

HONDURAS



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DOING BUSINESS IN LATIN AMERICA AND THE CARIBBEAN





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PREPARED BY MERITAS LAWYERS
IN LATIN AMERICA AND THE CARIBBEAN



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DOING BUSINESS IN LATIN AMERICA AND THE CARIBBEAN

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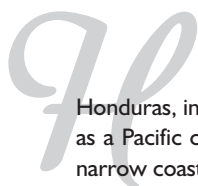
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ARS	Argentinean Peso	DOP	Dominican Republic Peso
BSD	Bahamian Dollar	GTQ	Guatemalan Quetzal
BRR	Brazilian Cruzeiro Real	HNL	Honduran Lempira
KYD	Cayman Dollar	MXN	Mexican New Peso
COP	Colombian Peso	NIO	Nicaraguan Córdoba
CRC	Costa Rican Colón	PYG	Paraguayan Guarani
USD	United States Dollar	UYU	Uruguayan Peso

Please be aware that the information on legal, tax and other matters contained in this booklet is merely descriptive and therefore not exhaustive. As a result of changes in legislation and regulations as well as new interpretations of those currently existing, the situations as described in this publication are subject to change. Meritas cannot, and does not, guarantee the accuracy or the completeness of information given, nor the application and execution of laws as stated.



Honduras, in the north-central part of Central America, has a Caribbean as well as a Pacific coastline. Generally mountainous, fertile plateaus, river valleys and narrow coastal plains mark the country. With 112,090 square kilometers and an estimated population of 8,296,693. Honduras has a GDP per capita of about USD4,400 (2011 est.). The labor force in the country is around 3.461 million (2011 est.), and unemployment is 4.8% (2011 est.). The population below poverty line is 60%. The traditional exports have been coffee and bananas, but diversification over the last 20 years has included nontraditional exports such as shrimp, tilapia, lobster, melons, citrus, corn, African palm, timber, palm oil, lumber, gold and wood. Tourism and generation of clean energy are growing industries. Honduras also has extensive forest, marine and mineral resources.

There are four main ports and terminals, strategically located in the Pacific and Atlantic Ocean, which make Honduras attractive for export/import of products and services. These ports and terminals are: La Ceiba, Puerto Cortés and Tela (Atlantic Ocean) and San Lorenzo (Pacific Ocean). Puerto Cortés is the largest port, handling the majority of the international trade, and is certified with Container Security Initiative (CSI), making it a secure port and one of the three in Latin America that holds this certificate.

Honduras is a Democratic Constitutional Republic. The 1982 constitution provides for a strong executive, a unicameral National Congress, and a judiciary appointed by the National Congress. The president is directly elected to a four-year term by popular vote. The Congress also serves a four-year term with congressional seats assigned to the parties' candidates in proportion to the number of votes each party receives in the various departments.

The Honduran legal system is based on the civil law system. The judiciary includes a Supreme Court of Justice, courts of appeal and several courts of original jurisdiction such as civil, labor, administrative, family and criminal courts. In 2010 a new Civil Procedure Code came into force. This new Code is a great benefit for the country because it expedites civil processes by principles of orality and immediacy. This new process solves controversies and execution of guarantees in a faster way. Special processes have been created to solve conflicts in mortgages, leases, intellectual property and unfair competition, among others, ensuring prompt justice in the field of investment.

The official language is Spanish; however, English is widely spoken in business transactions.

FOREIGN AND NATIONAL INVESTMENT

The Honduran government welcomes foreign investment, which is accorded the same rights as domestic investment (national treatment). The main legal framework that stimulates and guarantees foreign and national investment in Honduras is defined in the Constitution and the recently enacted Law of Promotion and Protection of Investments (2011) and its regulation, as well as other laws and tax incentives in different investment areas.

