traveling by automobile or tourists, situated close to highways and providing parking facilities nearby rooms, providing cleaning services but not necessarily providing food services, and for the effects of this Law comply with the requirements of Major Lodging Facilities and the Lodging Facility Regulations.

4.1.2.1 “Paradores de Nicaragua”: This is a trademark of INTUR, and the INTUR seal of quality awarded to distinguish small and medium size installations offering complete cleaning and food services, generally aimed at the traveling tourist, which are noteworthy for their picturesque settings, modern accommodations, excellent service, economical rates, high-quality international and regional cuisine, and above all for the complete and effective harmony between their architecture and the cultural-historical and/or natural-ecological environment. Such installations qualify for the incentives of this Law and for other benefits of the “Paradores de Nicaragua” program if they comply with the requirements of the Lodging Facility Regulations.

4.1.2.2 Paradores de Nicaragua Program: This program is sponsored by INTUR to promote the creation of a national network of “Paradores” through the incentives offered by this Law and other specific promotional and marketing measures developed and implemented by the Institute free of charge. These *Paradores* may be new hotel installations, or already existing ones whose owners make new investments with the goal of improving and remodeling them to qualify under the norms applying to “Paradores de Nicaragua,” that have obtained the INTUR seal of quality and comply with Lodging Facility Regulations.

4.1.3 Minor Lodging Facilities: These small and/or specialized lodging establishments include Family Inns, Cabins, Guest Houses, Bed and Breakfasts, and Camping or Caravanning Areas. Such establishments will qualify under this Law if they meet the requirements of the Lodging Facility Regulations.

4.1.3.1 Family Inns: These small lodging establishments in rural and/or urban zones are operated by an individual or family, offering home cooking service.

4.1.3.2 Hostels: These offer low-priced lodging in tourist zones, with a minimum of cleaning and food services.

4.1.3.3 Cabins: These are groups of individual cabins located in tourist and beach areas, offering partial (not necessarily minimum) food and cleaning services.

4.1.3.4 Guest Houses and Bed and Breakfasts: These low-priced and family-oriented lodgings are found in urban zones, with or without food services.

4.1.4 Camping and Caravanning Areas: These are sites with installations for camping and/or for parking caravan units (motor vehicles or trailers used for lodging) that are equipped with sanitary services, potable water and electricity, and other minimum services for travelers. They will qualify under this Law if they meet the Lodging Facility Regulations.

4.1.5 Lodging Facility Regulations: This document, formulated by INTUR, outlines the norms and conditions under which different categories of hotel industry services qualify under this Incentives Law, and defines the “Paradores de Nicaragua” promotional program. The Regulations specify norms for:

- 1) Hotels and other installations, including Condo-Hotels, Apartment-Hotels, Time-Shares and Motels for Traveling Tourists;

- 2) Installations known as “Paradores de Nicaragua”;
- 3) Minor Lodging Facilities, which include: Family Inns, Hostels, Cabins, Guest Houses and Bed and Breakfasts; and
- 4) Camping and Caravanning Areas.

4.2.1 National Protected Areas System (SINAP): The Protected Areas System, managed by the Ministry of the Environment and Natural Resources (MARENA), includes more than seventy (70) locations within three (3) Eco-Regions (in the Pacific, Central, Las Segovias and Atlantic) of Nicaragua, and which are classified according to ten (10) categories:

- 1) *Biological Reserve;*
- 2) *National Park;*
- 3) *Wildlife Refuge;*
- 4) *Natural Reserve;*
- 5) *Genetic Resources Reserve;*
- 6) *National Monument;*
- 7) *Historical Monument;*
- 8) *Protected Landscapes and Seascapes;*
- 9) *Biosphere Reserve;*
- 10) *Forest Reserve.*

MARENA's SINAP management plans allow for the possibility of low-impact eco-tourism activities in categories **1** and **3**, and tourist activities in categories **2**, **4**, **6**, **8** and **9**. Tourism is not allowed in categories **5** and **10**.

4.2.1.1 National Monuments and Historical Monuments: These areas are part of the National Protected Areas System (SINAP), managed by MARENA. The areas designated as National Monuments, for example the Solentiname Archipelago, possess outstanding natural and cultural characteristics, scenic beauty of national and international interest, which are of great value given their exceptional rareness. The areas designated as Historical Monuments, for example “*El Castillo de la Inmaculada Concepción*,” have been denominated as such in order to protect and restore sites of historical value, as well as archeological and cultural sites of national importance associated with natural areas. Ruins and historical buildings that merit conservation are counted among these sites.

4.2.1.2 National Parks: These are areas that are part of the National Protected Areas System (SINAP) under the MARENA management plan. The areas currently designated as National Parks, such as Saslaya, the Zapatera Archipelago and the Masaya Volcano, are relatively extensive and contain eco-systems, habitats, landscapes, scenic beauty, and are of special national and international importance.

4.2.1.3 Protected Areas with Relevance to Tourism and Ecology: These are other areas of the SINAP such as “Protected Landscapes and Seascapes” and “Biological Reserves” where tourism activities are permitted. Low-impact eco-tourism activities are permissible in the “Biological Reserves” and “Wildlife Refuges.”

4.2.2 Sites of Importance to Tourism and Culture: These are areas such as municipal parks, museums, archeological parks, public roadways and other public sites that are not necessarily designated as protected areas in the SINAP managed by MARENA or as National Cultural Patrimony in other registries

maintained by the Nicaraguan Institute of Culture (INC) or the municipalities, but that nonetheless have been approved by INTUR for investments that benefit their owners due to their importance to Tourism and Culture. These benefits include deductions from Income Taxes, under the terms of this Law.

4.2.3 Historical Preservation Sites: These are spaces that combine private and/or public properties that are located in urban or other areas that may or may not be part of National or Historical Monuments, that may or may not be part of Public Sites of Importance to Tourism and Culture, which have been approved by INTUR (and ratified by INC) for investments that benefit their owners, under the terms of this Law. These are sites that merit preservation due to their importance to culture and history, as well as the development of tourism.

4.2.3.1 Regulation of Historical Preservation Sites: This document—formulated by INTUR in conjunction with INC—specifies the conditions under which investments and contributions for projects in the Historical Preservation Sites may qualify for the benefits of this Law.

4.3 Tourism Activity and Air Transport: These are services provided by companies dedicated to air transport for people within the national territory, and whose contribution to tourism activities is certified by INTUR, for the effects of this Law.

4.4 Tourism Activity and Water Transport: These are services provided by companies dedicated to water transport for people within the national territory, and whose contribution to tourism activities is certified by INTUR. It also includes all activities of individuals or corporations dedicated to water sports and recreation for tourists, including hydrofoils, sports fishing boats, yachts, sailboats and non-motorized vessels, other recreational accessories such as surfboards and windsurf rigs, water skis, diving equipment, and any other equipment used for water sports, for the effects of this Law.

4.5 Internal and Receptive Tourism Activities (Tour Operators and Travel Agencies), and Collective Land Transport for Tourists: These are services provided by companies referred to as Tour Operators, which are dedicated to operating internal and receptive tourist services in the national territory, and companies dedicated to transporting people between airports, wharfs, hotels and other tourist destinations within and beyond Nicaragua's borders, and whose contribution to tourism is certified by INTUR, for effects of this Law.

4.6 Food, Beverage and Recreational Services linked to Tourism Activities: This signifies the ownership and/or administration of installations offering food, beverage and recreational services to tourists and visitors, in restaurants, bars, "Tourist *Mesones*," discothèques, nightclubs, and casinos, that demonstrate their essential relationship to tourism and that are declared by INTUR as relevant to tourism. They will qualify under this law as long as they comply with Food, Beverage and Recreation Regulations.

4.6.1 "Mesones de Nicaragua": This is a trademark of INTUR and a seal of quality awarded to distinguish those food and beverage service installations that are noteworthy for their picturesque settings, their high-quality international and/or regional cuisine, the hygiene and cleanliness that characterize their operations and installations, their excellent service, reasonable rates, and the complete and effective harmony between their architectural style and interior design and the surrounding environment. Services will qualify under this Law and for other benefits of the "Mesones de Nicaragua" Program if they comply with the specific requirements of the Food, Beverage and Recreation Regulations and the Mesones de Nicaragua program.

4.6.2 Mesones de Nicaragua Program: This INTUR-sponsored program promotes the creation of a national network of "Mesones," through the incentives offered by this Law and other specific promotional and marketing measures developed and implemented by the Institute, free of charge. These are facilities dedicated to preparing traditional or regional cuisine, that may be new installations or already existing ones whose owners make new investments with the goal of improving and remodeling them to qualify under the norms applying to "Mesones de Nicaragua," and that have obtained the INTUR seal of quality and comply with the Regulations for Foods, Beverages and Recreation.

4.6.3 Food, Beverage and Recreation Regulations: This document, formulated by INTUR, dictates the norms and conditions under which different food, beverage and recreational activities for tourists qualify for the effects of this Law, and defines the "Mesones de Nicaragua" promotional program. The Regulations define norms for:

- 1) Restaurants with or without bars.
- 2) Installations known as “Mesones de Nicaragua.”
- 3) Discothèques and Nightclubs.
- 4) Casinos, Racetracks and other installations involving Betting Systems, and other Games of Chance.

4.7.1 Film Production with Benefits for Tourism: Productions by companies dedicated to filming feature length movies within the national territory, aimed at the international market and which are broadcast abroad, and whose contribution and benefits to tourism are certified by INTUR, for the effects of this Law.

4.7.2 Artistic, Sports and Other Events with Benefits for Tourism: Productions by companies dedicated to producing artistic, sports and other events within the national territory, aimed at the international market and which are broadcast abroad, whose contribution and benefits to tourism are certified by INTUR, for the effects of this Law. The condition for such certification is the projection of images promoting tourism in Nicaragua takes place prior to, during, or at the conclusion of a specific event.

4.8 Land and Water Vehicle Rental for Tourist Activities: These services are offered by individuals or corporations that dispose of or wish to dispose of a fleet of at least twenty (20) land vehicles, or in the case of water vehicles a minimum of one (1) vehicle or boat, except in the case of jet skis a minimum of six (6) vehicles, with the condition that all vehicles are exclusively used for rental to the public, for specific periods of time.

4.9 Other Related Tourist Activities and Equipment: The ownership and/or administration of installations providing services to tourists and visitors, for activities related to tourism that are not Hotel Industry Services, Investments in Monuments and Historical Preservation Sites, or Food, Beverage and Recreational Services but that, nonetheless, can be combined with such activities. These must be authorized and certified by INTUR, for the effects of this Law.

These related tourist activities and equipment may include: works and equipment for constructing infrastructure for a tourism project approved by INTUR under this Law, such as airports, wharfs, access roads, the supply of water, electricity and telephone services, sewage water treatment plants, the rehabilitation of public installations related to tourist and recreational activities, centers providing vocational training for tourism services, installations such as golf courses, tennis courts, and others for tourist sports such as target practice, model airplane construction, racetracks and riding centers, convention and conference centers, private museums and zones for archeological research and exploration (with the condition that these are duly managed with authorization from INC), theme parks, aquariums and marine parks, ecological and botanical parks, submarine parks and installations, diving and other sea exploration parks (with the condition that these are managed with authorization from MARENA), tourist installations in caves and caverns, forests and mangroves, canyons and cliffs, and thermal water installations (all for eco-tourism), and specialized adventure tourism including photographic safaris, hunting trips, parachuting, mountain climbing, hot air ballooning, and any others determined by INTUR.

4.10.1 Development of Nicaraguan Handcrafts: These are activities carried out by individuals or corporations dedicated to fabricating individual handcrafts, handcraft production, and the sale and re-sale of decorative and/or utilitarian objects, hammocks, furniture, hats, dresses, typical accessories and ornaments, and traditional popular arts, except those products that are still produced by artisans that pertain to the tobacco industry. Artisans have a close and important relationship with tourism, and for this reason INTUR proposes providing incentives to the production and sale of their handcrafts. For the purposes of this Law, Nicaraguan handcrafts are all of those traditional popular handcrafts and objects, such as ceramics, painting and sculpture, that are produced exclusively by hand and/or with hand tools and are exclusively made within the Nicaraguan territory, and exclude those creations referred to as Plastic Arts or “Fine Arts.”

