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Protection and promotion of investment under recent legislation in Honduras



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General framework

- Submission to foreign law and jurisdiction is permitted in civil matters
- Mediation and arbitration are enforceable dispute resolution mechanisms, party to New York Convention
- No general prohibitions of foreign exchange or repatriation of funds, including payments of rent, dividends or other income
- No restrictions on foreign ownership of any property, with limited exceptions, or requirements for residency
- Generally, national treatment for all foreign investors



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Secure property purchases

- Secure property purchases: A property purchaser can file an application to extinguish any future claims against it
- Properties above US\$500,000 in value must submit to arbitration for ownership disputes, and any claimant must acquire a surety for 100% of the property value
- A development in property conflict may be placed in trust by the government to allow project to conclude



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Tax incentives

- Tax stability agreements available for investments above US\$2 million
- Preoperational and setup expenses may be amortized for up to 5 years against income tax
- Special tax incentives for particular sectors like renewable energy, rural development and others



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Hourly wage program

- Employers can pay a fixed hourly wage (that must be higher than the minimum wage plus 20%) that includes all severance and related labor rights
- The hourly wage program simplifies the labor relationship and makes it more difficult for complaints to arise, as employee wages already include compensation
- Call or contact centers are allowed to have 100% of their payroll as hourly wage workers



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One-stop shop

- Investment projects above US\$50 million can request a single authorization from the government for operation in Honduras
- The certificate issued by the government for such a project will include all the permits necessary for the operation
- The approval period for a fast-track investment project is stipulated as 30 days or less



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Free trade zones

- Locations available for industrial operations which are free from import duties and income tax
- Operations can begin immediately if they are located in an already existing industrial zone park
- Duties are only paid, and income taxes are only paid for products sold or commercialized in Honduras



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Charter cities

- Honduras has established a unique investment opportunity, called the Special Economic Development Zone or “ZEDE”
- ZEDEs may constitute their own jurisdiction, and would have functional and administrative autonomy from the government: including its own laws and administration
- Only sovereignty, national defense, territorial limits, criminal law enforcement, electoral matters, and issuing national documents would still remain the jurisdiction of the national government



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Charter cities (contd.)

- The ZEDE would have the attributions of municipality, and would be able to tax, incur in debt, establish a budget, and implement its own spending plan
- The ZEDE would not be subject to any other tax, exchange rate, currency, or other budget or monetary laws
- The implementing law contemplates the ZEDE could be used to create: financial centers, logistical centers, autonomous cities, international commercial courts, among others



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Public-private assns.

- The government can enter into partnerships with private parties to develop any state asset or administrate any government service to consumers
- The foregoing includes partnerships to develop mining concessions, telecommunications licenses, highway maintenance, or others



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