Under the new investment law, the term “investment” is very broad, covering any company, national or foreign, which purchases or acquires assets in Honduras (tangible or intangible) with the purpose of generating profit by legal means. Investments are covered and afforded protection by this law, which asserts that the government’s primary interest is the attraction, promotion and protection of investments, whether national or foreign. This law and its regulation provide investors with protections, guarantees and instruments to foster their growth and development, such as title insurance, a special regimen for conflict resolution for land disputes and a regimen to guarantee recovery of investments in improvements and the continuity in projects in execution. In addition to the guarantees established in the Constitution and laws, some of the main benefits of this law are the following:

- Stability contracts for government and municipal taxes for investments above USD2 million.
- Import of goods and services necessary to operate, payment of royalty fees, rents, annuities and technical assistance. Remittance of dividends and capital repatriation.
- National Treatment Principle (within limitations of the law).
- No restrictions or limitations for access to the market for investments in the country.
- The right to make foreign transfers in money or securities of their profits, capital gains, dividends, royalties and rights derived from the use and transfer of their technology, or of their whole investment.
- Right to obtain credit in our financial system under equal conditions with respect to Honduran companies.
- The free participation of foreign investment in the equity structure of corporations, except the requirements established in the Law for the Promotion of Public-Private partnerships.
- The right to establish without restrictions, subsidiaries, branches, representative offices or joint ventures.
- Tax benefits (partial tax exoneration for eligible projects) and five-year amortization of certain pre-operating expenses.

Some of the most important achievements of this law with respect to dispute resolution are:

- It is legal to choose a foreign law and jurisdiction to govern in contracts entered into in Honduras among national and foreign investors and among these with the government (foreign choice of law was not allowed by our Civil Code).
- Investors are guaranteed full recognition of foreign arbitral awards according to the New York Convention, Panama Convention, ICSID and treaties approved and ratified by Honduras for reciprocal protection of investments.
- Disputes arising from the application of the investment law between investors and the government can be resolved by negotiation, conciliation or mediation. If no agreement is reached, the parties can use international arbitration under ICSID, arbitration in one of the national Centers for Conciliation and Arbitration or the national judicial system.
- Disputes related to conflicts among shareholders, disputes among investors, disputes in intellectual property, representation and distribution contracts, antitrust and real estate, may be subjected to arbitration even if no arbitral clause was agreed among the parties. The parties may waive this right and choose the courts to solve these matters.

SECURED TRANSACTIONS LAW

With the enactment of the Secured Transactions Law—the first of its kind in the region—Honduran businesses, entrepreneurs, farmers and other individuals can increase their economic transactions and access to credit with the use of “movable property,” like equipment, shop inventory, future crops, tractors, supply contracts, sewing machines, accounts receivable and other non-real property which can serve as collateral when applying for credit. This law simplifies the constitution, publicity and provides a simpler and expedited process for execution of guarantees.

A registry was created for filing, constituting and giving publicity to secured transactions under this law. This registry began operations in January 2011 and is managed by the Chamber of Commerce and Industry in Tegucigalpa, and recently, San Pedro Sula. Registry users, including retailers, banks and microfinance and other financial institutions, are now able to securitize credit with both tangible and intangible movable property. The low cost to register property—HNL200 or USD10—has encouraged user participation and led to a financially sustainable system.

COMMERCIAL TREATIES

Honduras has in force seven commercial treaties, six bilateral and one multilateral, considered of great importance for its productive and economic growth. Honduras is also a member of the WTO and of the Central American Common Market, which is a Customs Union.

The Trade Agreements are:

- United States of America, Dominican Republic and Central America Free Trade Agreement (DR-CAFTA);
- Chile and Central America Free Trade Agreement;
- Taiwan, El Salvador and Honduras Free Trade Agreement;
- Panama Free and Central America Free Trade Agreement;
- Colombia and Guatemala, El Salvador, Honduras Free (CA-3) Free Trade Agreement;
- Mexico and El Salvador, Guatemala, Honduras Free Trade Agreement;
- Dominican Republic and Central America Free Trade Agreement.