4.10.2 Recovering Traditional Endangered Industries: These are activities carried out by individuals or corporations that are considered, like handcrafts, to have a close and important relationship with tourism. Because some of these activities are in danger of disappearing, INTUR—in coordination with INC—is interested in recovering and reviving them, through the incentives of this Law. For example, this would include the operation, artisan production and repair or rehabilitation of horse-drawn carriages, or colonial blacksmithing, or the professional restoration of pre-Colombian works and/or colonial art.

4.10.3 Production of Typical Music and Dance Events: These are activities carried out by popular artists and their associates, consisting of typical music and folk dance, which are considered equally important to tourism. INTUR, in collaboration with INC, is interested in promoting such activities throughout the national territory.

4.10.4 Printing and Promotional Materials for Tourism: All types of printed materials, books, maps and guides, photographic postcards, posters and other video or acoustic materials (tape cassettes, compact discs, etc.) produced and distributed free of charge or for sale, with the goal of promoting tourism.

4.10.5 Registry of Handcrafts and Traditional Industries; Registry of Typical Music and Folk Dance: This is a double registry, or two (2) part registry maintained by INC of all artisans, musicians and dancers, and individual groups or incorporated groups of this type, including those people dedicated to these Traditional Industries. To be included in the Registry, an individual must demonstrate that he or she is dedicated either entirely or principally to a particular handcraft, and comply with INC's Regulations for Artisans and Musicians and Folk Dancers. The INC will continually update the Registry, at least annually, for the purpose of qualifying for the benefits of this Law. In the case of individuals or companies that are dedicated to reselling handcrafts, they will be included in the Investment Registry maintained by INTUR.

4.11.1 Tourism Regions of Nicaragua: These are the six (6) regions of the national territory whose potential for tourism development was identified in an extensive study carried out by the Ministry of Tourism in 1995, and that served as the basis for developing this policy on national tourism development.

4.11.2 Special Tourism Planning and Development Districts (Z.E.P.D.T.): These are districts of particular interest to tourism, and that have been designated as such by INTUR with the goal of guiding and planning the development of these zones that are of such high priority to the nation's development of tourism. Master Plans for land and infrastructure use in these areas have been developed, along with general and/or specific guides to facilitate and direct public and private investments. INTUR recognizes four different types of Z.E.P.D.T.s:

- 1) Districts that are Strategic to Tourism, which are those that lack basic infrastructure for development.
- 2) Districts of Special Interest to Tourism due to their Urban/Cultural/Historic Contexts. Master Plans for these zones are being formulated by INTUR, with participation from the INC and interested municipalities.
- 3) Districts of Special Interest to Tourism due to their Environmental/Natural/Ecological Contexts. Master Plans for these zones are being formulated by INTUR, with participation from MARENA and interested municipalities.
- 4) Districts of Special Interest to Tourism with Specific Characteristics. These are small areas that merit attention and special treatment as tourism resources, but that does not require the development of a Master Plan.

4.12 State Tourism Concessions: These are contracts awarded by the Executive Branch, through INTUR, to the private sector for developing and/or operating public tourism installations and services, in areas that are owned by the State or INTUR.

4.13 Registry of Tourism Investments: This Official Registry was created and is maintained by INTUR. It contains information about individuals or corporations that wish to benefit from the incentives referred to in this Law.

4.14 Duties and Taxes: "Duties" are normally understood as the Import Duty Tax (D.A.I.) and Temporary Tariff Protection (A.T.P.); "Taxes" are normally understood as the Excise Tax (I.E.C.) and the Value Added or Sales Tax (I.G.V.).

4.15. National Tourism Council. The National Tourism Council will be created to analyze and decide whether the Tourism Investment Projects presented by individuals or corporations for consideration to the Nicaraguan Institute of Tourism may or may not receive the benefits and incentives established in Law 306, "Tourism Industry Incentives Law for the Republic of Nicaragua."

The Council will be made up of the representative (or assigned delegate) of the following institutions:

1. The Coordination and Strategy Secretariat of the Presidency of the Republic, which will preside;
2. The Treasury Department (MHCP);
3. The Internal Revenue Service (DGI);
4. The General Department of Customs Services (DGA);
5. For the Tourism Sector:
 - a) A representative of the National Chamber of Tourism (CANATUR);
 - b) A representative from the Nicaraguan Chamber of Small Tourism Business (CANIMET);
6. A representative from the National Assembly's Commission on Tourism; and
7. The Nicaraguan Municipalities Institute (INIFOM).

The Council's operations will be governed by the Law's corresponding Regulation.²

CHAPTER III INCENTIVES AND BENEFITS

Art. 5. With the goal of promoting investments in tourism activities, INTUR—contingent upon approval by the National Tourism Council—will award the following fiscal incentives and benefits.³

5.1 For enterprises that provide Hotel Industry Services, that invest in constructing, remodeling, expanding, equipping, rehabilitating or developing Hotels, Motels, and other similar installations such as Condo-Hotels, Apartment-Hotels, etc., with a minimum of fifteen (15) units, as specified in the INTUR Lodging Facility Regulations, with a minimum investment per project (including land value) in the following amounts, in US dollars or the equivalent in national currency:

Five hundred thousand dollars (US\$ 500,000.00) or the equivalent in national currency, in the Managua urban area.

One hundred and fifty thousand dollars (US\$ 150,000.00) or the equivalent in national currency, in the rest of the Republic.

If said investment qualifies under INTUR's "Paradores de Nicaragua" program, the minimum investment required drops to two hundred thousand dollars (US\$ 200,000.00) or the equivalent in national currency in the Managua urban area, and eighty thousand dollars (US\$ 80,000.00) or the equivalent in national currency in the rest of the Republic.

In the case of Minor Lodging Facilities, such as hostels, cabins, guest houses, etc., the minimum investment required is reduced to one hundred thousand dollars (US\$ 100,000.00) or its equivalent in national currency in Managua, and fifty thousand dollars (US\$ 50,000.00) or the equivalent in national currency in the Provinces.

In the case of camping and caravanning areas, the minimum conditions are reduced to an investment of one hundred thousand dollars (US\$ 100,000.00) or the equivalent in national currency.

In the case of already established Hotels and Minor Lodging Facilities that are providing services and that have the INTUR seal of quality and authorization, an investment equaling 35% of the actual value of the existing installation is required to benefit from the incentives of this Law.

5.1.1 Exoneration from import taxes and duties, and from Sales Tax (I.G.V.) when purchasing construction materials and building fixtures locally.

The materials and fixtures that are exonerated must be used for building and equipping hotel services, and this exoneration will be awarded if these articles are not produced in the country or are not produced in sufficient quantity or quality.

² Number 4.15 was added. See Article 114 of Law 453, "Fiscal Equity Law," published in *La Gaceta*, Number 82, on May 6, 2003.

³ Reformed by Article 116 of Law 453, "Fiscal Equity Law."

5.1.2 Exoneration from import taxes and duties and/or Sales Tax (I.G.V.) for the local purchase of household goods, furniture, equipment, boats, automotive vehicles for twelve (12) or more passengers or for freight, when declared by INTUR as necessary for establishing and operating a tourist activity, and for the purchase of equipment that helps conserve water or energy, and equipment needed for project security. This exoneration is valid for a period of ten (10) years from the date when INTUR declares that the enterprise has begun operations.

5.1.3 Exoneration from the Property Tax (I.B.I.), during a period of ten (10) years from the date when INTUR declares that a given tourist activity has begun operations. This exoneration will only cover property that pertains to the enterprise that is used exclusively for tourist activities.

5.1.4 Exoneration from Sales Tax (I.G.V.) applicable to design/engineering and construction services.

5.1.5 Partial exoneration (80%) from Income Tax, for a period of ten (10) years, from the date when INTUR declares that a given enterprise has begun operations. If the project is situated in a Special Tourism Planning and Development District, the exoneration will be ninety percent (90%). If the project also qualifies and is approved under the Paradores de Nicaragua Program, the exoneration will be one hundred percent (100%). The enterprise will have the option of annually deferring the application and initiation of the ten (10) year exoneration period for Income Tax, for up to three (3) years.

5.1.6 If the enterprise decides to undertake a substantial expansion and/or renovation during the period for which exoneration has been awarded, the exoneration period will be extended for another ten (10) years, which will be counted from the date when INTUR determines that the investment and expansion have concluded. In this case, the expansion project will be submitted as if it was a new project, and the minimum investment must be at least thirty five percent (35%) of the initially approved and implemented investment. Another ten (10) year period of exoneration from taxation will be extended to all of the enterprise's tourist activities.

5.1.7 For enterprises that invest in tourist installations that comply with the special criteria and norms of the INTUR-sponsored program to promote the creation of a national network of "Paradores de Nicaragua," specific promotional and marketing incentives will be awarded free of charge. These incentives will be developed by the Institute, and will include publicity and outreach at national and international fairs, printed materials, pamphlets and maps, connection to an efficient reservation system, promotion on the internet, etc.

5.1.8 The Tax Law and its Regulations will be used to compute the depreciation of assets.

5.2 For individuals or corporations that invest in private and/or public projects, to either improve or promote tourism or provide training related to tourist activities, situated in the SINAP's Protected Areas that are designated as National and Historical Monuments, National Parks, other Protected Areas with Relevance to Tourism, and Public Sites of Importance to Tourism and Culture, or to restore private properties that form part of Historical Preservation Sites, that are authorized by INTUR with joint authorization from MARENA and/or the INC, that comply with architectural norms for historical conservation and ecological protection standards, established by the corresponding institutions depending upon each case, and whose minimum investment in US dollars or the equivalent in national currency is:

One hundred thousand dollars (US\$ 100,000.00) or the equivalent in national currency, including the value of the land and existing structures in the case of private properties in Historical Preservation Sites.

Forty thousand dollars (US\$ 40,000.00) or the equivalent in national currency, for projects in SINAP protected areas.

An amount of money in US dollars or the equivalent in national currency to be determined by INTUR, for support to projects to improve, promote, or provide training, in public areas within Historical Preservation Sites, SINAP areas, or other Public Sites of Importance to Tourism.

5.2.1 Exoneration from the Property Tax (I.B.I.) for a period of ten (10) years, from the date when INTUR certifies that work has been completed and the project's conditions and norms have been met.

In the case of a partial restoration of a property located within a Historical Preservation Site—in other words, external improvements of just the facade, but including anticipated improvements to sidewalks and public

lighting, that complies with the norms for the restoration of the site's facades—no minimum investment will be required and Property Taxes (I.B.I.) will be exonerated for a period of five (5) years, beginning on the date when certification is received from INTUR or any other corresponding institution.

5.2.2 Exoneration from Income Tax on earnings produced from tourist activities authorized by INTUR, or from renting restored properties located in Historical Preservation Sites to third parties, during ten (10) years from the date when INTUR certifies that works have been concluded and the project's conditions and norms have been met.

5.2.3 A one-time exoneration from import duties and taxes and Sales Tax (I.G.V.) when locally purchasing materials, equipment and spare parts used for constructing, restoring or equipping a property.

The materials and equipment eligible for exoneration must be used for constructing and equipping buildings that are being restored. The exoneration will be awarded if the articles used are not produced in Nicaragua or are not produced in sufficient quantity or quality.

5.2.4 Exoneration from Sales Tax (I.G.V.), applicable to design/engineering and construction services.

5.2.5 If an individual wishes to extend the period allotted for exoneration, he or she may request an extension from INTUR. After a request is submitted, the given location will be inspected to determine the current state of restoration of the property, and which improvements will be required by INTUR (in conjunction with other corresponding institutions) to obtain an extension of the exoneration, as specified in the Regulations for Historical Preservation Sites. A time period for carrying out the required improvements will be designated. Once these are completed, and if the established conditions are met, an additional ten (10) year exoneration from the Property Tax (I.B.I.) and Income Tax will be awarded.

5.2.6 The failure of beneficiaries to comply with the architectural and historical conservation norms set for Historical Preservation Sites, as determined by INTUR, will lead to the immediate suspension of all exonerations and possible additional sanctions, as specified in the terms established by this Law's Regulations.

5.2.7 Individuals or corporations that wish to contribute economically to public interest projects, such as restoring or maintaining and illuminating monuments and buildings, municipal parks, museums, archeological parks, National and Historical Monuments, National Parks and other Protected Areas with Relevance to Tourism, in Public Sites of Importance to Tourism or Culture, in Historical Preservation Sites, and in projects that promote tourist activities or provide related training, that have been approved by INTUR in coordination with the INC and/or other pertinent State and Municipal institutions, and for whom the minimum investment will be established by INTUR, may deduct the full amount invested in such projects from their Income Tax. INTUR will provide the corresponding certification regarding the amount and date of the investment, and the date of the project's conclusion.

5.3 For Air Transportation companies, whose contribution to tourism is certified by INTUR, exoneration from import duties and taxes and/or Sales Tax (I.G.V.) on the local purchase of:

5.3.1 Airplane equipment; computer and telecommunications materials and equipment; and other equipment directly related to aviation and services provided to passengers.

5.3.2 Promotional and publicity materials, and other office supplies used exclusively by the air transport company.

5.3.3 Equipment required for attending to ramp services.

5.3.4 Any type of airplane fuel.

5.4 For the individuals or corporations dedicated to Water Transport activities:

5.4.1 Exoneration from import duties and taxes, or Sales Tax (I.G.V.) on the local purchase of new vessels with more than twelve (12) seats, and the purchase of new accessories, used for transporting passengers via sea routes.

5.4.2 Exoneration from duties and taxes, except I.G.V. (Sales Tax), for importing hydrofoils, recreational boats for tourist purposes, yachts, sailboats, fishing boats, fishing gear, and non-motorized vessels or other recreational equipment (such as surf boards and windsurf rigs, skis, diving equipment, etc.) used for water sports.

5.4.3 Exoneration from fees, taxes and services for mooring and anchoring tourist yachts visiting Nicaraguan ports, when their stay does not exceed ninety (90) days.

5.5 For Tour Operators and Travel Agencies, and Collective Land Transportation for Tourists between airports, wharfs, hotels and other tourist destinations in the Republic of Nicaragua.

5.5.1 Exoneration from import duties and taxes and Sales Tax (I.G.V.) on new vehicles or used vehicles in perfect mechanical condition, such as buses and twelve (12) or more passenger vans; and on new four-wheel drive vehicles and passenger vehicles for more than six (6) passengers, only when these vehicles are used exclusively by Tour Operators who specialize in hunting and adventure trips; and on promotional and publicity materials, as long as the companies have been duly accredited by INTUR and INTUR has determined that their vehicles are necessary for the operation of their activities, contingent upon approval by the Treasury Department.

5.5.2 Exoneration from import duties and taxes and Sales Tax (I.G.V.) on the acquisition of computer equipment and accessories. The same treatment will be given to telecommunications equipment and any other equipment with a direct and necessary relationship to the activities of internal tour operators and travel agencies.

5.5.3 Exoneration from import duties and taxes and Sales Tax (I.G.V.) on the acquisition of firearms for hunting, ammunition and provisions for sports fishing.

5.6 For companies dedicated to providing Food, Beverage and Recreational Services in restaurants, bars, taverns, discothèques and nightclubs, whose minimum investment including land value is at least one hundred thousand dollars (US\$ 100,000.00) or the equivalent in national currency, in the Managua urban area, or thirty thousand dollars (US\$30,000.00) or the equivalent in national currency in the rest of the Republic:

In the case of casinos, these must be situated together with Hotels containing at least one hundred (100) units.

In the case of already established Restaurants, Nightclubs, Bars, Discothèques, and Casinos that make an investment equaling at least 35% of their value, that are currently providing services with authorization and the seal of quality of INTUR, these may also enjoy the incentives offered by this Law.

5.6.1 Exoneration from import duties and taxes and/or Sales Tax (I.G.V.) for the local purchase of construction materials and building fixtures.

The exonerated materials and fixtures must be used for building and equipping installations, and the exoneration is awarded if these articles are not produced in the country, or are not produced in sufficient quantity or quality.

5.6.2 Exoneration from import duties and taxes and/or Sales Tax (I.G.V.) for the local purchase of household goods, furniture, equipment, boats and/or twelve (12) passenger automotive vehicles, both new and used if in perfect mechanical condition, and freight vehicles, declared by INTUR as necessary for establishing and operating a given tourist activity, and for the purchase of equipment that helps conserve water and energy and that is needed for project security, for a period of ten (10) years from the date when INTUR declares that a given company has begun operations.

5.6.3 Exoneration from Property Taxes (I.B.I.), for a period of ten (10) years from the date when INTUR declares that a given company has begun operations. This exoneration will only cover those properties that are exclusively used for tourist activities.

5.6.4 Exoneration from Sales Tax (I.G.V.) for design/engineering and construction services.

5.6.5 The Tax Law and its Regulations will be used to compute the depreciation of assets.

5.6.6 Special promotional and marketing incentives developed by INTUR will be awarded free of charge to those companies that invest in tourism installations, and that comply with the special criteria and norms set by INTUR to promote the creation of a National Network of “Mesones de Nicaragua” dedicated to preparing traditional and regional cuisine. These will consist of publicity and outreach at national and international fairs, as well as printed materials, pamphlets and maps, promotion on the Internet, etc.

5.7 For those companies located within the national territory that are engaged in producing Feature Length Films, of an international character, and in producing Artistic, Sports and other International Events that are generally beneficial to tourism, that are broadcast internationally, and that promote tourism in the Republic of Nicaragua:

5.7.1 Total exoneration from Income Tax on the earnings derived from such productions or events.

5.7.2 Exoneration from any national or municipal tax that applies to the production or event.

5.7.3 Temporary exoneration from import duties and taxes, payments, interest rates or any type of fees for introducing equipment, spare parts, other goods and technical materials that a communications or production company requires for broadcasting to other countries, and all materials used during a specific event. These must be re-exported when the activity in question has concluded.

5.7.4 Exoneration from Income Tax for national and foreign athletes and artists who participate in this type of production or event.

5.8 For new or existing companies dedicated to Renting Land and/or Water Vehicles to tourists, duly authorized by INTUR.

5.8.1 Exoneration from 50% of import duties and taxes and Sales Tax (I.G.V.) paid for the acquisition of new vehicles destined for rental to tourists, contingent upon approval by the Treasury Department, every two (2) years. These vehicles will be duly identified with the INTUR insignia, without in any way prejudicing documentation corresponding to the Ministry of Construction and Transportation, the National Department of Transit, or other similar state agencies.

5.8.2 Exoneration from import duties and taxes and Sales Tax (I.G.V.) for acquiring computers, accessories and other telecommunications equipment used for operating vehicle rental companies, every two (2) years.

5.9 For companies that invest in Related Tourist Activities and Equipment, including constructing, equipping, and developing access infrastructure, the supply of water, electricity and telephone services, sewage treatment plants, the rehabilitation and operation of public facilities related to tourist and recreational activities such as vocational training for tourism services, golf courses and tennis courts that are part of tourist complexes, and other tourist sports such as target practice, sports arenas and riding centers, convention centers, theme parks, museums and archeological zones, ecological and botanical parks, zoos, centers specializing in adventure, hunting, parachuting, hot air ballooning, mountain climbing and general eco-tourism, airports, wharfs, aquariums and marine parks, that obtain specific approval from INTUR, and whose minimum investment per project and including land value (in dollars or the equivalent in national currency) is:

Two hundred and fifty thousand dollars (US\$ 250,000.00) or the equivalent in national currency, in the Managua urban area.

One hundred thousand dollars (US\$ 100,000.00) or the equivalent in national currency, in the rest of the Republic.

If this investment is made in a project to be developed jointly with investments that qualify under the present Law as investments in Hotel Tourist Activity (**Article 5.1**), in Monuments and Historical Sites (**Article 5.2**), or in Food, Beverage and Recreational Services (**Article 5.6**), the minimum investment of two hundred and fifty thousand dollars (US\$ 250,000.00) or the equivalent in national currency in the Managua urban area, or one hundred thousand dollars (US\$100,000.00) or the equivalent in national currency, outside of the Managua urban area, will apply to the entire investment.

5.9.1 Exoneration from import duties and taxes and Sales Tax (I.G.V.) for a period of ten (10) years, for acquiring the materials, equipment and fixtures needed for constructing, equipping and developing a tourist activity, in acquiring automotive vehicles to be used exclusively for tourist activities (contingent upon approval by INTUR), and for the purchase of equipment that helps conserve water or energy or that is needed for project security.

The exonerated materials and fixtures must be used for constructing, setting up or equipping tourism-related activities, and the exoneration will be awarded if these articles are not produced in the country, or are not produced in sufficient quantity or quality.

5.9.2 Exoneration from Property Taxes (I.B.I.) for a period of ten (10) years, from the date when INTUR certifies that the construction work has been concluded and that the conditions and norms set for the project have been met.

5.9.3 Exoneration from Sales Tax (I.G.V.) applicable to design/engineering and construction services.

5.9.4 Partial (80%) exoneration of Income Tax for a period of ten (10) years, from the date when INTUR declares that a given company has begun operations. If the project is situated in a Special Tourism Planning and Development District, the exoneration will be ninety percent (90%). If the tourist activity is being developed as part of the Paradores de Nicaragua program, the exoneration will be one hundred percent (100%). The company will have the option of annually deferring initiation of the ten (10) year exoneration period, for up to three (3) years.

5.9.5 If the enterprise decides to substantially expand and/or renovate its installations within the period for which exoneration has been awarded, the exoneration period will be extended for another ten (10) years, from the date when INTUR declares that the company has concluded the respective investment and expansion. In this case, the expansion project will be submitted as if it were a new project, and the minimum investment must be greater than thirty five percent (35%) of the initially approved and implemented investment. The extension of tax exoneration will therefore be applied for a new ten (10) year period, and will cover all of the company's tourist activities.

5.9.6 Exoneration from any type of taxes charged for the use of wharfs or airports constructed by a company, for a period of ten (10) years. These facilities may be used by the State free of charge.

5.9.7 The Tax Law and its Regulations will be used to compute the depreciation of assets.

5.10 For individuals or corporations dedicated to activities that develop National Handcrafts, recover Traditional Endangered Industries, produce Typical Music and Folk Dance Events, and produce and sell printed materials, handcrafts, and Tourism Promotional Materials:

5.10.1 Exoneration from import taxes and duties and Sales Tax (I.G.V.) on acquiring graphic and printed materials and products for promoting tourism, and materials and equipment used exclusively for producing handcrafts, such as ovens, glazes, thread for hammocks, rattan, carpentry tools and stone sculpting tools, specialized equipment and tools for fabricating or using traditional horse-drawn carriages, and musical equipment and instruments used exclusively for the production of folk and typical music events, contingent upon authorization from INTUR.

The exonerated materials and equipment must be used to produce these handcrafts and events, and the exoneration will be awarded if these articles are not produced in the country, or are not produced in sufficient quantity or quality.

5.10.2 Exoneration from Sales Tax (I.G.V.) on the sale of handcrafts by the artisan who has produced them, or the sale of handcrafts by individuals or corporations dedicated to traditional industries, or by those who are dedicated exclusively to the sale and resale of handmade local handcrafts whose unit sale price by the artisan who produced the item, or by the person who resells it, does not surpass three hundred dollars (US\$ 300.00) or the equivalent in national currency, with the condition that said persons invest a minimum of fifty thousand dollars (US\$ 50,000.00) or the equivalent in national currency in the installations, including the value of land and buildings, and the costs of improving a given property, and the purchase of an initial inventory of handcrafts, for creating enterprises exclusively dedicated to the sale of such handcrafts.

This exoneration from Sales Tax (I.G.V.) is also extended to the fabrication and rehabilitation of traditional horse-drawn carriages and the production of other traditional industries approved by INTUR, and the sale of traditional, typical music and folk dance events by individual artists or groups, with no limit on the fees charged.

The period of exoneration with respect to artisans and artists or groups of artists involved with folk activities will be dated from the time that these artisans, artists or groups have been inscribed in the INC's "Registry of Artisans and Traditional Industries" and the "Registry of Typical Music and Folk Dance," as specified in the Regulations of this Law, and with respect to shops where handcrafts are sold, for a period of ten (10) years from the date when INTUR certifies that the initial minimum investment requirement has been fulfilled and that the business has initiated operations. The exoneration specifies that no handcraft item be sold for more than three hundred dollars (US\$ 300.00), or the equivalent in national currency, whether it is sold directly by the artisan who produced it or by an individual or corporation that resells it.