Other negotiated treaties and agreements are:

- Association Agreement between the European Union and Central America (pending approval by the National Congress).
- Canada and Honduras, Guatemala, El Salvador, Nicaragua Free Trade Agreement (pending approval by the National Congress).
- Mexico and Honduras, Guatemala, El Salvador, Costa Rica and Nicaragua Free Trade Agreement (pending the entry into force of the Treaty).
- European Free Trade Association (negotiation in process).
- Free Trade Agreement with Peru (negotiation in process); and,
- Free Trade Agreement Corea (negotiation in process).

For more information in commercial treaties and agreements subscribed by Honduras see <http://www.sic.gob.hn/dgiepc/index.html>.

ACQUISITION OF LAND BY FOREIGNERS

Foreigners can own land in any part of the country; however, a constitutional restriction (Art. 107) applies in designated tourism zone and in land located within 25 miles (40 kilometers) of Honduras' international borders, shorelines, islands or cays. The general rule is that only Honduran nationals or companies formed entirely by Honduran nationals can own these properties.

In 1990, Decree 90-90 was enacted to create the law and regulations for the acquisition by foreigners of land within the constitutional restricted areas. The

Law for the Acquisition of Urban Land In Restricted Areas Under Article 107 of the Constitution, and its regulations, authorizes foreigners to own land within the restricted zones, but ownership for foreigners is limited in these areas to an area of 3,000 square meters, and the land must be used for housing purposes; however, this Law and Regulation also allows foreigners or foreign companies seeking to purchase land in restricted areas for tourism, economic development, social development or public interest projects exceeding 3,000 square meters in size, to own land, provided that prior to the purchase they file an application before the Honduran Tourism Institute, a government entity.

SPECIAL INVESTMENT AREAS

In recent years, the Honduran government has taken steps to create a more favorable investment climate, especially in key sectors including energy, public-private alliances, concessions and tourism. A high population of young English-speaking students and Central America's best Caribbean port (Puerto Cortés) have also made Honduras increasingly attractive to investors.

CALL CENTERS

In August 2012 the Law for the Promotion of Call Centers and Business Process Outsourcing (BPO), came into force, creating regulations, procedures and benefits to incentivize this sector. The Ministry of Industry and Trade is the entity in charge of the application of the law and of granting authorizations to operate under this modality. Call Centers and BPOs have important tax benefits on income generated from the call center or BPO activities.

PUBLIC-PRIVATE PARTNERSHIPS

The Law for the Promotion of Public-Private Alliances came into force 16 September 2012, by Decree number 143-2010. Its main purpose is to direct and regulate bids for private-public participation in the execution, development and administration under various modalities, of government works and public services. They may be organized as a joint venture, participation agreement, trust agreement or any other form that results in a reliable execution of works and services required. The Commission of Public-Private Partner Promotion (COALIANZA), is the entity in charge of the management and promotion of projects and processes done by Public-Private Partner.

The procedures to apply this law are public national or international tenders, competitive national or international bids or any other procedure that guarantees free competition. Any person or entity, national or international, that is willing to form a Public-Private Partnership, for major projects shall demonstrate their prestige, experience, technical and financial capacity for the development of the project.

Some of the main private-public alliances approved under this law are the construction, expansion and maintenance of 391.8 kilometers of the Goascorán Road to Puerto Cortés, and one of the most important concessions which will take place is the design, construction, improvement, maintenance, financing, equipping and operation of the existing and new infrastructure and the Container Terminal of the Puerto Cortés port.

CLEAN ENERGY

The Promotion and Generation of Electric Power with Renewable Sources was enacted in 2007. Although this law came into force in 2007, it wasn't until 2012 that the government decided to grant special interest and attention to importance of incentivizing the generation of renewable energy. The different types of clean energy that may be produced in Honduras are biomass, wind, geothermal, hydroelectric and solar.