5.10.3 Exoneration from Property Taxes (I.B.I.) for a period of ten (10) years from the date when INTUR has certified that the project has been completed.

5.10.4 Exoneration from Sales Tax (I.G.V.), applicable to design/engineering and construction services, and services producing and distributing graphic and printed products and materials for promoting tourism, contingent upon approval by INTUR.

5.10.5 Full exoneration from Income Tax for the earnings derived from handcraft production, items produced in traditional workshops, and musicians or dancers, for a period dating from their inscription in the INC Registry, and eighty percent (80%) exoneration from Income Tax for individuals and companies dedicated to the sale of handcrafts, for a period of ten (10) years, from the date when INTUR declares that such activity has begun operations.

5.10.6 In the case that artisans no longer directly or exclusively sell their own products, or handcraft-selling businesses begin selling crafts or other articles that are either not of Nicaraguan origin or not handmade, all exoneration will be immediately and permanently suspended, and the individual or company will be definitively excluded from the INC's Registry of Artisans. Other sanctions specified in this Law and its Regulations may be applied.

Art. 6. The Executive Branch, through INTUR, may declare "Special Tourism Planning and Development Districts (Z.E.P.D.T.), as specified in **Number 4.11.2** of **Article 4** of this Law, contingent upon prior approval by the National Tourism Council.⁴

These districts include areas that possess special conditions for attracting tourist activities, but that lack basic infrastructure for development. For this reason, these are districts where projects "of national interest" that are strategic to developing tourism may benefit from additional incentives.

The Special Districts also include specific areas promoted by INTUR—detailed in the Master Plans and Guides formulated in conjunction with the INC and MARENA—as "focal points" for tourist development, either due to their urban/cultural/historical interest or context, or their environmental/natural/ecological interest or context.

Finally, there are specific areas that cover a smaller territorial extension included in these Special Districts that merit special attention and treatment as a tourism resource.

To promote tourism projects in these special districts, the following benefits will be offered:

6.1 Abolished by Article 125, Number 11, of Law 453, "Fiscal Equity Law," published in La Gaceta, Number 82, on May 6, 2003.

6.2 Individuals or corporations that invest their earnings in the development of Special Tourism Planning and Development Districts (Z.E.P.D.T.), through Capital Investment Funds for Tourism ("*FONCITURs*"), may deduct the total value of the investment made from their annual Income Tax, up to an amount no greater than seventy percent (70%) of their annual fiscal obligations.

⁴ Reformed by Article 117 of Law 453, "Fiscal Equity Law," published in *La Gaceta*, Number 82, on May 6, 2003.

The percentage that may be applied to Income Tax (IR) deductions will be reduced once the “FONCITURs” begin operations, according to the following schedule:

Year	Percentage applied against Income Tax (IR)
1	70%
2	50%
3	40%
4	30%
5	20%
6	10%
7	0%

This schedule will remain in force and will be applied whether or not the investor contributes funds in all of the years specified.⁵

CHAPTER IV STATE CONCESSIONS

Art. 7. The Executive Branch is authorized to award concessions for lands and islands that belong to the State, for periods up to twenty (20) years, through INTUR. Such concessions do not affect pre-existing rights. The Executive is also authorized to award concessions for those lands that are destined for tourism development and that require landfills, according to the INTUR’s Master Plans for Z.E.P.D.T.s, for areas with tourist facilities that are State and/or INTUR properties, and for areas where marinas, wharfs and airports will be constructed that the State will dedicate to public tourism activities.

Art. 8. Notwithstanding the previous Article, concessionary contracts may be signed for up to a maximum of fifty nine (59) years in special cases, when the INTUR Board of Directors finds that the amount of investment, the economic impact and potential number of jobs generated by a given project merit a contract of longer duration.

Art. 9. A company’s failure to comply with the designated time period specified for developing a given tourist activity will result in the loss of the concession. Any improvements that have been made to a property will become property of the State, at no cost to the State, and will in no way limit the possibility of applying other corresponding legal sanctions.

Art. 10. Prior to awarding a given concession, a summary of the corresponding request must be published as an announcement in a periodical with nationwide circulation. The Regulations of this Law will establish such procedures.

In addition to the procedure detailed in the preceding paragraph, the following must be specified:

- 1) The budget assigned to the works, along with the technical specifications and corresponding work program.
- 2) The payment of indemnifications, in the case that any are required.
- 3) The modality of services that will be provided, and their benefits to users.
- 4) The financial capacity of the applicant, and the source of their resources.
- 5) The applicant’s prior experience with similar projects.

⁵ Reformed by Article 118 of Law 453, “Fiscal Equity Law,” published in *La Gaceta*, Number 82, on May 6, 2003. See Article 133 of the same Law, referring to the limit of fifty million Córdoba (C\$ 50,000,000.00) annually for issuance of Fiscal Credit Certificates (C.C.F.s).

INTUR, together with the other state Institution responsible for awarding the concession (which will depend upon the specific case, and only when applicable), will conduct ongoing inspections of the area and/or installation(s) during all stages of the concession, to guarantee compliance with all points agreed.

Art. 11. The concessionaire or any sub-contractors (in the case they exist) are obligated to fulfill the agreed upon work program, until the works are concluded. If the program is not completed or the works do not take place according to the agreed upon technical specifications, the contract will be declared cancelled, and the performance bond will be lost, along with all rights of the concession.

Art. 12. Those companies that invest in tourism development and related activities in areas or facilities under concession by the State will be awarded benefits and incentives as part of the stipulated terms and conditions of the investment. However, the value of the land and facilities under concession may not be included as part of the minimum investment required for eligibility.

CHAPTER V CAPITAL INVESTMENT FUNDS FOR TOURISM

Art. 13. The creation of Capital Investment Funds for Tourism (FONCITURs)—private financial institutions under the regulatory control of the General Superintendence of Banks and other Financial Institutions—is permitted, to participate with investments in projects that have been inscribed in the INTUR Registry of Investments.

Art. 14. The Capital Investment Funds for Tourism (FONCITURs) will be authorized to receive private funds of all types. These funds will benefit from fiscal credits under this Law, according to the Regulations for Capital Investment Funds, to be used by INTUR. Small tourist businesses will be authorized to receive credit for investment.

CHAPTER VI REGISTRATION OF INVESTMENTS

Art. 15. The Registry of Tourism Investments will be created, under the auspices of INTUR, in which all individuals and corporations wishing to benefit from the incentives referred to in this Law must be registered.

Art. 16. To request inclusion in the Registry of Tourism Investments, applicants must present the following documents:

- 1) A registration form must be filled out with general information about the project, explaining the reason for the request.
- 2) Personal and/or corporate identification cards of the applicant.
- 3) Complete project documentation.

16.1 The form—sealed and numbered—may be purchased from INTUR at a cost of ten (10) dollars or the equivalent in national currency. This form, to be submitted in original and with six (6) copies, is the first step of the application process. It must contain the following general information:

- 1) The complete name, nationality, personal identity card or passport number, RUC (Taxpayer Identification) Number, address, telephone number, and fax number of the applicant. In the case of a corporation, its name, its country of legal incorporation, information about registration in the Public Registry of its country of origin and in Nicaragua, its RUC Number, and the name, address, telephone and fax numbers of its legal representative in Nicaragua.
- 2) The name and municipal location of the project.
- 3) The amount of the investment.
- 4) The number of jobs the project will generate.

5) A list of documents submitted with the form that makes up part of the application.

16.2. The following personal identification documents and certificates must be submitted in original with two (2) copies:

- 1) Copy of the personal identity card or passport of the applicant, in the case of an individual person. In the case of a corporation, a copy of the personal identity card or passport of its legal representative.
- 2) The company's Articles of Incorporation, as duly registered in the competent Public Registry, and certification issued by the Secretary of the Board of Directors that verifies the names of current Board Members.

16.3 The request will contain the following documents related to the project, in original and six (6) copies:

- 1) A detailed and specific description of the tourist activity that is proposed, including a diagram of the location and other plans required by the project, such as a measurement plan, a land survey of the property, and the planned schedule and phases of the project's implementation.
- 2) Property title, and its registry history covering at least the previous ten (10) years, according to the National Property Registry. In the case that the applicant (whether an individual or corporation) is not the same as the property owner, a general power of attorney for the property must be presented as a minimum requirement.
- 3) Photocopy of the location request and soil use request submitted to the municipality for the proposed activity, or the approval document in the case that one has been issued.
- 4) The Environmental Impact Assessment document, which will help MARENA to determine whether or not a complete and final Environmental Impact Declaration is required for processing the project.
- 5) Project Cost, and information and/or evidence related to its financing, including sources of financing. In the case of a tourism project with an investment greater than two hundred thousand dollars (US\$ 200,000.00) or the equivalent in national currency, the application must contain an economic feasibility study for the project.
- 6) Any additional information that, given the nature of the proposed tourist activity, will help INTUR to assess all merits of the request.

Art. 17. Once the registration form for the project with all required documentation is received, INTUR will proceed to consider the project's technical, economic, legal and "touristic" merits. It will do so within no more than sixty (60) calendar days, and will immediately forward the documentation received to the respective state institutions, including MARENA, INC and others, as well as to the municipality where the project will be located. Each institution will be required to issue a resolution that indicates its approval and/or opinion and recommendations about the project. This resolution must be submitted to INTUR within thirty (30) calendar days from the date that the respective regulatory agency has received the project documents.

Art. 18. INTUR will analyze the request in light of the recommendations and opinions expressed in the resolutions issued by the agencies consulted, and will either approve or reject the request within the sixty (60) days allotted from the time the request is made. It will issue a Resolution to this effect, and in the case of approval will proceed to register the project and its applicant in the Tourism Investment Registry and expedite certification that states the date of inscription in the Registry, so that the applicant (individual or corporation) may enjoy the benefits established in this Law.

Art. 19. INTUR will be the only institution responsible for approving or denying registration of the company in the Tourism Investment Registry, for effects of this Law. However, inscription in the Registry does not exempt the applicant from his or her obligation to fulfill all requirements and obtain the necessary permits from the corresponding regulatory agencies and jurisdictions, whether or not they are the same agencies that were consulted by INTUR during the approval process, and to update these during each of the project's phases of implementation.

CHAPTER VII OBLIGATIONS

Art. 20. Any individual that makes use of this Law is obligated to:

- 1) Invest the amount indicated in the request for the proposed tourism project, and maintain that investment during the corresponding period of time, as specified in this Law.
- 2) Begin constructing, renovating or restoring the properties to be used for the tourist activities proposed in the Project request, within a period of no more than six (6) months from the date when INTUR registers the project in the Tourism Investment Registry. INTUR may extend this period if it is justified by exceptional circumstances.
- 3) Begin operating the tourist activity within a period of no more than three (3) years, from the date of inscription in the Tourism Investment Registry.
- 4) Carry out the tourist activities in compliance with INTUR's regulatory norms, and those of INC and MARENA when applicable.
- 5) Maintain a complete Registry of exonerated articles, which will be accessible to the competent officials of INTUR and the Treasury Department.
- 6) Deposit a performance bond with INTUR, equal to six one thousandths (0.006) of the amount of the investment. This bond will never be greater than one hundred and fifty thousand dollars (US\$ 150,000.00) or the equivalent in national currency, and must remain with INTUR until initiation of the tourist activity has been certified.
- 7) Hire Nicaraguan personnel, contingent upon prior authorization by the competent national authorities, except in the case of specialized experts and technical staff.
- 8) Provide specialized and ongoing training to Nicaraguan citizens, as needed by the tourism industry.
- 9) Any jurisdictional disputes should be resolved through the national court system.

Art. 21. The incentives contained in this Law will be awarded by INTUR, contingent upon prior approval by the National Tourism Council, and through signing a Tourism Investment and Promotion Contract, which then must be ratified by special session of the National Tourism Council.⁶

Art. 22. INTUR will proceed to draw up the following regulations and documents, which will comply with the spirit of this Law once it has entered into force, and with agreement from MARENA and the INC, the Central Bank of Nicaragua, and the Treasury Department:

- 1) Lodging Facility Regulations, including the "Paradores de Nicaragua" Program and its Regulations.
- 2) Regulations for Historical Preservation Sites, to be developed jointly with the INC.
- 3) Regulations for Food, Beverages and Recreation, including the "Mesones de Nicaragua" Program and its regulations, and Casinos. To be developed jointly with the Treasury Department.
- 4) The Registry of Artisans and Traditional Industries, and the Registry of Typical Music and Folk Dance, jointly with the INC.
- 5) The Territorial Tourism Development Plan, including the Tourism Planning and Development Districts.
- 6) Regulations for State Concessions.
- 7) Regulations for Capital Investment Funds for Tourism, jointly with the Central Bank of Nicaragua.

⁶ Reformed by Article 119 of Law 453, "Fiscal Equity Law," published in *La Gaceta*, Number 82, on May 6, 2003.

- 8) The Regulations of the Tourism Industry Incentives Law, and Procedures for Inscription in the Registry of Tourism Investments.
- 9) The Registry of Tourism Investments and a model for the Tourism Investment and Promotion Contract.

CHAPTER VIII SANCTIONS

Art. 23. The provisions of common Tax Legislation will be applied in the case of any sanctions.

Art. 24. In the case that any individual or corporation that has benefited from this Law makes improper use of its benefits, sanctions will be applied as specified in Decree 839, "The Fiscal Crime and Fraud Law," and the reforms contained in Law 257, "Tax Law."

Art. 25. The sanctions referred to in the previous **Article** will be established and applied in this Law's Regulations.

CHAPTER IX FINAL PROVISIONS

Art. 26. The Municipal Taxation Plans will be adjusted in the spirit of this Law, so that individuals or corporations that have been exonerated from taxation will not be taxed, and so that the National Police will not issue norms and regulations, charge fees and/or apply injurious regulations to the providers of tourism services. No direct or indirect payments to the National Police will be made by small businesses providing Tourism Industry Services.

Art. 27. The State will consider indigenous reserves as tourism development zones, and will promote folklore and culture as a tourist attraction.

Art. 28. Transitory. Any authorizations made to individuals or corporations under Decree 520 will remain valid if the construction of a proposed tourism service has begun within the period of time anticipated. Those individuals or corporations that have not initiated construction by the date of this Law's promulgation will have three (3) months from said date to begin any proposed construction activity, and to benefit from the incentives of Decree 520. If construction has not begun by that time, a new request must be submitted and the conditions of this Law must be met. The companies that have benefited from Decree 520 and have begun operations by the date of this Law's promulgation and that wish to make additional investments to expand installations and services may also benefit from the incentives of this Law, if they comply with its conditions and Regulations. In this case, the expansion project will be submitted as if it was a new project, and the minimum investment must be greater than thirty five percent (35%) of the initially approved investment. The tax exoneration will therefore be extended for another ten (10) year period, and will apply to all of the company's tourism activities.

Art. 29. This Law will abolish Decree 520, August 5, 1960 and its reforms, and all legal and regulatory dispositions contained therein, in all that refers to Hotels and Recreational Centers.

Art. 30. The Executive Branch will issue the Regulations of this law, as specified in **Article 150, Number 10** of the Constitution of the Republic of Nicaragua.

Art. 31. This Law will enter into force when it is published in *La Gaceta*.

Issued in the city of Managua, in the Meeting Room of the National Assembly, on the eighteenth day of the month of May, nineteen hundred ninety nine.

IVAN ESCOBAR FORNOS
President of the National Assembly

VICTOR MANUEL TALAVERA HUETE
Secretary of the National Assembly.

Therefore:
Be it considered as a Law of the Republic.
Be it published and executed.

Managua, June 10, 1999

ARNOLDO ALEMAN LACAYO
President of the Republic of Nicaragua.

CLARIFICATION:

IN ALL SECTIONS WHERE THE TERM "IMPUESTO GENERAL AL VALOR (I.G.V.)" IS USED,
IT SHOULD BE READ INSTEAD AS "IMPUESTO AL VALOR AGREGADO (I.V.A.)" AS
SPECIFIED IN ARTICLE 36 OF LAW 453, "THE FISCAL EQUITY LAW," PUBLISHED IN LA
GACETA, NUMBER 82, MAY 6, 2003.

Decree 89-99

Regulation of Law 306

THE PRESIDENT OF THE REPUBLIC OF NICARAGUA

In use of the faculties conferred upon him by the Constitution of the Republic

HAS ISSUED

The following Decree:

REGULATION OF LAW 306 “TOURISM INDUSTRY INCENTIVES LAW FOR THE REPUBLIC OF NICARAGUA”

CHAPTER I GENERAL PROVISIONS

Art. 1. The purpose of this Regulation is to govern the application of Law 306, “Tourism Industry Incentives Law for the Republic of Nicaragua,” published in *La Gaceta*, Number 117, on June 21, 1999.

Art.2. For effects of these Regulations, the following terms will be understood as follows:

a) Law 306: Tourism Industry Incentives Law for the Republic of Nicaragua.

b) Regulation: The Regulations enumerated here for “Incentives for the Tourism Industry.”

c) INTUR: Nicaraguan Institute of Tourism.

d) MHCP: Department of the Treasury.

e) INC: Nicaraguan Institute of Culture.

f) MARENA: Ministry of the Environment and Natural Resources.

g) Tourism Investments Registry: Official registry of national and foreign investors.

h) Contract: Tourism Investment and Promotion Contract.

i) State Tourism Concessions: Contracts awarded by INTUR.

j) Z.E.P.D.T.: Special Tourism Planning and Development Districts.

k) SINAP: National Protected Areas System.

l) D.A.I.: Import Duty Tax.

m) A.T.P.: Temporary Tariff Protection.

n) I.E.C.: Excise Tax.

o) I.G.V.: Sales Tax.

p) I.B.I.: Property Tax.

q) I.R.: Income Tax.

r) E.I.A.: Environmental Impact Assessment.

s) *D.I.A.*: Environmental Impact Declaration.

t) *FONCITURs*: Capital Investment Funds for Tourism.

Art. 3. The provisions of the Law and these Regulations will apply to both individuals and corporations that wish to benefit from their incentives.

CHAPTER II INTUR'S MANAGERIAL AND COORDINATING ROLE

Art. 4. For the effects of applying the Law and these Regulations, INTUR will be responsible for:

1. Informing, publicizing and guiding the public and investors about the benefits of this Law.
2. Establishing norms, rules and specific guidelines for the Tourism Industry in Nicaragua, jointly with other state institutions, as specified in **Article 22** of the Law.
3. Receiving and processing requests to qualify for this Law, except those that are directly processed by the MHCP and the INC.
4. Administering the Registry of Tourism Investments, as specified in Chapter VI of the Law; processing and maintaining all other Registries and Documents, and determining, certifying or denying eligibility for the Law's benefits, both for individuals and corporations.
5. Evaluating requests that, according to the Regulations, must seek "one step" ("*ventanilla única*") inscription in the Registry of Tourism Investments, within the period delineated in **Article 17** of the Law, and either issue the corresponding Contract if the application is approved (Investment and Promotion Contract; State Tourism Concession Contract), depending upon the nature of the case and Tourism Activity, or issue a Negative Resolution if the Project application is rejected.
6. Reviewing those requests that, according to these Regulations, do not require inscription in the Tourism Investments Registry; and issuing Exoneration or Fiscal Credit or "FONCITUR" Certification, or other corresponding documents, depending upon the case, to certify or reject such requests.
7. Formulating programming and master plans, and urban guides for Z.E.P.D.T.s, as components of the Territorial Tourism Development Plan; and identifying and defining the boundaries of each Z.E.P.D.T. for effects of the fiscal benefits and credits delineated in Article 6 of the Law and in these Regulations.
8. Helping process exonerations and incentives, without in any way prejudicing the responsibilities of the MHCP; and collaborating and coordinating the management, oversight and control of incentives and benefits, with the MHCP and the Superintendence of Banks and other financial institutions (S.B.I.).
9. Monitoring compliance with and good use of the agreed upon exonerations, benefits and obligations, and informing the corresponding authorities in the case of non-compliance with the same. In such cases, the applicable sanctions and contract annulments will be determined and applied.

CHAPTER III INTUR NORMS AND REGULATIONS

Art.5 According to **Article 22** of the Law, INTUR will issue specific requirements to guide and standardize the development and management of Tourism Activities and the Incentives and Benefits delineated in the Law, through the following Volumes of Regulations:

Regulations Volume 1: LODGING FACILITY REGULATIONS. Includes: the "Paradores de Nicaragua" Program, Norms for Convention Centers in Hotel Complexes, and others.

Regulations Volume 2: REGULATIONS FOR TOURISM PROJECTS IN PROTECTED AREAS AND IN HISTORICAL PRESERVATION SITES.

Regulations Volume 3: FOOD, BEVERAGE AND RECREATION REGULATIONS. Includes: the "Mesones de Nicaragua" Program, and Regulations for Casinos inside Hotel Complexes.

Regulations Volume 4: TOURIST PROMOTION OF HANDCRAFTS, MUSIC AND FOLK DANCE. Includes: Registry of Artisans and Traditional Industries, and the Registry of Typical Music and Folk Dance Artists.

Regulations Volume 5: TERRITORIAL TOURISM DEVELOPMENT PLAN. Includes identifying, defining, and setting norms and regulations for the Z.E.P.D.T.s.

Regulations Volume 6: REGULATIONS FOR CONCESSIONS FOR TOURISM PROJECTS ON STATE OWNED PROPERTIES.

Regulations Volume 7: NORMS FOR ESTABLISHING AND MANAGING FONCITURs; and for other Tourism Financing Mechanisms.

Regulations Volume 8: METHODOLOGY FOR EVALUATING AND MANAGING TOURISM PROJECTS. Includes: Procedures and Operation of One Step Registration; Inter-Agency Tourism Coordination at the technical level; Organization of the Tourism Investment Registry; Certification Forms; and Model Investment and Promotion and Concession Contracts.

CHAPTER IV QUALIFICATION AND ELIGIBILITY REQUESTS

Art. 6. Individuals or corporations that wish to benefit from the Law must present their request to INTUR or directly to another State institution, depending upon their category of Tourism Activity.

Art. 7. The incentives and benefits defined in Law 306 will be approved by the National Tourism Council.⁷

For those individuals or corporations wishing to benefit from Law 306, Article 5, Number 5.2.7, their contributions will be considered as deductible from Income Taxes, according to the specifications of this section of the Law. This will not imply the award of a Fiscal Credit Certification.

The total annual investment that may be charged as fiscal credit may not surpass seventy percent (70%) of annual fiscal obligations.

For the effects of Law 453 (The Fiscal Equity Law), Article 133, Paragraph 2, tourism investment projects approved prior to that law's entry into force may enjoy fiscal credit benefits under the direct investment modality, as long as they meet the following conditions:

1. This only applies to investments in permanent works, understood as construction and fixed equipment. Administrative costs, design studies, advisory costs, vehicles and furniture are excluded from such benefits.
2. Contributions to the tourism investment project must be made beforehand, duly demonstrating that the amounts contributed correspond to earnings for the respective fiscal period.
3. All investments must be certified by duly authorized accountants and technical staff.

Addition to Art. 7, Decree No. 67-2000, Published in La Gaceta No. 150, Managua, Wednesday, August 9, 2000.

The Addition to Article 7 of Decree 67-2000 was eliminated by Article 5 of Decree 53-2003 of the Reform to Decree 89-99, Regulation of Law 306, Tourism Industry Incentives Law for the Republic of Nicaragua, published in La Gaceta, Number 126, on July 7, 2003.

Art.8. Those entities established as Capital Investment Funds for Tourism (FONCITURs), for effects of **Articles 13 and 14**, must comply with the conditions of these Regulations for constitution of FONCITURs, and must present INTUR with evidence that the FONCITUR is dedicated to investing in Tourism projects, situated in Z.E.P.D.T.s, and have been inscribed in the Registry of Tourism Investments, and have been approved by INTUR. INTUR will issue the "FONCITURs Certification."

CHAPTER V OPERATIONS OF THE NATIONAL TOURISM COUNCIL⁸

⁷ **Reformed** by Article 7 of Decree 53-2003 of the Reform to Decree 89-99, Regulatory Statute for Law 306, Tourism Industry Incentives Law for the Republic of Nicaragua, published in *La Gaceta*, Number 126, on July 7, 2003.