National demand for energy is around 1,392.20 MW according to the national utility energy company (ENEE in Spanish), of which 70% is at present being generated by private thermic plants and only 30% by hydroelectric and other renewable resources such as biomass. Currently with the unstoppable rise of the cost of fuel, the government declared a priority interest the production of clean energy with renewable resources, making it one of the goals of this government to gradually migrate and transform the type of energy used in the country by incentivizing the generation and production of clean energy.

Many hydroelectric projects are currently operating and many others are under construction, as well as big projects such as PATUCA. The biggest Eolic park in Central America is located in Cerro de Hula and is owned by Globeleq Mesoamerica Energy (GME). Currently many other eolic projects are under development.

Amendments have been made to laws in the energy sector to provide various types of incentives (tax, government rate, sovereign guarantees, etc.), to attract investors in this area.

FREE ZONES

Additionally, with the purpose of promoting exports, attracting investment, stimulating production, competition and job creation, Honduras grants benefits to local and foreign companies by means of special regimes (Free Zone Law, Export Processing Zone Law and Temporary Import Law).

Foreign companies exporting from Honduras can take advantage of the following special incentives.

Free Zone Law

A special law has been established for export companies operating in Free Zones and provides the following benefits:

- Companies can be located anywhere in Honduras
- No import or export duties for material, equipment or office supplies required by the manufacturing plant
- Companies are exempt from income, city and county taxes
- 100% repatriation of currency is permitted
- Paperwork required to clear incoming or outgoing shipments is minimal

Export Processing Zone Law

Since its approval in 1987, private Export Processing Zones can be established in any delimited zone of the country; companies within these zones enjoy the same benefits as Free Trade Zones.

Temporary Import Law

This is applicable to companies operating outside the designated Free Zones or Export Processing Zones, which export 100% of the total production to markets outside the Central American region. Qualifying companies can import duty-free all equipment and materials required to manufacture their goods. However, income and city taxes and a customs broker fee must be paid. Special approval must be obtained to operate under the Temporary Import Law.

Tourism Incentives Law

This law was enacted in 1999 and offers tax exemptions for national and international investment in tourism or services related to tourism projects in Honduras. These incentives only apply to new projects and they may not be transferred. There is a requirement that the business must be located in a designated tourism zone in order to qualify for tax exemptions and duty-free status. Hotels, time-shares, air transport, water transport, souvenir shops and stores, tourism agencies, convention centers, car rental companies and other related services are included in the tax incentives and exemptions. Casinos, nightclubs, movie theaters and fast food and restaurants are excluded under this law. One of the greatest benefits of this law is the exemption of payment of income tax for 15 years, exemption for all equipment and goods required to build and equip the project until fully operational, exemption from all taxes for 15 years for the importation of promotional and publicity material for the project, and a tax exemption for 10 years for reposition of deteriorated equipment.

COMPETITION AND ANTIMONOPOLY REGULATIONS

The Law for the Promotion and Defense of Competition contains the legal framework for antitrust and competition in Honduras. This law is applicable to all economic activities performed by companies, whether foreign or national, which will have effect in Honduras. The term economic concentration is very broad under this law; thus, generally, a clearance from the Commission for the Promotion and Defense of Competition must be obtained prior to closing most acquisitions.

BUSINESS ENTITIES

Honduran law recognizes the following forms of business organizations:

- Corporations (*Sociedad Anónima*)
- Limited Liability Companies (*Sociedad de Responsabilidad Limitada*)
- Limited Partnerships (*Sociedad en Comandita Simple*)
- General Partnerships (*Sociedad en Nombre Colectivo*)
- Incorporation of a Foreign Entity (Investment Law)

The most widely used forms of business organization are Corporations and Limited Liability Companies. Individuals or another legal entity, regardless of citizenship and domicile, can form these business entities. There are no nationality or residence requirements for shareholders and boards of directors. All legal entities, except the establishment of a foreign company according to the new Investment Law, must be formed before a notary public, must be registered in the Public Registry of Commerce and must obtain a Tax ID. Additional municipal permits are required.

CORPORATIONS (*SOCIEDAD ANÓNIMA*)

This is one of the most commonly used types of business organization. In this type of business entity, shareholders' liability is limited to their capital contributions. Shareholders hold stock or share certificates and must be registered in the Shareholder Registry Book.

Minimum Capital Stock

The minimum capital stock is HNL25,000 or approximately USD 1,256 (at current foreign currency exchange rates).

Number of Shareholders

A minimum of two shareholders is required. Each shareholder must hold at least one share.

General Shareholders' Meeting

This is the corporation's governing body and is formed by all shareholders. Shareholders can meet for an ordinary meeting for the discussion, approval or disapproval of the financial statements of the previous fiscal year, appointment and/or revocation of officers, and any other matters provided for in the articles of incorporation and bylaws. Extraordinary meetings can be held at any time of the year for matters such as the increase or diminution of capital, modification of the company's bylaws and articles of incorporation and any other matter.

Board of Administration

The members of the board of administration are appointed at the foundational shareholders' meeting, or can be named thereafter. Revocation and appointment of new members can be made in general shareholders' meetings.

There is no minimum requirement for the number of members of the board of directors. It has become customary, however, to have three members: president, secretary and treasurer. The president of the board of directors is the legal representative of the company and holds its power of attorney.

Honduran law also allows for a sole administrator, in which case this person is responsible for the decisions of the company. When this type of administration is elected, the sole administrator is the legal representative of the company, with full power of attorney.

Additionally, the audit organ of the company requires for the existence of a controller.

LIMITED LIABILITY COMPANY

This business entity is comprised of partners whose liability is limited to their capital contributions. Small companies or family businesses use this type of company. It is the equivalent to the Limited Liability Company used in the United States.

Minimum Capital Stock

As with corporations, the minimum capital stock is HNL5,000 or approximately USD252 (at current foreign currency exchange rates).

Capital stock is not divided into shares; rather, partners are quotaholders, owners of one social part each, which amounts to the capital contribution made to the company. Social quotas are not as easily transferable as shares. A unanimous consent of the other partners is required in case a partner wishes to sell or transfer the quota to another party. The sale or transfer must be registered in the Public Registry of Commerce.

Number of Quotaholders

A minimum of two quotaholders is required, but the maximum number is limited to 25 quotaholders. Each quotaholder must hold at least one social part.

General Quotaholders' Meeting

This is the entity's governing body and is formed by all quotaholders. Meetings can be ordinary, extraordinary or joint, with the same subjects specified for corporations.

Management

The company can have one or more managers. The company's bylaws and articles of incorporation determine this, or a special appointment can be made by means of a general quotaholders' meeting. Managers can be quotaholders or persons not related to the company.

There is no minimum requirement for the number of members of the board of directors. It has become customary, however, to appoint three members: president, secretary and treasurer. The president of the board of directors is the legal representative of the company and holds its power of attorney.

Honduran law also allows for a sole administrator, in which case this person is responsible for the decisions of the company. When this type of administration is elected, the sole administrator is the legal representative of the company, with full power of attorney.

Additionally, the audit organ of the company requires that there be a controller.

LIMITED PARTNERSHIPS AND GENERAL PARTNERSHIPS

These types of business entities are rarely used because of a series of disadvantages.

ESTABLISHMENT OF FOREIGN CORPORATIONS

Branches, subsidiaries, representation offices and joint ventures of foreign corporations can operate and conduct businesses in Honduras according to the Law of Protection and Promotion of Investment by filing and registering in the Public Registry of Commerce the articles of incorporation and bylaws of the parent company.