Art.9. For application of Article 114 of the Fiscal Equity Law (Law 453), the National Tourism Council, from here forward referred to as The Council, will be regulated by the following provisions:⁹

1. **Council Members:** The following officials will be permanent members of the Council:

- 1.1 The Presidency's Coordination and Strategy Secretary, or his/her delegate, who will preside.
- 1.2 The Minister of the Treasury Department or his/her delegates (MHCP).
- 1.3 The General Tax Director, or his/her delegate (DGI).
- 1.4 The General Director of Customs Services, or his/her delegate (DGA).
- 1.5 The Representative of the National Chamber of Tourism or his/her delegate (CANITUR).
- 1.6 The Representative of the Nicaraguan Chamber of Small Tourism Business, or his/her delegate (CANIMET).
- 1.7 The President of the National Assembly's Commission on Tourism, or his/her delegate.
- 1.8 The Executive President of the Municipalities Institute, or his/her delegate (INIFOM).

Only permanent members of the Council will have voice and vote. They may designate a substitute, who must be accredited by written letter, indicating personal information, the position he/she will occupy and the substitution period.

2. **Requisites.** The Director or delegate of the institutions making up the National Tourism Council must guarantee that:

- 2.1 During their tenure, they do not have any links, interests or economic relationships with Nicaraguan or foreign companies dedicated to any tourism activity;
- 2.2 In the case of representatives from the private tourism sector, individuals named as representatives must be duly accredited; and
- 2.3 Representatives from the private tourism sector must accredit their representatives through notarized certification, which states designation by the Board of Directors of the Association that they represent.

3. **The Council's Sphere of Duties:** The Council will be responsible for the following:

- 3.1 Verifying that the requests from Tourism Investment Projects pertain to the tourism activities defined in Law 306, its Reforms and its Regulations;
- 3.2 Determining if the development of a given tourism investment project will help improve and/or increase the supply of services for national and international tourism;
- 3.3 Verifying the commercial, technical, financial, economic and legal feasibility of requests presented, based on findings and recommendations issued by INTUR's Legal Department and Operations and Investment Evaluation Department;
- 3.4 Approving or rejecting requests by Tourism Investment Projects, establishing the amount of investment receiving exonerations, the tourism category, and the corresponding fiscal incentives and benefits;
- 3.5 Approving or rejecting requests for Fiscal Credit Certificates (C.C.F.s) from tourism projects eligible under Article 133 of Law 453 (Fiscal Equity Law);
- 3.6 Approving or rejecting requests for concessions, based on the provisions of Law 306's Chapter IV, "State Concessions," and the provisions of Articles 11 and 26 of the Law's Regulations.
- 3.7 Approving or rejecting designations of Special Tourism Planning and Development Districts (Z.E.P.D.T.s), based on the technical proposals presented by INTUR;
- 3.8 Approving or rejecting the eligibility of tourism investment projects, based on the provisions of these Regulations;
- 3.9 Ratifying (in special sessions) the Tourism Investment and Promotion Contracts subscribed between INTUR and beneficiaries; and
- 3.10 Developing procedural norms for applying the incentives and benefits contained in Law 306.

⁸ **Reformed** by Article 2 of Decree 53-2003 of the Reform to Decree 89-99, Regulation of Law 306, Tourism Industry Incentives Law for the Republic of Nicaragua, published in *La Gaceta*, Number 126, on July 7, 2003.

⁹ **Reformed** by Article 3 of Decree 53-2003 of the Reform to Decree 89-99, Regulation of Law 306, Tourism Industry Incentives Law for the Republic of Nicaragua, published in *La Gaceta*, Number 126, on July 7, 2003.

4. **Appointment of the Secretary.** The National Tourism Council will name a Secretary who will provide technical and administrative support to the Council. This Secretary will not be a member of the Council, and will participate in sessions with voice but without vote when issues related to his/her functions are addressed.

The Council Secretary will have the following responsibilities:

1. Coordinating and organizing the Council's operations;
2. Organizing the document files related to the Council's operation;
3. Facilitating communication between Council members, the INTUR Executive President, and Departments involved in tourism investment projects;
4. Preparing the agendas for Council sessions;
5. Convening ordinary and extraordinary sessions, after receiving authorization from the Council President;
6. Presenting projects submitted by INTUR to the Council. This presentation will include general information about the request, an executive project summary, and legal and technical-financial findings; and
7. Organizing Council minutes and maintaining them in chronological order and duly signed by participating members.

The remaining responsibilities will be assigned by the Council.

5. **Council Operations:** The Council will operate according to the following procedures:

- 1) Ordinary sessions will be held one time per week.
- 2) Extraordinary sessions will be held at the written request of the Council President or members (representing half plus one of the total members), as required.
- 3) All requests related to tourism investment projects will be presented in triplicate to the INTUR Legal Department, after complying with the requirements specified in Law 306, its Reforms, these Regulations, and any other norms.
- 4) The Council Secretary will provide members of the Council with findings and documents relevant to the request, at least five days prior to the session.
- 5) The Council may take up to fifteen (15) days to decide on requests submitted for consideration.
- 6) A quorum of Council members must be present for ordinary or extraordinary sessions. Half of the members plus one will signify a quorum. In the case that the Council President is absent, the Treasury Department (MHCP) delegate will preside over the session. Sessions may not be held if neither the Council President nor the MHCP delegate (in the case that the President is absent) is present.
- 7) Members may attend Council meetings in the company of other functionaries from the institution they represent, for informational or advisory purposes. Such accompanying functionaries may participate with voice but without vote.
- 8) Council resolutions will be analyzed and resolved on the basis of the legal and technical-financial criteria issued by INTUR's Legal Department and its Operations and Investment Evaluation Department.
- 9) During the sessions in which requests from applicants who are members of a Tourism Sector Chamber that is represented in the Council are reviewed and evaluated, the member representing this Chamber should excuse himself/herself from participating in the session.
- 10) Resolutions for each request presented will be issued, following any necessary legal and technical-financial consultations, after which voting will take place.
- 11) Resolutions will be passed by simple majority. A favorable vote will consist of half of the permanent or substitute members present plus one. In the case of a tie, the Council President will have a double vote. The votes against any request must be duly reasoned.
- 12) Minutes for each session will be kept, which will contain:
 - 12.1 The name of the applicant (individual or corporation), including personal data.
 - 12.2 The name of the project and its location.
 - 12.3 The amount of the proposed investment and a brief description of the investment segments.
 - 12.4 The Council's resolution, indicating approval or rejection of a given project.
 - 12.5 In the case of a favorable resolution, the category awarded as well as any benefits and incentives assigned should be indicated.
 - 12.6 In the case a project is rejected, the reasoning of Council members should be indicated.
 - 12.7 The conditions and obligations specified for the Tourism Project.
 - 12.8 The signature of participants.

- 13) Project approval is linked to definition of the general terms of the incentives that will be available to the investor, according to the provisions of Law 306. These will become part of the Tourism Investment and Promotion Contract to be signed by the Nicaraguan Institute of Tourism and the investor. This contract must be ratified by the Council.
- 14) The criteria used by the Council to either approve or reject a request will become part of the Resolution to be written up by the Legal Department. This will be signed by the INTUR Executive President, and will then be forwarded to the Treasury Department, the Internal Revenue Service or the General Custom's Office, depending upon each case.
- 15) The minutes from the Council session must be signed by the members when the respective session concludes, for future transcription by the Legal Department and for inclusion in the respective resolution and notification of interested parties.
- 16) Once the interested parties are notified, they may either accept or reject the resolution. In the latter case, they make use of administrative procedures defined in the "Organization, Competence and Procedural Law for the Executive Branch of Government," (Law 290), published in *La Gaceta*, Number 102, June 3, 1998. The National Tourism Council is charged with resolving an Appeal for Review, and the Executive President of INTUR a Remedy of Appeal.

See Article 4 of Decree 53-2003, of the Reform of Decree 89-99, Regulation of Law 306, Tourism Industry Incentives Law for the Republic of Nicaragua, published in *La Gaceta*, Number 126, on July 7, 2003.

CHAPTER VI INTUR REGISTRIES

Art.10. The following two (2) INTUR Registries document all aspects related to application of this Law:

1. **The Registry of Tourism Investments**, which contains all projects that involve the minimum investment required by Law, and whose proponents have requested the incentives and benefits corresponding to their category of Tourism Activity; and
2. **The Registry of Certifications**, which contains applications and supporting documentation, in the form of Certifications, for all of those who wish to benefit from this Law.

Both Registries will be administered in INTUR by the Secretary of the Office on Incentives and Project Evaluations, and will be organized according to the norms set by the President of the Institute, for this effect.

CHAPTER VII STATE CONCESSIONS

Art.11. Individuals or corporations may request concessions for land and/or installations owned by the State for use in developing and/or operating Tourism Activities, as specified in **Articles 7 and 12** of the Law, and may be eligible to receive the incentives and benefits specified in **Article 5** of the same Law.

Art.12. Tourism areas that are available for concessions must be integrated into the Territorial Tourism Development Plan, and must comply with the specifications of these Regulations.

Art.13. Requests for concessions must be inscribed in the Registry of Tourism Investments, and must comply with the provisions of **Articles 15 and 18** of the Law.

Art.14. Once the application has been received by INTUR, this institution will evaluate its compatibility with the stipulations of Chapter IV of the Law. To make this determination, it will:

- 1) Request the designation of appraisers from the Real Estate Registry Department to report on the area's land value;
- 2) Obtain reports about land use and urban development norms from the Municipal Government, when the project involves municipal lands;
- 3) Request a report from the National Port Authority (EPN) to determine whether its development plans anticipate any works in the indicated area; and
- 4) Request the opinion of the Ministry of Transport and Infrastructure (MTI) regarding any technical aspects related to constructing public roadways.

INTUR's Department of Planning will produce the corresponding report, which will be accompanied by all documentation preceding the request, the evaluation of documentation obtained, and its recommendation regarding the concession request. This will be submitted to INTUR's President for consideration and approval.

Art.15. A project awarded a concession for use of State lands or properties must cover the costs of the real estate appraisal referred to in **Number 1** of the previous **Article**, and pay INTUR this amount in national currency.

Art.16. Concessions for national lands in some areas will be awarded through a State Tourism Concession Contract, which will contain the respective resolution. The Resolution Certification will serve as the concession "deed", which will need to be inscribed in the Public Registry of Properties in the respective province, as specified in **Article 3951** of the Civil Code.

Art.17. The obligations of the Concession Holder will be specified in the corresponding State Tourism Concession Contract. This contract will in no way prejudice fulfillment of obligations specified in the INTUR Charter, its Regulatory Statutes, or Law 306 and its Regulations.

Art.18. The amount to be paid by the Concession Holder for use of national lands or INTUR lands will be stipulated in the text of the concession determined beforehand by the INTUR Board of Directors, based on the size of the property being used.

Art.19. The State Tourism Concession Contract must contain at least the following:

- 1) The Concession Holder's name, nationality, address and other personal data.
- 2) The purpose of the concession, its nature, and the general plan to be carried out.
- 3) The budget of the works to be constructed, along with technical specifications and the work program.
- 4) The maintenance plan for the constructed works.
- 5) A description of the area, with its respective measurements and boundaries.
- 6) The general and special conditions of the concession, and the rights and obligations of all parties, including the obligation to pay indemnification if required.
- 7) The date when the works will begin must be adjusted to the stipulations of **Number 2** of **Article 20** of the Law, as well as the date when they will conclude.
- 8) An indication that any public roadways constructed in the concession area will be considered assets for general use, and that the Concession Holder is obligated to transfer these to the State, at no cost.
- 9) Description of the collateral offered by the Concession Holder, which is set at one percent (1%) of the value of the works to be carried out.
- 10) The right of the Concession Holder to make improvements or landfills on State and/or INTUR properties.

If the Concession Holder fails to comply with his/her obligations or any other specifications of Laws in force, INTUR may cancel the concession. INTUR may include the conditions it considers appropriate in the State Tourism Concession Contract, as long as they do not in any way contradict the public interest or the legal organization of State privileges and prerogatives, which may not be constrained, negotiated or renounced by INTUR.

Art.20. Any agreement for the usufruct, leasing, administration or total or partial use of the area and assets specified in the concession that differs from those approved is prohibited. Any modification to the construction, administration, and maintenance, marketing or commercial management of the works specified in the concession will require written authorization from INTUR.