The foreign company must provide the following documents:

- Grant a power of attorney.
- Attorney must file in the Public Registry of Commerce for registration:

- ▶ A copy of the certificate of registration or articles of incorporation and bylaws of the parent company.
- ▶ Minutes of the general shareholders or board meeting where appointment of a permanent representative is made. The permanent representative must reside in Honduras and will have full powers of attorney to act on behalf of the branch.

All documents mentioned above must be translated into Spanish (when applicable) and be formally legalized to have full force and effect in Honduras by the Apostille or authentication by the Honduran Consulate. The Public Registry of Commerce must proceed with the registration without requiring from petitioner any authorization of any other government entity. The domicile of the foreign entity will be the place where the registration of the foreign company was made.

TAXATION

The tax year in Honduras is the calendar year and has a moderate tax rate. Both the top income tax rate and the top corporate tax rate are 35% (a 25% corporate tax rate plus a 10% temporary social contribution tax). Other taxes include a value-added tax (VAT), capital gains tax and dividend tax.

District and municipal governments obtain their revenues from taxes on amusements and livestock consumption, and from permits, licenses, registrations, certifications, storage charges, property taxes and fines.

INCOME TAX

Personal income in Honduras, whether obtained by a Honduran national or a foreigner resident or domiciled in Honduras, is taxed according to a progressive schedule with rates running from 15% to 25% on total net income. Local businesses income is taxed at 25% plus 10% of a Temporary Social Contribution Tax. Income obtained by nonresident or nondomiciled foreign individuals or entities will be taxed at 10%, for every income.

PROFITS AND DIVIDENDS TAX

Income of persons and companies derived from profits or dividends distributions are taxed with a 10% tax rate.

NET ASSET TAX

Asset value included in the financial statements, minus the provisions for accounts receivable, cumulated depreciations allowed by the Income Tax Law, are called net assets, and comprise the taxable base upon which the tax is calculated. This tax equals 1% of annual payment, applicable to companies and

persons domiciled in Honduras and classified as merchants according to Honduran laws. This tax will be applied without taking into account nationality or domicile of the owners of the net asset or the region of the country in which it is located.

EXCISE TAX

Excise taxes are imposed mainly on beer and cigarettes, but also on imported matches, soft drinks, imported sugar, and new and used motor vehicles.

SALES TAX

A general 12% tax is applied to most products. Goods exempted from this tax include staple foods, fuels, medicines, agro-chemicals, books, magazines and educational materials, agricultural machinery and tools, handicrafts and capital goods such as trucks, cranes and computers, among others. Goods and services imported by *maquilas* and other firms protected under the Special Export Development Regimes are exempt from sales tax.

A 15% sales tax is applied to beer, brandy, compound liquors and other alcoholic beverages, cigarettes and other tobacco products. The tax is levied on the distributor price, minus the amount of the production and consumption tax on both imports and national products.

INTELLECTUAL (INDUSTRIAL) PROPERTY

In Honduras, the framework for the protection of intellectual and industrial property rights can be found in these laws:

- Law on Copyrights and Related Rights. Decree 4-99-E
- Industrial Property Law. Decree 12-99-E
- Paris Convention for the Protection of Industrial Property
- Patent Cooperation Treaty (PCT)
- Agreement on Trade-Related Aspects of Intellectual Property (TRIPS)
- Universal Copyright Convention
- Berne Convention for the Protection of Literary and Artistic Work
- Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations
- Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure
- Other WTO and WIPO agreements

- Implementation law of CAFTA-DR related to intellectual and industrial property. Decree 16-2006
- Intellectual Property in CAFTA-DR
- Law for the Promotion and Protection of Investments

APPLICATION REQUIREMENTS

For the protection of contracts and acts that grant rights and obligations with respect to intellectual property rights, the petitioner must file an application with the Administrative Office of Intellectual Property. For foreign companies, an apostilled and translated power of attorney is necessary.

Trademarks

- Power of attorney
- Company bylaws and articles of incorporation
- 20 labels with the design of the trademark (2x4 inch)
- Completed application form

Patents (Invention, Utility Models and Industrial Designs)

- Power of attorney
- Two copies (original and copy) of the patent description and its main uses
- Two copies (original and copy) of the invention description
- Two copies (original and copy) of a summary of the patent description and invention description
- Two photographs, blueprints, etc.
- Completed application form
- For chemical formulas and designs, a 7x7 inch sample must be provided

TERMS OF EFFECTIVENESS

Trademarks: 10 years (renewable indefinitely)

Patents: 20 years (nonrenewable)

Copyrights: during the author's life and 75 years after his death

APPLICATION COST

Legal fees and expenses for registration of trademarks are approximately USD550. For patents, legal fees and expenses are approximately USD800.

INTELLECTUAL AND INDUSTRIAL PROPERTY OFFICE

The Administrative Office of Copyrights and Related Rights is the agency in charge of applying administrative sanctions to those responsible for infringement of copyrights and related rights and industrial property rights. Notwithstanding the administrative sanctions that this agency imposes to infringing parties, civil and criminal actions can be brought against the infringing parties in local courts.

LABOR LAW

HIRING OF EMPLOYEES AND LABOR CONTRACTS

By law, employers and workers must enter into a labor contract that must be signed by the parties. If the employer does not provide a contract, the work relation becomes an implied contract in which the employee maintains all rights under law.

A National Hourly Employment Program (part-time employment) came into force in 2010. This temporary program allows employers to hire part-time employees and pay for work performed on an hourly basis. The employee hired under this program has every right that a permanent employee has, such as payments, Social Security benefits, to be hired in a permanent position, compensation based on worked hours with a surplus percentage, among other benefits.

BENEFITS AND LABOR RIGHTS

Local Labor Requirements

- A 90% Honduran labor force (equivalent to 85% of payroll)

Labor Benefits

- One day wage/week
- Full month pay bonus in December and June
- Social Security
- School Bonus

Work Shifts

- Day: must be between 5:00 am and 7:00 pm
- Night: must be between 7:00 pm and 5:00 am
- Mixed shift
- Day shift must not exceed 44 hours a week
- Night shift must not exceed 36 hours a week

Remuneration

- Night work 25% surcharge
- Overtime 25% (day), 50% (night)

Rest and Holidays

- One day rest for every six days worked; preferably Sundays, although it might be given any other day of the week.
- Paid holiday on: January 1; Thursday, Friday and Saturday of the Holy Week; Easter; April 14; May 1; September 15; October 3, 12, 21; and December 25

Vacations

- 1 year = 10 days
- 2 years = 12 days
- 3 years = 15 days
- Over 4 years = 20 days

SOCIAL SECURITY (IHSS) AND PENSION CONTRIBUTIONS (RAP)

The Social Security System (IHSS in Spanish) covers sickness, accidents, handicap, maternity, retirement pension and death of their affiliated members.

Employer pays 7% and employee pays 3.5% levied on a maximum of HNL7,000, approximately USD352 (depending on current exchange rate), of the employee's salary, that is, for each employee approximately USD25 to be paid by employer and USD12.50 by employee.

Additionally, a pension contribution of 1.5% of the gross salary of employees is mandatory under the Private Contribution Regimen (*Regimen de Aportaciones Privadas*).

MINIMUM WAGE

In Honduras payment of the minimum wage is mandatory; thus, no inferior wage can be paid, even if workers agree so. Establishment of minimum wage automatically modifies labor contracts. Minimum wage is mandated by means of an Executive Decree, agreed by the government, worker and employee organizations, and is revised and negotiated on a yearly basis. Currently, minimum wage varies from the type of service to the number of employees an entity has, going from HNL4,600 to HNL7,200 (approx. USD232 – USD362).