Art.21. The Concession Holder will have the right to prolong the period of construction, for any of the following reasons:

- 1) Delays in the Concession Holder's access to the land where construction is to take place, due to unavoidable circumstances.
- 2) Duly demonstrated delays caused by ongoing shortages of materials or inputs that are beyond the control of the Concession Holder, or due to force nature, for a period that does not exceed six (6) months.
- 3) Delays carrying out landfill works, which imply the need to re-budget the works.
- 4) The suspension of the works by a State authority, for the period of the suspension.

Art.22. INTUR and MHCP will conduct any inspections considered pertinent, to determine the Concession Holder's compliance with his/her obligations, the progress of the tourism development project being implemented, the maintenance of the same, and the marketing program. Any irregularities found will be indicated.

Art.23. In the case that INTUR finds non-compliance on the part of the Concession Holder, it will proceed to issue the corresponding Resolution.

Art.24. When the concession ends due to non-compliance of the Concession Holder, the collateral guarantee referred to in Number 6, Article 20 of the Law will remain in the possession of INTUR.

Art.25. When the concession period concludes INTUR may award a new concession, in which case the original Concession Holder will have priority as long as all requirements have been met and the desire to continue the concession is reported to INTUR at least one year prior to conclusion of the original contract, with the corresponding rationale of the new request.

Art.26. The concession proposals must be published in a periodical with nationwide circulation for a period of three days. Any individual or corporation that feels in some way prejudiced by a concession request may present such opposition to INTUR.

CHAPTER VIII CAPITAL INVESTMENT FUNDS FOR TOURISM (FONCITUR)

Art.27. The FONCITURs are private investment funds that invest venture capital in tourism projects. These projects must be situated in the Z.E.P.D.T.s, as specified in **Article 4** of the Law, and inscribed in the Tourism Investment Registry and approved by INTUR for effects of **Articles 6, 13, and 14** of the Law.

Art.28. The FONCITURs, as well as other mechanisms, state bonds and other stock market financial instruments, mutual funds, state loan guarantees, and others specified in **Number 6.2 of Article 6** of the Law will be regulated and supervised by the Superintendence of Banks and other financial institutions.

Art.29. The FONCITURs may receive investments in exchange for issuing certificates or other certification, verifying participation as a shareholder in the Fund by individuals or corporations opting to make use of the benefits outlined in **Number 6.2 of Article 6** of the Law. Those individuals may deduct the total amount of the investment contributed to tourism development through FONCITURs from their annual Income Tax payment, but only up to an amount no greater than seventy percent (70%) of their annual tax obligation.

Art.30. The FONCITURs may invest in tourist activities approved by INTUR, through direct investments in such projects and/or through financing and loans.

Art.31. The FONCITURs pay taxes like any other financial institution, as specified in the Tax Law, published in *La Gaceta*, on June 6, 1997, and its reforms. However, the interest and benefits from commissions from loans awarded to projects approved by INTUR, according to **Number 6.1 of Article 6** of the Law, will be exempt from Income Tax.

CHAPTER IX SANCTIONS

Art.32. Non-compliance with the obligations specified in Article 20 of the Law will lead to cancellation of inscription in the Registry of Tourism Investments or, depending upon the case, of the Concession Contract.

The nature of non-compliance will be specified and presented to the interested party by INTUR and/or other regulatory agencies that may have jurisdiction, depending upon the case. The interested party will be given the opportunity to correct any deficiencies or causes of non-compliance. If said non-compliance has not been corrected to the satisfaction of these agencies and/or INTUR within thirty (30) days of receiving notification, INTUR will proceed to cancel the Contract. Projects approved for temporary exonerations that never began operations or did not begin operations within the designated time periods will lose their deposited collateral guarantees, and INTUR will proceed to cancel all Contracts.

Art.33. A Resolution to cancel inscription in the Registry of Tourism Investments will be issued by the INTUR Board of Directors, and the interested party will be notified.

Art.34. Individuals or corporations that import exonerated articles and in turn sell, lease, transfer or make any use of these articles that differs from that specified for free importation or exoneration from I.G.V. will be sanctioned, as specified in corresponding legislation. Any other incentives or benefits to which said individual or corporation had been entitled will be cancelled, without in any way impeding the application of other sanctions.

CHAPTER X FINAL PROVISIONS

Art.35. The Investment and Promotion Contract, or the Concession Contract, will stipulate the obligations and benefits to which the proponent of a tourism investment project is entitled.

Once INTUR approves a project inscribed in the Registry of Tourism Investments, the benefits stipulated in the Investment and Promotion Contract or the Concession Contract will be awarded both to the proponent and his/her project. INTUR approval will be required if the legal status of the proponent is in any way modified due to the sale or transfer of project shares.

Art.36. INTUR, in coordination with the MHCP, will adopt any necessary measures to monitor exonerated merchandise.

Imported vehicles and equipment exonerated under this Law may not be transferred to third parties within the first three (3) years of their importation, except if the corresponding duties and taxes are paid. These vehicles and equipment must be duly marked and identified with the name of the beneficiary company from the first day they are used.

According to current Tax Legislation, the only vehicles considered "cargo vehicles" for the effects of this Law will be panel trucks and two door pick-up trucks, both with up to a two (2) ton load capacity, and refrigerated trucks with at least a maximum cargo capacity of five (5) tons, but not more than or equal to twenty (20) tons.

Art.37. All projects proposed for inscription in INTUR's Registry of Tourism Investments must conform to legislative provisions regarding environmental protection. At a minimum, these projects must include an Environmental Impact Assessment that identifies aspects related to environmental protection and environmental quality, in a general but uniform and complete manner. MARENA requires the presentation of an Environment Impact Declaration (D.I.A.) containing all pertinent details for all projects situated in the SINAP's Protected Areas, or any project deemed by this Ministry to have an impact on the environment. In order to enable INTUR to diligently evaluate projects through a one step process, as mandated by Law, the project proponent requesting his/her project's inscription in the Registry of Tourism Investments will be responsible for consulting with MARENA about this requirement and submitting adequate environmental information with the application.

Art.38. For effects of enjoying the benefits of Numbers 5.7.1 and 5.7.3 of Article 5 of the Law, "a feature-length film" is defined as a production that runs more than one hour and twenty minutes. Permanent exoneration, as well as that contained in Number 5.7.1 of the already mentioned Article, will not be awarded unless INTUR certifies that a production has been widely distributed and presented internationally.

Art.39. The President of INTUR is empowered to issue the applicable resolutions for each case, for which he/she will provide a corresponding report to the Board of Directors

Art.40. These Regulations will enter into force upon publication in *La Gaceta*.

*Given in the City of Managua,
Casa Presidencial
On the nineteenth day of the month of August
Nineteen hundred and ninety nine.*

ARNOLDO ALEMÁN LACAYO
President of the Republic of Nicaragua

APPENDIX 1

ARTICLES RELATED TO REFORM OF LAW 306 “Tourism Industry Incentives Law for the Republic of Nicaragua” CONTENTS OF LAW 453 “FISCAL EQUITY LAW”

La Gaceta, Number 82, published May 6 2003.

SUMMARY OF ARTICLES

NUMBER AND TITLE	CHAPTER NUMBER	ARTICLE
II, Income Tax	IV. Declaration of Income	Paragraphs 2 and 3 of Art. 22
IX. Special Provisions	IV. Tourism Incentives Law	Articles 114, 115, 116, 117, 118 and 119
X. Monitoring Exonerations, Fiscal Transparency and Stability		Number 12, of Art. 123 Number 11, of Arts. 125 and 133

CHAPTER IV Declaration of Income

Art. 22 Obligation to Declare: All individuals whose annual gross income exceeds fifty thousand Cordoba's (C\$ 50,000.00) during the taxable year and all corporations, regardless of their gross income—and even when such incomes are exempt by law—must present a declaration to the Internal Revenue Service about all income obtained during the taxable year, according to the requirements of the Regulations of this Law. (Any false declaration may be prosecuted under civil and penal law).

Individuals whose only income consists of salaries or remunerations from a single source will not be obligated to present an income statement, without prejudice to any obligations corresponding to retentions made, except those salaried employees who have agreed to invest part of their income, as specified in Law 306 (Incentives to the Tourism Industry, Republic of Nicaragua).

In the case of an individual whose consolidated income from different sources exceeds fifty thousand Cordoba's (C\$ 50,000.00) annually, he/she will be obligated to declare and pay corresponding taxes.

CHAPTER IV Tourism Incentive Law

Art. 114. Article 4 of the Tourism Industry Incentives Law for the Republic of Nicaragua has been modified so that Number 4.15 will read as follows:

“4.15. National Tourism Council. The National Tourism Council will be created. Its purpose is to analyze and decide whether the Tourism Investment Projects presented by individuals or corporations for consideration by the Nicaraguan Institute of Tourism are or are not eligible for the benefits and incentives specified in Law 306, “Tourism Industry Incentives Law for the Republic of Nicaragua.”

The heads of the following institutions, or their delegates, will be members of the Council:

1. The Presidency's Coordination and Strategy Secretary, who will preside;
2. The Treasury Department (MHCP);
3. The Internal Revenue Service (DGI);
4. The General Department of Customs Services (DGA);
5. From the Tourism Sector:
 - a) A representative from the National Chamber of Tourism (CANITUR);
 - b) A representative from the Nicaraguan Chamber of Small Tourism Business (CANIMET);
6. A representative from the National Assembly's Commission on Tourism; and
7. The Nicaraguan Municipalities Institute (INIFOM).

The Council's operations will be governed by the Regulations of the corresponding Law.”

Art. 115. The first paragraph of Article 3 of Law 306, “Tourism Industry Incentives Law for the Republic of Nicaragua,” published in *La Gaceta*, Number 117, on June 21, 1999, will read as follows:

“**Art. 3.** Individuals or corporations that are dedicated to and invest directly in tourism services and activities that have been duly authorized by INTUR are eligible for the Law’s incentives, as long as such incentives have been approved by the National Tourism Council and are the following:”

The remainder of said Article remains in full legal and judicial force.

Art. 116. The first paragraph of Article 5 of Law 306, “Tourism Industry Incentives Law for the Republic of Nicaragua,” published in *La Gaceta*, Number 117, on June 21, 1999, is reformed and will read as follows:

“**Art. 5.** With the goal of promoting investments in tourism activities, INTUR will award the following fiscal incentives and benefits, contingent upon prior approval by the National Tourism Council:”

The remainder of said Article remains in full legal and judicial force.

Art. 117. Article 6 of Law 306, “Tourism Industry Incentives Law for the Republic of Nicaragua,” published in *La Gaceta*, Number 117, on June 21, 1999, is reformed and will read as follows:

“**Art. 6.** The Executive Branch, through INTUR, may declare “Special Tourism Planning and Development Districts” (Z.E.P.D.T.s), as specified in Number 4.11.2 of Article 4 of this Law, contingent upon prior approval by the National Tourism Council.

Included among these districts are those that present special conditions for attracting tourism, but that lack basic infrastructure for its development.

These Special Districts also include specific areas promoted by INTUR—detailed in the Master Plans and Guides formulated jointly with INC and MARENA—as “focal points” for tourism development, either for their urban/cultural/historical interest or context, or their environmental/natural/ecological interest or context.

Finally, there are specific areas that cover a smaller territorial extension included in these Special Districts that merit special attention and treatment as a tourism resource.

To promote tourism projects in these special districts, the following benefits will be awarded:”

Art. 118. Number 6.2 of Article 6 of Law 306, “Tourism Industry Incentives Law for the Republic of Nicaragua,” published in *La Gaceta*, Number 117, on June 21, 1999, is reformed and will read as follows:

“6.2 Individuals or corporations that invest their earnings in the development of Special Tourism Planning and Development Districts (Z.E.P.D.T.s) through Capital Investment Funds for Tourism (FONCITURs) may deduct the total value of the investment made from their Annual Income Tax, up to an amount no greater than seventy percent (70%) of their annual fiscal obligations.

The percentage that may be applied to Income Tax (IR) deductions will be reduced once the FONCITURs begin operations, according to the following schedule:

Year	Percentage applied against Income Tax (IR)
1	70%
2	50%
3	40%
4	30%
5	20%
6	10%
7	0%

This schedule will remain in force and will be applied whether or not the investor contributes funds in all of the years specified.”