Procedures to establish and apply minimum wage are established in the Law on Minimum Wage and are set according to occupation categories, economic activities and other classifications deemed reasonable by the Minimum Wage

Commission. The law empowers the parties to agree on the factors to set minimum wage. Nowadays, the only agreed factor is the Inflation Index, whose main index, as well, is the Consumers Price Index (CPI), reflected in the access to staple foods. The Honduras Central Bank provides this Inflation Index.

The Minimum Wage Commission is comprised of representatives of employees, employers and government. The negotiation must be made by representatives of employer and employee organizations. If no agreement is reached, the president is empowered to determine and approve the new applicable minimum wage.

HIRING OF FOREIGN EMPLOYEES

Foreigners can be hired by Honduran and foreign corporations. As a previous requirement, it is necessary to obtain a working permit (to be renewed every two years) from the Labor and Social Welfare Ministry. In addition, it is necessary that the Office of Foreigners and Migration issue a Special Permanence Permit under a private contract for foreign employees.

TRADE

IMPORT RESTRICTIONS

Honduran law prohibits discriminatory or preferential export and import policies affecting foreign investors.

The import of ground vehicles over seven years old and passenger buses over 10 years old is prohibited, except for vehicles considered to be classic collectible cars. Import of refurbished and right-hand drive vehicles is also prohibited. Import restrictions are also imposed on firearms and ammunition, toxic chemicals, pornographic material and narcotics. Import restrictions are mostly based on phyto-sanitary, public health and national security factors. The implementation of CAFTA-DR is leading toward the elimination of market access barriers for all products other than white corn.

IMPORT DUTIES

The duty assessed by the Honduran government at the time of customs clearance ranges between 0% to 15%, for most items. Honduras is a member of the Central American Common Market (CACM) which also includes Guatemala, El Salvador, Nicaragua and Costa Rica. CACM members apply a common external tariff (CET) for manufactured and imported products from outside the CACM. Honduras' tariffs on most goods outside the CACM are currently within the 0% to 15% range.

There is a value added tax of 12% that is applied on cost, insurance and freight (CIF) value plus duty applied to most products, but many items of necessity and handicraft are exempted.

With CAFTA-DR, more than 80% of U.S. exports of consumer and industrial goods will enter the region duty-free, with the remaining tariffs phased out over 10 years. Duties on remaining U.S. products will be phased out over a period of up to 20 years. Nearly all textile and apparel goods that meet the agreement's rules of origin will be duty-free and quota-free immediately. It is first necessary to obtain the appropriate Harmonized System classification number for determining when a particular product can enter the CAFTA-DR region duty-free.

Honduras maintains a combination price band mechanism and absorption agreement for corn, grain sorghum and corn meal. Under the price band mechanism, duties vary from 5% to 45% depending on the import price. The tariff is calculated every 15 days using international prices plus freight and insurance charges.

TEMPORARY IMPORT LAW

The Temporary Import Law (RIT in Spanish) was enacted in 1984 and allows exporters to introduce raw materials, parts and capital equipment into Honduran territory exempt from surcharges and custom duties as long as the material or part is to be incorporated into a product, which is exported out of the country.

For additional information on exports refer to Special Investment Areas under Foreign Investment.

ENVIRONMENTAL LAW

Honduras is a country where environmental wealth is very important and can be exploited in mining, forestry and agriculture industries. These industries are a great importance to our economy.

General Environmental Law and its Regulation came into force on June 1993 under the decree number 104-93. This law contains the regulations for the protection, monitoring and inspection to the well being of the environment. It also contains penalty provisions for infringing parties. This law promotes a framework to guide the agricultural, forestry and mining companies. Environmental licenses are required for these projects. Currently, a new mining law is still pending approval by Congress.

The Law of Forest Areas, Protected Areas and Wildlife came into force by the Decree Number 98-2007, 19 September 2007. It is one of the most important laws for tourism and environmental development.

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