Art. 119. Article 21 of Law 306, "Tourism Industry Incentives Law for the Republic of Nicaragua," published in *La Gaceta*, Number 117, on June 21, 1999, is reformed and will read as follows:

"Art. 21. The incentives contained in this Law will be awarded by INTUR, contingent upon prior approval by the National Tourism Council, and through signing a Tourism Investment and Promotion Contract, which then must be ratified by special session of the National Tourism Council."

**TITLE X
MONITORING EXONERATIONS,
TRANSPARENCY AND FISCAL STABILITY**

Art. 123. Exemptions and Exonerations. All legal provisions that award fiscal exemptions or exonerations are revoked, except for the following, for effects of this Law:

12. Those contained in Law 306, Tourism Industry Incentives Law for the Republic of Nicaragua, and its Reforms.

**TITLE XI
ANNULMENTS**

Art. 125. Annulments. The following provisions are annulled:

11. Number 6.1 of Article 6 of Law 306, Tourism Industry Incentives Law for the Republic of Nicaragua, published in *La Gaceta*, Number 117, on June 21, 1999.

**TITLE XII
TRANSITORY PROVISIONS**

Art. 133. Capital Investment Funds for Tourism. The reform of Number 6.2 of Article 6 of Law 306, "Tourism Industry Incentives Law for the Republic of Nicaragua," published in *La Gaceta*, Number 117, on June 21, 1999, allows the Fiscal Credit mechanism to be used only through Capital Investment Funds for Tourism.

The tourism investment projects that have been approved by INTUR according to Law 306, prior to this Law's entry into force, will continue to benefit from fiscal credit certificates under the direct investment modality, until these finalize, according to the time period defined in the respective tourism investment contract. The annual emission of fiscal credit certificates will not surpass fifty million Cordoba's (C\$50,000,000.00).

With the publication of this Law, no Fiscal Credit Certificate will be awarded under a direct investment modality. This does not in any way prejudice the provisions of the previous paragraph.

APPENDIX 2

DECREE 53-2003
OF THE REFORM TO DECREE 89-99, REGULATION OF LAW 306,
TOURISM INDUSTRY INCENTIVES LAW FOR THE REPUBLIC OF NICARAGUA
Published on July 7, 2003, in La Gaceta Number 126

DECREE 53-2003
The President of the Republic of Nicaragua,

WHEREAS

I

That in conformity with Article 114 of Law 453, the Fiscal Equity Law, published in *La Gaceta*, Number 82, May 6, 2003, the operations of the National Tourism Council will be regulated by the Regulations of the corresponding Law.

II

Those agile procedures are needed for approving requests from projects related to tourism activities and services that wish to benefit from the incentives of Law 306, "Incentives for the Tourism Industry" and its Reforms.

In use of the faculties conferred upon him by the Constitution of the Republic,

HAS PRONOUNCED

The following:

DECREE

Reform of Decree 89-99, Regulation of Law 306, Tourism Industry Incentives Law for the Republic of Nicaragua.

Art.1. Article 7 of Decree 89-99, Regulation of Law 306, Tourism Industry Incentives Law for the Republic of Nicaragua, published in *La Gaceta*, Number 168, September 2, 1999, is reformed and will read as follows:

"Art.7. The incentives and benefits established in Law 306 will be approved by the National Tourism Council.

For individuals or corporations that wish to enjoy the benefits delineated in Number 5.2.7 of Article 5 of Law 306, their contributions will be considered as deductible costs from Income Tax, as established in Number 5.2.7. This does not signify that a Fiscal Credit Certificate will be awarded.

The total value of the annual investment that may be charged as fiscal credit may not surpass seventy percent (70%) of this individual's annual fiscal obligation.

For effects of the Second Paragraph of Article 133 of Law 453, The Fiscal Equity Law, tourism investment projects approved prior to this Law's entry into force may enjoy the benefit of fiscal credit under the direct investment modality, as long as they meet the following conditions:

1. This only applies to investments in permanent works, understood as construction and fixed equipment. Administrative costs, design studies, advisory costs, vehicles and furniture are excluded from such benefits.
2. Contributions to the tourism investment project must be made beforehand, duly demonstrating that the amounts contributed correspond to earnings for the respective fiscal period.
3. All investments must be certified by duly authorized accountants and technical staff."

Art.2. The title of Chapter V is reformed, and will read as follows:

"CHAPTER V
OPERATIONS OF THE NATIONAL TOURISM COUNCIL"

Art.3. Article 9 is reformed and will read as follows:

"Art.9. For application of Article 114 of the Fiscal Equity Law (Law 453), the National Tourism Council, from here forward referred to as The Council, will be regulated by the following provisions:

1. **Council Members:** The following officials will be permanent members of the Council:

- 1.1 The Presidency's Coordination and Strategy Secretary, or his/her delegate, who will preside.
- 1.2 The Minister of the Treasury Department, or his/her delegate (MHCP).
- 1.3 The General Tax Director, or his/her delegate (DGI).
- 1.4 The General Director of Customs Services, or his/her delegate (DGA).
- 1.5 The Representative of the National Chamber of Tourism, or his/her delegate (CANITUR).
- 1.6 The Representative of the Nicaraguan Chamber of Small Tourism Business, or his/her delegate (CANIMET).
- 1.7 The President of the National Assembly's Commission on Tourism, or his/her delegate.
- 1.8 The Executive President of the Municipalities Institute or his/her delegate (INIFOM).

Only permanent members of the Council will have voice and vote. They may designate a substitute, who must be accredited by written letter, indicating personal information, the position he/she will occupy, and the substitution period.

2. **Requisites.** The Director or delegate of the institutions making up the National Tourism Council must guarantee that:

- 2.1 During their tenure, they do not have any links, interests or economic relationships with Nicaraguan or foreign companies dedicated to any tourism activity;
- 2.2 In the case of representatives from the private tourism sector, individuals named as representatives must be duly accredited; and
- 2.3 Representatives from the private tourism sector must accredit their representatives through notarized certification, which states designation by the Board of Directors of the Association that they represent.

3. **The Council's Sphere of Duties:** The Council will be responsible for the following:

- 3.1 Verifying that the requests from Tourism Investment Projects pertain to the tourism activities defined in Law 306, its Reforms and its Regulations;
- 3.2 Determining if the development of a given tourism investment project will help improve and/or increase the supply of services for national and international tourism;
- 3.3 Verifying the commercial, technical, financial, economic and legal feasibility of requests presented, based on findings and recommendations issued by INTUR's Legal Department and its Operations and Investment Evaluation Department;
- 3.4 Approving or rejecting requests by Tourism Investment Projects, establishing the amount of investment receiving exonerations, the tourism category, and the corresponding fiscal incentives and benefits;
- 3.5 Approving or rejecting requests for Fiscal Credit Certificates (C.C.F.s) from tourism projects eligible under Article 133 of Law 453 (Fiscal Equity Law);
- 3.6 Approving or rejecting requests for concessions, based on the provisions of Law 306's Chapter IV, "State Concessions," and the provisions of Articles 11 and 26 of the Law's Regulations.
- 3.7 Approving or rejecting designations of Special Tourism Planning and Development Districts (Z.E.P.D.T.s), based on the technical proposals presented by INTUR;
- 3.8 Approving or rejecting the eligibility of tourism investment projects, based on the provisions of these Regulations;
- 3.9 Ratifying (in special sessions) the Tourism Investment and Promotion Contracts subscribed between INTUR and beneficiaries; and
- 3.10 Developing procedural norms for applying the incentives and benefits contained in Law 306.

4. **Appointment of the Secretary.** The National Tourism Council will name a Secretary who will provide technical and administrative support to the Council. This Secretary will not be a member of the Council, and will participate in sessions dealing with voice but without vote when issues related to his/her functions are addressed.

The Council Secretary will have the following responsibilities:

1. Coordinating and organizing the Council's operations;
2. Organizing the document files related to the Council's operations;
3. Facilitating communication between Council members, the INTUR Executive President, and Departments involved in tourism investment projects;
4. Preparing the agendas for Council sessions;
5. Convening ordinary and extraordinary sessions, after receiving authorization from the Council President;
6. Presenting projects submitted by INTUR to the Council. This presentation will include general information about the request, an executive project summary, and legal and technical-financial findings; and
7. Organizing Council minutes and maintaining them in chronological order and duly signed by participating members.

The remaining responsibilities will be assigned by the Council.

5. **Council Operations:** The Council will operate according to the following procedures:

- 1) Ordinary sessions will be held one time per week.
- 2) Extraordinary sessions will be held at the written request of the Council President or members (representing half plus one of the total members), as required.
- 3) All requests related to tourism investment projects will be presented in triplicate to the INTUR Legal Department, after complying with the requirements specified in Law 306, its Reforms, these Regulations, and any other norms.
- 4) The Council Secretary will provide members of the Council with findings and documents relevant to the request, at least five days prior to the session.
- 5) The Council may take up to fifteen (15) days to decide on requests submitted for consideration.
- 6) A quorum of Council members must be present for ordinary or extraordinary sessions. Half of the members plus one will signify a quorum. In the case that the Council President is absent, the Treasury Department (MHCP) delegate will preside over the session. Sessions may not be held if neither the Council President nor the MHCP delegate (in the case that the President is absent) is present.
- 7) Members may attend Council meetings in the company of other functionaries from the institution they represent, for informational or advisory purposes. Such accompanying functionaries may participate with voice but without vote.
- 8) Council resolutions will be analyzed and resolved on the basis of the legal and technical-financial criteria issued by INTUR's Legal Department and its Operations and Investment Evaluation Department.
- 9) During the sessions in which requests from applicants who are members of a Tourism Sector Chamber that is represented in the Council are reviewed and evaluated, the member representing said Chamber should excuse himself/herself from participating in the session.
- 10) Resolutions for each request presented will be issued, following any necessary legal and technical-financial consultations, after which voting will take place.
- 11) Resolutions will be passed by simple majority. A favorable vote will consist of half of the permanent or substitute members present plus one. In the case of a tie, the Council President will have a double vote. The votes against any request must be duly reasoned.
- 12) Minutes for each session will be kept, which will contain:
 - 12.1 The name of the applicant (individual or corporation), including personal data.
 - 12.2 The name of the project and its location.
 - 12.3 The amount of the proposed investment and a brief description of the investment segments.
 - 12.4 The Council's resolution, indicating approval or rejection of a given project.
 - 12.5 In the case of a favorable resolution, the category awarded as well as any benefits and incentives assigned should be indicated.
 - 12.6 In the case a project is rejected, the reasoning of Council members in making their decision should be indicated.
 - 12.7 The conditions and obligations specified for the Tourism Project.
 - 12.8 The signature of participants.
- 13) Project approval is linked to definition of the general terms of the incentives that will be available to the investor, according to the provisions of Law 306. These will become part of the Tourism Investment and Promotion Contract to be signed by the Nicaraguan Institute of Tourism and the investor. This contract must be ratified by the Council.
- 14) The criteria used by the Council to either approve or reject a request will become part of the Resolution to be written up by the Legal Department. This will be signed by the INTUR Executive

- President, and will then be forwarded to the Treasury Department, the Internal Revenue Service or the General Custom's Office, depending upon each case.
- 15) The minutes from the Council session must be signed by the members when the respective session concludes, for future transcription by the Legal Department and for inclusion in the respective resolution and notification of interested parties.
 - 16) Once the interested parties are notified, they may either accept or reject the resolution. In the latter case, they make use of administrative procedures defined in the "Organization, Competence and Procedural Law for the Executive Branch of Government (Law 290), published in *La Gaceta*, Number 102, on June 3, 1998. The National Tourism Council is charged with resolving an Appeal for Review, and the Executive President of INTUR a Remedy of Appeal.

Art.4. The National Tourism Council is empowered to define the norms and procedures required for awarding the benefits and incentives delineated in Law 306, its Reforms and these Regulations.

Art.5. Decree 67-2000, published in *La Gaceta*, Number 150, on August 9, 2000, is abolished.

Art.6. This Decree will enter into force upon publication in *La Gaceta*.

Given in the City of Managua,
Casa Presidencial,
On the first day of June
Of the year two thousand and three.

ENRIQUE BOLAÑOS GEYER
PRESIDENT OF THE REPUBLIC OF NICARAGUA